

## PART A: EXPLANATORY NOTES AS PER MFRS 134

### A1. Basis of Preparation of Interim Financial Statements

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

This Condensed Report is the Group’s first MFRS compliant Condensed Report and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied. The date of transition to the MFRS framework is 1 January 2011. At the transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing the Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2011.

### A2. Changes in Accounting Policies

#### MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

		<b>Effective for annual period beginning on or after</b>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

**A3. Qualification of Financial Statements**

The preceding year annual audited financial statements were not subject to any qualification.

**A4. Seasonal and Cyclical Factors**

The Group's results were not materially affected by any major seasonal or cyclical factors.

**A5. Unusual and Extraordinary Items**

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cashflows during the period under review.

**A6. Material Changes in Estimates**

There were no significant changes in estimates reported in prior financial years which have a material effect in the current quarter.

**A7. Debts and Equity Securities**

There were no issuance or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter ended 30 June 2012.

**A8. Dividends Paid**

No dividends were paid during the current quarter.

**A9. Valuation of Property, Plant and Equipment**

There is no revaluation of property, plant and equipment, as the Group does not adopt a revaluation policy on property, plant and equipment.

**A10. Subsequent Events**

There were no material events subsequent to the quarter under review.

**A11. Changes in Composition of the Group**

There were no changes in the composition of the Group for the current financial period.

**A12. Contingent Liabilities**

As of to-date, the Company has given unsecured corporate guarantees totaling RM20,821,536 to certain financial institutions for term loan and other credit facilities granted to certain subsidiary companies. Accordingly, the Company is contingently liable to the financial institution to the extent of the amount of credit facilities utilised by the said subsidiary companies. The financial guarantees have not been recognised since the fair value on initial recognition is negligible.

**A13. Capital Commitment**

As of the date of this report, the Group has capital commitment not provided for in this report as follows:

	<b>RM'000</b>
Approved and contracted for:	
Purchase of machineries to be utilised in production of security seals	<u>760</u>

**A14. Segmental Information**

For management purposes, the Group is organised as one integrated business segment. The Group however, reviews sales performance by geographical market:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 30.6.2012 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.6.2011 RM'000</b>	<b>Current Year Quarter 30.6.2012 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.6.2011 RM'000</b>
Asia Pacific	8,619	7,327	16,512	14,927
America	7,068	5,541	13,790	11,194
Europe	4,039	5,714	7,745	10,823
	<u>19,726</u>	<u>18,582</u>	<u>38,047</u>	<u>36,944</u>

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of Performance**

For the second quarter 2012 (“Q2 2012”), the Group recorded revenue of RM19.726 million, which represents an increase of 6% as compared to revenue of RM18.582 million for the corresponding quarter of the preceding year (“Q2 2011”). Revenue from Asia Pacific and America regions have increased by 17.6% and 27.6% respectively. However, the Euro crisis continues to pose challenges for the Group. Slower demand in Europe region resulted in a decrease in revenue from that region from RM5.714 million in Q2 2011 to RM4.039 million in Q2 2012, a reduction of approximately 29%.

While revenue has increased for the current quarter compared to the corresponding quarter last year, our gross profit margin has been slightly eroded in view of increase in labour costs. In addition, the Group has been investing in expansion of our sales and marketing operations globally. This has resulted in an increase in operating expenses for this quarter.

**B2. Variation of Results Against Preceding Quarter**

	<b>Current Quarter 30.3.2012 RM'000</b>	<b>Preceding Quarter 31.3.2012 RM'000</b>
Revenue – Seals	<u>19,726</u>	<u>18,321</u>
<b>Results</b>		
Profit before tax	1,231	1,212
Income tax expense	<u>(138)</u>	<u>(92)</u>
Profit from continuing operations	1,093	1,120
Loss for the period from discontinued operations	<u>(153)</u>	<u>(136)</u>
Profit for the period	<u>940</u>	<u>984</u>

The Group reported revenue of RM19.726 million in Q2 2012, which represents an increase of 7.7% as compared to RM18.321 million for the first quarter of 2012 (“Q1 2012”). Despite registering higher revenue, profit for the period did not increase significantly as the impact of upward revision of minimum wages in Thailand that took effect in April 2012 caused a reduction in our gross profit margin.

**B3. Prospects of the Group**

Moving forward, the Group expects that the sales momentum from Asia Pacific and America region will continue to grow in the second half of 2012 and be the main drivers of top-line growth for 2012. The Group also expects that the ongoing debt crisis in Europe will continue to affect the Group's performance in Europe.

Barring unforeseen circumstances, the Group expects that the positive bottom-line trend will be maintained in coming second half of the year 2012.

**B4. Profit Forecast or Profit Guarantee**

The Group has not provided any quarterly profit forecast for the period under review.

**B5. Income Tax Expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	Quarter	Corresponding Quarter
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current year:				
Malaysian	70	27	134	52
Foreign	-	-	-	-
Under/(Over)provision in prior years:				
Malaysian	53	-	53	-
Foreign	-	-	-	-
	123	27	187	52
Deferred tax:				
Current year – Foreign	16	1	43	34
	<u>139</u>	<u>28</u>	<u>230</u>	<u>86</u>

Domestic current income tax is calculated at the statutory tax rate of 25% of the taxable profit for the period. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate as calculated above is lower than the prevailing statutory tax rate principally due to utilisation of unabsorbed tax losses and capital allowances as well as tax incentives available to a subsidiary company.

**B6. Profit for the Period**

Profit for the period is arrived at after the following (credit)/charges:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2012 RM'000	Preceding Year Corresponding Quarter 30.6.2011 RM'000	Current Year Quarter 30.6.2012 RM'000	Preceding Year Corresponding Quarter 30.6.2011 RM'000
Allowance for slow-moving inventories no longer required	(73)	-	(302)	-
(Gain)/Loss on disposal of property, plant and equipment	(33)	22	(44)	2
Fair value gain on financial derivatives	(41)	(19)	(41)	(32)
	<u>(41)</u>	<u>(19)</u>	<u>(41)</u>	<u>(32)</u>

**B7. Status of Corporate Proposals**

There were no outstanding corporate proposals as at the date of this report.

**B8. Group Borrowings**

The Group borrowings as at the end of the reporting period are as follows:

	Current RM'000	Non- current RM'000	Total RM'000
<b>Secured</b>			
Revolving credit	11,031	-	11,031
Long-term borrowings	2,996	12,939	15,935
Hire-purchase payables	1,368	2,910	4,278
	15,395	15,849	31,244
<b>Unsecured</b>			
Bank overdraft	1,202	-	1,202
Revolving credit	2,250	-	2,250
	<u>3,452</u>	<u>-</u>	<u>3,452</u>
	<u>18,847</u>	<u>15,849</u>	<u>34,696</u>

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	24,097
Thai Baht	10,599
	<u>34,696</u>

**B9. Derivative Financial Instruments**

Forward foreign currency contracts are entered into by the Group in currencies other than the functional currency to manage exposure to the fluctuations in foreign currency exchange rates on specific transactions.

Forward foreign currency contracts are recognised on the contract dates and are measured at fair value with changes in fair value are recognised in profit or loss.

The outstanding forward foreign currency contracts as at 30 June 2012 are as follows:

<b>Type of Derivative</b>	<b>Notional Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Fair Value Gain RM'000</b>
Forward foreign currency contracts			
- Less than 1 year	3,059	3,104	45

Any forward foreign currency contracts, entered by the Group, were executed with creditworthy financial institutions in Malaysia.

There have been no changes since the end of the previous financial year in respect of the following:

- (i) the Group's exposures to credit risk, market risk and liquidity risk;
- (ii) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- (iii) the risk management policies in place for mitigating and controlling the risks associated with financial derivatives contracts; and
- (iv) the related accounting policies.

**B10. Dividend**

No dividends has been paid, proposed or declared during the quarter under review.

**B11. Disclosure of Realised and Unrealised Profits or Losses**

The breakdown of the retained profits of the Group into realised and unrealised profits, pursuant to the directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

	<b>As at 30.6.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>
Total retained profits of the Group:		
Realised	11,457	18,964
Unrealised	2,082	2,104
	<u>13,539</u>	<u>21,068</u>

**B12. Earnings/(Loss) Per Share**

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.2012	30.6.2011	30.6.2012	30.06.2011
<b>Basic earnings/(loss) per ordinary shares</b>				
Profit attributable to owners of the Company (RM'000):				
Profit from continuing operations	909	1,681	1,901	3,079
Loss from discontinued operations	(153)	(225)	(289)	(328)
	<u>756</u>	<u>1,456</u>	<u>1,612</u>	<u>2,751</u>
Number of ordinary shares ('000)	99,052	99,052	99,052	99,052
Basic earnings/(loss) per share (sen):				
Continuing operations	0.92	1.70	1.92	3.11
Discontinued operations	(0.15)	(0.23)	(0.29)	(0.33)
	<u>0.77</u>	<u>1.47</u>	<u>1.63</u>	<u>2.78</u>
<b>Diluted earnings/(loss) per ordinary shares</b>				
Number of shares in issue ('000)	N/A	99,052	N/A	99,052
Shares deemed to be issued through the exercise of warrants	N/A	2,607	N/A	9,524
	<u>N/A</u>	<u>101,659</u>	<u>N/A</u>	<u>108,576</u>
Diluted earnings/(loss) per share (sen):				
Continuing operations	N/A	1.65	N/A	2.83
Discontinued operations	N/A	(0.22)	N/A	(0.30)
	<u>N/A</u>	<u>1.43</u>	<u>N/A</u>	<u>2.53</u>

**By order of the Board,**  
Dato' Ong Eng Lock  
*Executive Chairman*  
Kuala Lumpur