

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:

		Effective for annual period beginning on or after
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 September 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:

	RM'000
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:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.9.2012 RM'000	Preceding Year Corresponding Quarter 30.9.2011 RM'000	Current Year Quarter 30.9.2012 RM'000	Preceding Year Corresponding Quarter 30.9.2011 RM'000
Asia Pacific	8,276	6,595	24,788	21,522
America	6,590	6,634	20,380	17,828
Europe	4,238	4,838	11,983	15,661
	<u>19,104</u>	<u>18,067</u>	<u>57,151</u>	<u>55,011</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 third quarter 2012 (“Q3 2012”), the Group recorded revenue of RM19.104 million, which represents an increase of 5.7% as compared to revenue of RM18.067 million for the corresponding quarter of the preceding year (“Q3 2011”). Revenue from Asia Pacific region increased by 25.5%, whereas America region remained consistently. The European markets continue to pose challenges for the Group, resulting in a decrease in revenue from that region from RM4.838 million in Q3 2011 to RM4.238 million in Q3 2012, a reduction of approximately 12.4%.

The Group’s strategies in exploring new market opportunities attributed to the higher operating expenses for the current quarter, as compared to the corresponding quarter last year. In addition, the appreciation of Ringgit Malaysia against United States Dollar (“USD”) resulted in foreign exchange loss of RM0.2 million as compared to foreign exchange gain of RM0.1 million in the corresponding quarter last year.

B2. Variation of Results Against Preceding Quarter

	Current Quarter 30.9.2012 RM’000	Preceding Quarter 30.6.2012 RM’000
Revenue – Seals	<u>19,104</u>	<u>19,726</u>
Results		
Profit before tax	615	1,231
Income tax expense	<u>(103)</u>	<u>(138)</u>
Profit from continuing operations	512	1,093
Loss for the period from discontinued operations	<u>(152)</u>	<u>(153)</u>
Profit for the period	<u><u>360</u></u>	<u><u>940</u></u>

The Group reported revenue of RM19.104 million in Q3 2012, which represents a decrease of 3.2% as compared to RM19.726 million for the second quarter of 2012 (“Q2 2012”). Profit for the current quarter decreased significantly due to the impact of foreign exchange loss resulting from stronger Ringgit Malaysia against USD by approximately 3.9%, in addition to the higher selling and marketing expenses in conjunction with the Group’s strategies in exploring new markets.

B3. Prospects of the Group

The Group expects that the sales momentum from Asia Pacific and America region will continue in the final quarter of 2012. The slowdown in the economy together with the shrinking purchasing power in Europe continues to be a challenge for the Group.

Barring unforeseen circumstances, the Group expects that the positive bottom-line will be maintained in coming final quarter 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 Quarter 30.9.2012 RM'000	Preceding Year Corresponding Quarter 30.9.2011 RM'000	Current Year Quarter 30.9.2012 RM'000	Preceding Year Corresponding Quarter 30.9.2011 RM'000
Estimated tax payable:				
Current year:				
Malaysian	(63)	(64)	(197)	(116)
Foreign	-	-	-	-
Under/(Over)provision in prior years:				
Malaysian	(53)	-	(106)	-
Foreign	(53)	-	(53)	-
	(169)	(64)	(356)	(116)
Deferred tax:				
Current year – Foreign	66	(9)	23	(43)
	<u>(103)</u>	<u>(73)</u>	<u>(333)</u>	<u>(159)</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 30.9.2012 RM'000	Preceding Year Corresponding Quarter 30.9.2011 RM'000	Current Year Quarter 30.9.2012 RM'000	Preceding Year Corresponding Quarter 30.9.2011 RM'000
Allowance for slow-moving inventories/ (no longer required)	99	-	(203)	-
Gain on disposal of property, plant and equipment	40	228	(4)	230
Fair value loss/(gain) on financial derivatives	35	(78)	(6)	(110)
	35	(78)	(6)	(110)

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
Secured			
Revolving credit	10,947	-	10,947
Long-term borrowings	2,980	12,233	15,213
Hire-purchase payables	1,429	3,920	5,349
	15,356	16,153	31,509
Unsecured			
Bank overdraft	1,166	-	1,166
Revolving credit	2,000	-	2,000
	3,166	-	3,166
	18,522	16,153	34,675

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	24,228
Thai Baht	10,447
	34,675

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 September 2012 are as follows:

Type of Derivative	Notional Value RM'000	Fair Value RM'000	Net Fair Value Gain RM'000
Forward foreign currency contracts			
- Less than 1 year	570	564	6

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:

	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits of the Group:		
Realised	11,415	9,823
Unrealised	2,404	2,104
	<u>13,819</u>	<u>11,927</u>

B12. Earnings/(Loss) Per Share

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Basic earnings/(loss) per ordinary shares				
Profit attributable to owners of the Company (RM'000):				
Profit from continuing operations	432	1,193	2,333	4,272
Loss from discontinued operations	(152)	(315)	(441)	(643)
	<u>280</u>	<u>878</u>	<u>1,892</u>	<u>3,629</u>
Number of ordinary shares ('000)	99,052	99,052	99,052	99,052
Basic earnings/(loss) per share (sen):				
Continuing operations	0.43	1.20	2.36	4.31
Discontinued operations	(0.15)	(0.32)	(0.45)	(0.65)
	<u>0.28</u>	<u>0.88</u>	<u>1.91</u>	<u>3.66</u>
Diluted earnings/(loss) per ordinary shares				
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	1,598	N/A	7,436
	<u>N/A</u>	<u>100,650</u>	<u>N/A</u>	<u>106,488</u>
Diluted earnings/(loss) per share (sen):				
Continuing operations	N/A	1.19	N/A	4.01
Discontinued operations	N/A	(0.32)	N/A	(0.60)
	<u>N/A</u>	<u>0.87</u>	<u>N/A</u>	<u>3.41</u>

The fully diluted earnings per ordinary share of the Group has not been presented as the warrants have anti-dilutive effect as the exercise price of the warrants is above the average market value of the Company's shares.

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