

## 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 31 December 2013.

**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 RM22,470,822 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>727</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 31.12.2012 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.12.2011 RM'000</b>	<b>Current Year Quarter 31.12.2012 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.12.2011 RM'000</b>
Asia Pacific	7,887	7,015	32,674	28,536
America	6,187	5,340	26,567	23,169
Europe	3,718	3,232	15,702	18,893
	<u>17,792</u>	<u>15,587</u>	<u>74,943</u>	<u>70,598</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 fourth quarter 2012 (“Q4 2012”), the Group recorded revenue of RM17.792 million, which represents an increase of 14.1% as compared to revenue of RM15.587 million for the corresponding quarter of the preceding year (“Q4 2011”). Revenue from Asia Pacific region increased by 12.4% and America region showed an improvement of 15.9% in sales as well. The European markets, despite, the economic slowdown, demonstrated an increase in revenue 15.0%. Overall, the Group’s revenue increased in Q4 2012 as compared to Q4 2011.

Despite the increase in revenue in Q4 2012, the Group generated a lower profit before tax than Q4 2011. This is mainly due to higher raw materials and direct labour costs which affected the margins from sales. In addition, the Group’s strategies in exploring and expanding into new markets such as Middle East and America regions, resulted in higher operating costs.

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

	<b>Current Quarter 31.12.2012 RM’000</b>	<b>Preceding Quarter 30.9.2012 RM’000</b>
Revenue – Seals	<u>17,792</u>	<u>19,104</u>
<b>Results</b>		
Profit before tax	751	615
Income tax expense	<u>188</u>	<u>(103)</u>
Profit from continuing operations	939	512
Loss for the period from discontinued operations	<u>(150)</u>	<u>(152)</u>
Profit for the period	<u>789</u>	<u>360</u>

The Group reported revenue of RM17.792 million in Q4 2012, which represents a decrease of 6.9% as compared to RM19.104 million for the third quarter of 2012 (“Q3 2012”).

Despite the lower revenue, the Group generated better results than Q3 2012 mainly due to foreign exchange gain.

**B3. Prospects of the Group**

The Group expects that the sales momentum from the Asia Pacific and America regions will continue to increase in the coming financial year. The slowdown in the European economy, together with the shrinking purchasing power in Europe continues to be a challenge for the Group.

Nevertheless, the rising operating expenses especially in raw materials and personnel costs continue to pose challenges to the Group.

**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	Preceding	Current	Preceding
	Year	Year	Year	Year
	Quarter	Corresponding	Quarter	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current year:				
Malaysian	35	(249)	(162)	(365)
Foreign	-	-	-	-
(Under)/Over provision in prior years:				
Malaysian	-	-	(106)	-
Foreign	(26)	-	(79)	-
	9	(249)	(347)	(365)
Deferred tax:				
Current year:				
Malaysian	179	295	202	252
Foreign				
(Under)/Over provision in Prior years - Malaysian	-	(73)	-	(73)
	<u>188</u>	<u>(27)</u>	<u>(145)</u>	<u>(186)</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 non-taxable income.

**B6. Profit for the Period**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2012 RM'000	Preceding Year Corresponding Quarter 31.12.2011 RM'000	Current Year Quarter 31.12.2012 RM'000	Preceding Year Corresponding Quarter 31.12.2011 RM'000
Allowance for slow-moving inventories/ (no longer required)	8	284	(195)	284
Loss/(Gain) on disposal of property, plant and equipment	(49)	169	(53)	(61)
Fair value loss/(gain) on financial derivatives	9	106	(3)	(4)

**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	11,240	-	11,240
Long-term borrowings	4,127	11,641	15,768
Hire-purchase payables	1,702	3,547	5,249
	17,069	15,188	32,257
<b>Unsecured</b>			
Bank overdraft	1,173	-	1,173
Revolving credit	1,500	-	1,500
	2,673	-	2,673
	19,742	15,188	34,930

The group borrowings are denominated in the following currencies:

	<b>RM'000</b>
Ringgit Malaysia	24,103
Thai Baht	10,827
	<u>34,930</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 31 December 2012 are as follows:

<b>Type of Derivative</b>	<b>Notional Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Net Fair Value Loss RM'000</b>
Forward foreign currency contracts			
- Less than 1 year	272	275	3

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 31.12.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>
Total retained profits of the Group:		
Realised	12,084	9,823
Unrealised	2,406	2,104
	<u>14,490</u>	<u>11,927</u>

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>Basic earnings/(loss) per ordinary shares</b>				
Profit attributable to owners of the Company (RM'000):				
Profit from continuing operations	821	1,632	3,154	5,904
Loss from discontinued operations	(150)	(115)	(591)	(758)
	<u>671</u>	<u>1,517</u>	<u>2,563</u>	<u>5,146</u>
Number of ordinary shares ('000)	99,052	99,052	99,052	99,052
Basic earnings/(loss) per share (sen):				
Continuing operations	0.83	1.65	3.19	5.96
Discontinued operations	(0.15)	(0.12)	(0.60)	(0.76)
	<u>0.68</u>	<u>1.53</u>	<u>2.59</u>	<u>5.20</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	2,107	N/A	6,315
	<u>N/A</u>	<u>101,159</u>	<u>N/A</u>	<u>105,367</u>
Diluted earnings/(loss) per share (sen):				
Continuing operations	N/A	1.55	N/A	5.60
Discontinued operations	N/A	(0.11)	N/A	(0.72)
	<u>N/A</u>	<u>1.44</u>	<u>N/A</u>	<u>4.88</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