



Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”)

1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial 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.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 15 Changes in Accounting Policies.

The following MFRS, IC Interpretation and Amendments to MFRSs have been adopted by the Group during the current period:

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)
Disclosures - Transfers of Financial Assets (Amendments to MFRS 7)
Deferred tax: Recovery of Underlying Assets (Amendments to MFRS 112)

The adoption of the IC Interpretation and Amendments to MFRSs above did not have any financial impact on the Group as they mainly help to clarify the requirements of or provide further explanations to existing MFRS.

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Effective for annual periods commencing on or after 1 July 2012
Presentation of Items of Other Comprehensive income (Amendments to MFRS 101)

Effective for annual periods commencing on or after 1 January 2013
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits (as amended in June 2011)
MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)



1 Basis of Preparation (Cont'd)

Effective for annual periods commencing on or after 1 January 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

Effective for annual periods commencing on or after 1 January 2015
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRS 11, MFRS 12, MFRS 128 and IC Interpretation 20 will not have any financial impact to the Group as it is not relevant to the Group's operations.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2011 was not qualified.

3 Comments About Seasonal or Cyclical Factors

There were no material seasonal or cyclical factors affecting the performance of the Group for the financial quarter under review.

4 Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the financial quarter under review.

5 Changes In Estimates

Other than as disclosed in Note 15 Changes in Accounting Policies, there were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial quarter under review.

6 Debt and Equity Securities

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities:

(a) Share Capital

During the six month period ended 30 June 2012, the issued and paid-up share capital of Marco Holdings Berhad increased from 724,834,100 ordinary shares of RM0.10 each to 725,614,100 ordinary shares of RM0.10 each by way of issuance of 780,000 new ordinary shares of RM0.10 each pursuant to the conversion of 780,000 Warrants 2004/2014 at an exercise price of RM0.10 per ordinary share.

7 Dividend Paid

A single-tier interim dividend in respect of financial year 2012 of 8% per share on 725,614,100 ordinary shares was paid on 18th June 2012 to depositors registered in the Record of Depositors, amounting to RM5,804,912.79.



8 Segmental Information

| | Current Year 2nd Quarter Ended 30 June 2012 RM '000 | Current Year-to-date 30 June 2012 RM '000 | Preceding Year 2nd Quarter Ended 30 June 2011 (Restated) RM '000 | Preceding Year-to-date 30 June 2011 (Restated) RM '000 |
|---|---|--|--|---|
| Segment Revenue | | | | |
| Distribution | 32,186 | 58,197 | 30,688 | 65,523 |
| Others | - | - | - | - |
| Total revenue including inter-segment sales | 32,186 | 58,197 | 30,688 | 65,523 |
| Eliminations | (139) | (206) | (42) | (191) |
| Total Revenue | 32,047 | 57,991 | 30,646 | 65,332 |
| Segment Results (Profit before Tax) | | | | |
| Distribution | 6,019 | 9,830 | 4,845 | 8,881 |
| Others | (173) | 8,011 | 19,329 | 19,175 |
| | 5,846 | 17,841 | 24,174 | 28,056 |
| Eliminations | - | (8,320) | (19,448) | (19,448) |
| Total Results | 5,846 | 9,521 | 4,726 | 8,608 |

Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad does not affect the Group except for the following :

| | | | | |
|--|-------|---------|-----|-------|
| Impairment loss/(reversal of impairment loss) on receivables | (121) | (24) | 94 | 281 |
| Inventories/(reversal of inventories) written down | (517) | (1,145) | 711 | 1,272 |
| Foreign exchange gain/(loss) | 89 | 107 | 70 | 209 |

9 Carrying Amount of Revalued Assets

The valuations of land and buildings have been brought forward as disclosed in Note 15 Changes in Accounting Policies.

10 Material events subsequent to the balance sheet date

There were no material events subsequent to the end of the current quarter that have not been reflected in these condensed financial statements.

11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.



12 Changes in Contingent Liabilities and Contingent Assets

Contingent Liability – Unsecured :

| | 30 June 2012 RM'000 | 30 June 2011 RM'000 |
|---|------------------------|------------------------|
| Letter of undertaking given to banks for credit facilities granted to subsidiaries in normal course of business | 26,605 | 18,105 |

13 Capital Commitments

There were no capital commitments during the current financial quarter under review.

14 Related Party Transactions

| Transactions with a company connected to Directors | From 30 June 2011 To 30 June 2012 RM'000 | Estimated Value Approved under Shareholders' Mandate from 30 June 2011 to the date of next AGM RM'000 |
|--|--|---|
| Purchase of goods by Marco Marketing Pte. Ltd. From Marco Corporation (M) Sdn Bhd | 4,585 | 11,000 |
| Purchase of goods by Marco Marketing Pte. Ltd. From Marco Heritage (M) Sdn Bhd | 164 | 1,000 |
| Sales of goods by Marco Marketing Pte. Ltd. to Marco Corporation (M) Sdn Bhd | 701 | 2,000 |

15 Changes in Accounting Policies

(a) Transition to the MFRS Framework

These unaudited interim financial statements are for part of the period covered by the Group's first annual financial statements prepared under the MFRS framework. Accordingly, the Group has applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in their transition to the MFRS framework on 1 January 2012. The MFRS did not result in any financial impact to the Group other than the financial impact arising from the change in accounting policy on investment properties, as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework.

This change in accounting policy has been accounted for retrospectively and has resulted in Land Held for Development being classified as "Investment Property" at the date of transition in the Statement of Financial Position using cost model. Subsequent to change in accounting policies, the lands are amortized over the remaining leasehold period. This has resulted in the restate of the Retained Earnings and a decrease in the Investment Property value. A summary of the financial impact of the change in accounting policies on the financial statements of the Group are as follows:



15 Changes in Accounting Policies (cont'd)
(a) Transition to the MFRS Framework (cont'd)

| Statement of Financial Position | 31 December 2011 RM'000 | 1 January 2011 RM'000 |
|---------------------------------------|----------------------------|--------------------------|
| <u>Investment Property</u> | | |
| As previously stated | 44,247 | 44,247 |
| Effect of change in accounting policy | (500) | - |
| As restated | <u>43,747</u> | <u>44,247</u> |
| <u>Retained Earnings</u> | | |
| As previously stated | (3,894) | (3,770) |
| Effect of change in accounting policy | (500) | - |
| | <u>(4,394)</u> | <u>(3,770)</u> |

| Statement of Comprehensive Income | 2 nd Qtr Ended 30 June 2011 RM'000 |
|---------------------------------------|---|
| As previously stated | 6,478 |
| Effect of change in accounting policy | (250) |
| As restated | <u>6,228</u> |

(b) Financial Impact of Changes in Accounting Policies

In the preparation of the Group's opening MFRS statements of financial position, the amounts previously reported in accordance with the previous FRS framework have been adjusted for the financial effects of the adoption of the MFRS framework. A reconciliation of these changes is summarized in the following tables:

i) Reconciliation of Statement of Financial Position

| Group | Under the FRS Framework RM'000 | Effect of the Transition to MFRSs MFRS 139 RM'000 | Under the MFRS Framework RM'000 |
|-------------------------------|--------------------------------------|--|---------------------------------------|
| As at 1 January 2011 | | | |
| Investment Property | 44,247 | - | 44,247 |
| | <u>44,247</u> | | <u>44,247</u> |
| | | | |
| As at 31 December 2011 | | | |
| Investment Property | 44,247 | (500) | 43,747 |
| | <u>44,247</u> | | <u>43,747</u> |



15 Changes in Accounting Policies (cont'd)

(b) Financial Impact of Changes in Accounting Policies (cont'd)

ii) Reconciliation of Statement of Comprehensive Income

| Group 2nd Qtr Ended June 2011 | Under the MFRS Framework RM'000 |
|---|--|
| Profit for the period in accordance with FRS framework | 6,478 |
| Effect of the transition to MFRS-Increase in Amortisation | (250) |
| Profit for the period in accordance with MFRS framework | <u>6,228</u> |

iii) Reconciliation of Statement of Changes in Equity

| Group As at 1 January 2011 | Under the FRS Framework RM'000 | Effect of the Transition to MFRSs MFRS 139 RM'000 | Under the MFRS Framework RM'000 |
|--|---|--|--|
| Total Comprehensive Income for the Period | (3,770) | - | (3,770) |
| Group As at 30 June 2011 | Under the FRS Framework RM'000 | Effect of the Transition to MFRSs MFRS 139 RM'000 | Under the MFRS Framework RM'000 |
| Total Comprehensive Income for the Period | 6,478 | (250) | <u>6,228</u> |

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

16 Review of the Group Results for the Quarter Ended 30 June 2012

During the quarters under review, the Group recorded revenue of RM58.0 million or a drop of 11% from RM65.3 million registered in the quarters ended 30 June 2011 due to lower revenue contribution from both its local and Indochina regions' distribution segment mainly in the first quarter of this year. The Group registered a pre-tax profit of RM9.5 million from its distribution segment or a 10% rise compared to RM8.6 million in the corresponding period of 2011. Improvement in pre-tax profit was largely contributed by the gradual resumption of timepiece production that was earlier affected by floods in Thailand, as this segment commands a better margin in the group's businesses.

17 Variation of Results Against the Immediate Preceding Quarter

The current quarter revenue of RM32.0 million was 24% higher than the immediate preceding quarter of RM25.9 million. Profit before taxation for the current quarter ended 30 June 2012 of RM5.8 million was 57% higher as compared with the RM3.7 million registered in the immediate preceding quarter. Higher profit before taxation was as a result of higher revenue from the Group's timepiece business due to gradual resumption of production and reason as stated in note 16.



18 Commentary on Prospects

Malaysian economy is showing signs of slower growth for the coming months against a backdrop of poor external demand due to worsening global economy. Going forward, domestic demand is expected to remain the main economic growth driver given the negative external developments. Portion of the Group's businesses which was affected by Thailand's flood earlier was gradually back on track in the second quarter of 2012; with this, the Board is confident that the performance of the Group will remain positive in 2012.

19 Profit Forecast and Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

20 Taxation

| | Quarter Ended | Quarter Ended |
|--|----------------------|----------------------|
| | 30 June 2012 | 30 June 2011 |
| | RM '000 | RM '000 |
| Income Tax | 2,179 | 2,380 |
| Tax expense | <u>2,179</u> | <u>2,380</u> |
| Profit/(loss) before taxation | <u>9,521</u> | <u>8,608</u> |
| Tax at statutory rate (25%) (2011:25%) | 2,380 | 2,152 |
| -Deferred Tax (Assets)/ Liabilities | 43 | (70) |
| -(Over)/Under provision of taxation | - | (2) |
| -Effects of expenses not deductible for tax purpose | 38 | 312 |
| -Expenses deductible/double deductible for tax purpose | (282) | (12) |
| Tax expense | <u>2,179</u> | <u>2,380</u> |

The effective tax rates for the current quarter was lower than the statutory tax rate principally due to certain expenses which could be deducted for tax purpose.

21 Unquoted Investments and/or Properties

There were no acquisitions or disposals of unquoted investments and properties during the financial quarter under review.

22 Quoted Securities

There were no acquisitions or disposals of quoted securities during the financial quarter under review.

23 Corporate Proposal

There were no corporate proposals announced but not completed.

24 Group Borrowings and Debt Securities

| | As at 30 June 2012 |
|---------------------------------|---------------------------|
| | RM'000 |
| Short term borrowings – secured | <u>7,218</u> |
| Total | <u>7,218</u> |



25 Financial Instruments with Off Balance Sheet Risk

As at 30 June 2012, there was no financial instrument with off Balance Sheet risk which has been entered into by the Group.

26 Realised and Unrealised Profits or Losses of the Group

| Total retained profits of the Company and its subsidiaries : | 30 June 2012 RM'000 | 31 Dec 2011 RM'000 |
|---|--------------------------------|-------------------------------|
| Realised | 35,570 | 28,319 |
| Unrealised | 1,179 | 1,179 |
| Less : Consolidated adjustments | (33,892) | (33,892) |
| Total Group retained profits as per consolidated accounts | (2,857) | (4,394) |

27 Changes in Material Litigation

The Group does not have any material litigation, which would materially and adversely affect the financial position of the Group.

28 Dividend Proposed

No interim ordinary dividends have been declared for the financial quarter ended 30 June 2012.

29 Earning Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

| | Current Year 2nd Quarter Ended 30 June 2012 | Current Year-to-date 30 June 2012 | Preceding Year 2nd Quarter Ended 30 June 2011 (Restated) | Preceding Year-to-date 30 June 2011 (Restated) |
|--|---|--|--|---|
| Net profit for the period (RM'000) | 4,528 | 7,342 | 3,364 | 6,228 |
| Weighted average number of ordinary shares in issue ('000) | 725,066 | 725,066 | 712,354 | 712,354 |
| Basic earnings per share (sen) | 0.62 | 1.01 | 0.47 | 0.87 |



29 Earning Per Share (Cont'd)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. warrants.

| | Current Year 2 nd Quarter Ended 30 June 2012 | Current Year-to-date 30 June 2012 | Preceding Year 2 nd Quarter Ended 30 June 2011 (Restated) | Preceding Year-to-date 30 June 2011 (Restated) |
|--|--|---|---|---|
| Net profit for the period (RM'000) | 4,528 | 7,342 | 3,364 | 6,228 |
| Weighted average number of ordinary shares in issue ('000) | 725,066 | 725,066 | 712,354 | 712,354 |
| Effects of dilution: Warrants ('000) | 119,972 | 119,972 | 123,381 | 123,381 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 845,038 | 845,038 | 835,735 | 835,735 |
| Diluted earnings per share (sen) | 0.54 | 0.87 | 0.41 | 0.75 |

By order of The Board

Siew Cheau Sheang
Financial Controller

Kuala Lumpur
Date : 23 August 2012