PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation of Interim Financial Statements

The interim financial statements has been prepared in accordance with Financial Reporting Standards ("FRS") 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 2009.

These 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 2009.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2009, except for the followings new FRSs, Amendments to FRSs and IC Interpretations effective for the financial period beginning on 1 January 2010:

FRSs and IC Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statement
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share Based Payment – Vesting Conditions and Cancellations
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statements of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates
Amendment to FRS 128	Investments in Associates
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets

(Forward)

FRSs and IC Interpretations

Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction

The adoption of the above standards did not result in any significant changes in the accounting policies and presentations of the financial results of the Group except for the following:

FRS 101(revised): Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements.

Upon the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income.

The Group had applied the amendment to the standard retrospectively. Certain comparative figures of the statement of comprehensive income and the statement of changes in equity of the Group as at 30 June 2009 have been restated as below:

	Income Statement As previously reported RM'000	**Effects on adoption of FRS 101 RM'000**	**Statement of Comprehensive Income As restated RM'000**
Loss for the period	(977)	-	(977)
Other comprehensive income	-	2,431	2,431
Total comprehensive income			1,454
Total comprehensive income attributable to:			
Owners of the Parent			1,269
Non-controlling interest			185
			1,454

Amendments to FRS 117: Leases

Prior to the adoption of the Amendments to FRS 117, leasehold lands were treated as operating leases. The upfront payments made represents prepaid lease payment and was amortised evenly over the lease term of the land. Upon the adoption of the Amendments to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie.

Accordingly, the Group has changed the classification of the leasehold land from operating leases to finance leases in the current period. The Group had applied the amendment to the standard retrospectively. Certain comparatives of the statement of financial position as at 31 December 2009 have been restated as below:

	Balance Sheet As previously reported RM'000	**Effects on adoption of FRS 117 RM'000**	**Statement of Financial Position As restated RM'000**
Property, plant and equipment	48,606	915	49,521
Prepaid lease payments	915	(915)	-

FRS 139: Financial Instruments: Recognition and Measurement

Upon adoption of FRS 139, all financial assets and financial liabilities, including financial derivatives , are recognised when, and only when, the Company or any subsidiary has become a party to the contractual provisions of the instruments.

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS 139 in the current quarter.

At initial recognition, all financial assets and financial liabilities are measured at their fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments.

Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

Category	**Measurement Basis**
Financial instruments at fair value through profit/loss	At fair value
Financial liabilities at amortised cost	At amortised cost based on effective interest method
Loans and receivables	At amortised cost based on effective interest method

With the adoption of FRS 139, financial assets and financial liabilities recognised and unrecognised in the prior financial year are classified into the following categories:

Pre-FRS 139	**Post FRS 139**
Receivables	Loans and Receivables
Payables	Financial liabilities at amortised cost
Long-term liabilities	Financial liabilities at amortised cost
Unrecognised derivative assets	Financial assets at fair value through profit or loss
Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The effects on adoption of FRS 139 on the opening reserves of the Group and other items of the consolidated statement of financial position as at 1 January 2010 are as follows:

	Balance as at 1 January 2010 before the adoption of FRS 139 RM'000	Effects on adoption of FRS 139 RM'000	Balance as at 1 January 2010 after the adoption of FRS 139 RM'000
Statement of changes in equity for the year ended 31 December 2009			
Accumulated losses	(85,806)	145	(85,661)
Statement of Financial Position			
Long-term borrowings - non-current portion	(6,507)	42	(6,465)
Borrowings	(39,977)	8	(39,969)
Liabilities directly associated with assets classified as held for sale	(10,794)	95	(10,699)

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 except as disclosed in Note A11.

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 issuances, cancellations, share buy-backs, resale of shares bought back, and repayment of debts and debts equity securities during the financial quarter under review.

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

On 3 August 2010, the Company announced that e-Locked Asia Limited ("e-Locked"), a dormant 72.4%-owned subsidiary company of Abric Worldwide Sdn. Bhd., which in turn is a wholly-owned subsidiary company of the Company has received notification from the Companies Registry, Hong Kong that e-Locked had been deregistered with effect from 9 July 2010. e-Locked is accordingly dissolved from the date of the publication of the gazette dated 9 July 2010.

The deregistration of e-Locked Asia Limited will not have a material effect on the earnings or net assets of Abric Group for the financial year ending 31 December 2010.

A11. Changes in Composition of the Group

On 11 January 2010, the Company entered into a Sale and Purchase of Shares Agreement with a third party to dispose of its entire equity interest in Cabrict Group, which consists of Cabrict Sdn. Bhd. ("CSB") and Cabrict North America Inc. ("CNA") for a total cash consideration of RM2. The equity interest of the Company in CSB is 70%, whilst CSB holds 90% equity interest in CNA. The divestment of the Cabrict Group forms part of the Group's business streamlining strategy which focusses on the security seals business.

The effects of the disposal of Cabrict Group on the financial position of the Group are as follows:

	RM'000
Property, plant and equipment	1
Inventories	28
Receivables	10
Tax refundable	55
Cash and bank balances	28
Payables	(691)
Net liabilities	(569)
Less: Non-controlling interest	(77)
	(646)
Add: Gain on disposal of Cabrict Group	504
Less: Cash and bank balances	(28)
Net cash outflow on disposal of subsidiary companies	(170)

A12. Contingent Liabilities

There were no changes in contingent liabilities during the current quarter since the last audited financial statements.

A13. Capital Commitment

There were no material capital commitments for the Group as at the current quarter end.

A14. Assets Classified as Held for Sale and Liabilities Directly Associated with Assets Classified as Held for Sale

On 22 December 2009, the Group entered into a Sale and Purchase Agreement ("SPA") with a third party for the disposal of leasehold land and building ("Proposed Disposal") for a cash consideration of RM20.8 million. The said disposal is expected to be completed within a year from the date of the SPA. Accordingly, the said leasehold land and building has been classified as an asset held for sale.

The said leasehold land and building has been charged to financial institution for a term loan facility with outstanding balance of RM10.5 million, and accordingly, the said term loan has been classified as liabilities directly associated with assets classified as held for sale.

Please refer to Note B8 for the status of the Proposed Disposal.

A15. Operating Segment Information

Segment information is presented in respect of the Group's business segments, which is based on the internal generated reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to access its performance.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2010 RM	Preceding Year Corresponding Quarter 30.06.2009 RM	Current Year Quarter 30.06.2010 RM	Preceding Year Corresponding Quarter 30.06.2009 RM
Segmental Revenue				
Seals	16,387	12,555	31,256	25,446
Marketing and trading	-	42	-	67
Revenue from continuing operations	16,387	12,597	31,256	25,513
Results				
Seals	1,460	(364)	2,916	(508)
Investment holding	2	(120)	482	(239)
Marketing and trading	-	(34)	-	26
Profit/(Loss) before tax	1,462	(518)	3,398	(721)
Income tax expense	(10)	-	(8)	(22)
Profit/(Loss) from continuing operations	1,452	(518)	3,390	(743)
Loss for the period from discontinued operations	(114)	(50)	(222)	(234)
Profit/(Loss) for the period	1,338	(568)	3,168	(977)

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the products:

	Individual Quarter		**Cumulative Quarter**	
	Current Year Quarter 30.06.2010 RM	**Preceding Year Corresponding Quarter 30.06.2009 RM**	**Current Year Quarter 30.06.2010 RM**	**Preceding Year Corresponding Quarter 30.06.2009 RM**
Asia Pacific	7,117	5,582	14,466	11,160
Americas	4,664	3,200	9,028	6,640
Europe	4,606	3,815	7,762	7,713
	16,387	12,597	31,256	25,513

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

B1. Review of Performance

Note B1 should be read in conjunction with Note A15 above.

For the second quarter 2010 (“Q2 2010”), the Group recorded revenue of RM16.4 million, which represents an increase of 30% as compared to revenue of RM12.6 million for the corresponding quarter of the preceding year (“Q2 2009”). The increase was due to higher production volumes resulting in higher sales. Revenue contribution from Americas region for Q2 2010 stood at RM4.7 million or an increase of 46% compared to RM3.2 million in Q2 2009. Asia Pacific and Europe regions registered 27% and 21% incremental in revenue respectively in Q2 2010, as compared to Q2 2009.

The Group’s gross profit margin (“GPM”) has also improved in Q2 2010 as compared to Q2 2009, owing to favorable raw material prices coupled with costs savings from the automation and process improvements. Accordingly, these resulted in significant improvement of profit attributable to the owners of the parent of RM1.3 million as compared to a loss of RM0.5 million in Q2 2009.

Similarly, revenue for the first half of the year of 2010 (“1H 2010”) stood at RM31.2 million, which represents a growth of 22.5% from RM25.5 million reported in corresponding period of 2009 (“1H 2009”). Profit attributable to the owners of the parent was at RM3.0 million in 1H 2010 compared to loss of RM0.8 million in 1H 2009. The Group’s earnings before interest, tax and depreciation (“EBITDA”) was at RM8.1 million in 1H 2010, an increase of 98% as compared to RM4.1 million in 1H 2009.

B2. Variation of Results Against Preceding Quarter

	Current Quarter 30.06.2010 RM	Preceding Quarter 31.03.2010 RM
Revenue - Seals	16,387	14,869
Results		
Seals	1,460	1,456
Investment holding	2	480
Profit before tax	1,462	1,936
Income tax (expense)/credit	(10)	2
Profit from continuing operations	1,452	1,938
Loss for the period from discontinued operations	(114)	(108)
Profit for the period	1,338	1,830

The Group’s revenue grew by 10% to RM16.4 million in Q2 2010 as compared to the preceding quarter (“Q1 2009”) revenue of RM14.9 million. The strengthening of Ringgit Malaysia against other major currencies i.e US Dollar, Great Britain Pound and Euro has resulted to slight decline in GPM in Q2 2010. The impact, however was mitigated by favorable raw material prices coupled with costs savings from the automation and process improvements.

B3. Current Year Prospects

Owing to the strong order book in hand, the Group expects that revenue over the next six months period to further improve. The Group will continue to invest in the production capacities in order to meet this increase demand.

The Group expects that the positive bottom line will continue to improve further. Nevertheless, the Group recognises that strengthening of Ringgit Malaysia against other major currencies i.e US Dollar, Great Britain Pound and Euro will affect export proceeds and profit margin. To manage the effects of the currency fluctuation, the Group will closely monitor its foreign exchange exposure. In addition, the Group will continue to invest in the process improvements and automation in order to reduce production costs.

B4. Profit Forecast or Profit Guarantee

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

B5. Income Tax Expense/(Credit)

	Individual Quarter		**Cumulative Quarter**	
	Current Year Quarter 30.06.2010 RM	**Preceding Year Corresponding Quarter 30.06.2009 RM**	**Current Year Quarter 30.06.2010 RM**	**Preceding Year Corresponding Quarter 30.06.2009 RM**
Estimated tax payable:				
Current year:				
Malaysian	-	-	-	-
Foreign	10	-	13	-
Underprovision in prior years:				
Malaysian	-	-	-	-
Foreign	-	-	-	11
	10	-	13	11
Deferred tax:				
Current year – Foreign	-	-	(5)	11
	10	-	8	22

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. Unquoted Investments and/or Properties

There were no disposals of unquoted investments and properties during the period under review.

B7. Quoted and Marketable Investments

There were no investments in quoted securities as at the period under review.

B8. Status of Corporate Proposals

In relation to the Proposed Disposal of leasehold land and building as mentioned in Note A14, Abric Properties Sdn. Bhd. ("APSB"), a wholly-owned subsidiary of ABRIC and GD Facilities & Assets Management Sdn. Bhd. ("GD Facilities"), a wholly-owned subsidiary of GD Express Carrier Berhad ("GDEX") have on 21 March 2010 agreed via a Letter of Extension of Time to extend the Approval Period for another three (3) months effective 22 March 2010 in view of the expiry of the Sale and Purchase Agreement ("SPA") dated 22 December 2009. The extension of the Approval Period is to enable both ABRIC and GDEX to obtain the approval from their respective shareholders in an extraordinary general meeting ("EGM").

Consequent thereto, the Group entered into a Supplemental Sale and Purchase Agreement ("Supplemental SPA") with GD Facilities for variations and additional terms and conditions to the SPA. The Supplemental SPA is also to address the requirement in obtaining Certificate of Completion and Compliance for the said building, in compliance to the Asset Valuation Guideline effective 3 August 2009 issued by Securities Commission. The Supplemental SPA also defined the agreed retention sum in order to complete such requirement.

Both ABRIC and GDEX subsequently obtained approval from its shareholders via EGM on 25 June 2010 and 17 June 2010, respectively in relation to the Proposed Disposal.

The Proposed Disposal is expected to be completed by the third quarter of 2010.

B9. Group Borrowings

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

	Current RM'000	**Non-current RM'000**	**Associated with Assets Classified as Held for Sale RM'000**	**Total RM'000**
Secured				
Trust receipts	518	-	-	518
Bank overdraft	908	-	-	908
Bankers acceptances	2,270	-	-	2,270
Revolving credits	27,918	-	-	27,918
Long-term borrowings	1,312	6,271	10,460	18,043
	32,926	6,271	10,460	49,657

(Forward)

	Current RM'000	Non-current RM'000	Associated with Asset Classified as Held for Sale RM'000	Total RM'000
Unsecured				
Bank overdraft	1,805	-	-	1,805
Revolving credits	5,500	-	-	5,500
	7,305	-	-	7,305
	40,231	6,271	10,460	56,962

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	43,910
Thai Baht	13,052
	56,962

B10. 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 2010 are as follows:

Type of Derivative	**Notional Value RM'000**	**Fair Value RM'000**	**Loss Arising from Fair Value Changes RM'000**
Forward foreign currency contracts			
- Less than 1 year	1,208	1,207	1

The above forward foreign currency contracts 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.

B11. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instrument not recognised in the statement of financial position as at the quarter end.

B12. Dividend

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

B13. Earnings/(Loss) Per Share

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.06.2010	**30.06.2009**	**30.06.2010**	**30.06.2009**
Profit/(Loss) attributable to owners of the Parent (RM'000):				
Profit/(Loss) from:				
Continuing operations	1,392	(431)	3,232	(605)
Discontinued operations	(114)	(50)	(222)	(234)
	1,278	(481)	3,010	(839)
Number of ordinary shares ('000)	99,052	99,052	99,052	99,052
Basic profit/(loss) per share (sen):				
Continuing operations	1.41	(0.44)	3.26	(0.61)
Discontinued operations	(0.12)	(0.05)	(0.22)	(0.24)
	1.29	(0.49)	3.04	(0.85)

The fully diluted earnings/(loss) per share are the same as the basic earnings/(loss) per ordinary share of the Group as the warrants and options over unissued ordinary shares granted pursuant to the Executives' Share Option Scheme have anti-dilutive effect as the exercise price of the warrants/options is above the average market value of the Company's shares during the year.

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