



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Interim Financial Statements On Condensed Consolidated Statements of Comprehensive Income For The First Quarter Ended 31 Mar 2017

	Note	1st Quarter Ended		3 Months Ended	
		31-Mar-17 (Unaudited)	31-Mar-16 (Audited)	31-Mar-17 (Unaudited)	31-Mar-16 (Audited)
		RM '000	RM '000	RM '000	RM '000
Revenue	9	43,792	48,704	43,792	48,704
Other income		239	72	239	72
Changes in inventories of finished goods		8,552	(1,290)	8,552	(1,290)
Finished goods purchased		(40,475)	(36,060)	(40,475)	(36,060)
Depreciation		(256)	(185)	(256)	(185)
Other expenses		(6,887)	(6,538)	(6,887)	(6,538)
Profit from operations		4,965	4,703	4,965	4,703
Finance income		462	474	462	474
Finance costs		(27)	(18)	(27)	(18)
Profit before tax		5,400	5,159	5,400	5,159
Income tax expense	20	(1,470)	(1,404)	(1,470)	(1,404)
Profit after tax		3,930	3,755	3,930	3,755
Other Comprehensive Income		(142)	256	(142)	256
Total Comprehensive Income		3,788	4,011	3,788	4,011
Profit after tax Attributable to Owners of the Parent		3,930	3,755	3,930	3,755
Total Comprehensive Income Attributable to Owners of the Parent		3,788	4,011	3,788	4,011
Earnings per share attributable to equity holders of the parent (sen per share):					
(i) Basic	29	0.37	0.36	0.37	0.36
(ii) Diluted	29	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31st December 2016



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985P)

Interim Financial Statements On Condensed Consolidated Statements of Financial Position As At 31 March 2017

	Note	As At 31-Mar-17 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-16 (Audited)
		RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,010	1,132
Deferred tax assets		1,282	1,282
Investment Property		41,120	41,245
Intangible Assets		1,179	77
		<u>44,591</u>	<u>43,736</u>
Current Assets			
Inventories		32,832	38,202
Trade and other receivables		35,252	20,496
Short term fund		50,389	58,028
Cash and bank balances		33,802	29,822
		<u>152,275</u>	<u>146,548</u>
TOTAL ASSETS		<u>196,866</u>	<u>190,284</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital	6	105,431	105,431
Share Premium		25,556	25,556
Reserves		1,322	1,464
Retained Earnings		44,885	40,955
Total equity		<u>177,194</u>	<u>173,406</u>
Non-current liabilities			
Deferred tax liabilities		-	-
Current Liabilities			
Trade and Other payables		7,569	10,646
Bills payables	24	8,964	4,763
Tax Payable		3,139	1,469
Dividend Payable		-	-
		<u>19,672</u>	<u>16,878</u>
Total liabilities		<u>19,672</u>	<u>16,878</u>
TOTAL EQUITY AND LIABILITIES		<u>196,866</u>	<u>190,284</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.17	0.16

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31st December 2016



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Interim Financial Statements On Condensed Consolidated Statements of Cash Flows For The First Quarter Ended 31 Mar 2017

	Note	3 months ended 31-Mar-17 (Unaudited)	3 months ended 31-Mar-16 (Unaudited)
		RM '000	RM '000
Operating activities			
Net Profit before tax		5,400	5,159
<u>Adjustment for:</u>			
Depreciation		256	185
Interest expense		27	18
Dividend and Interest income		(462)	(474)
Other items		327	549
Total adjustments		<u>148</u>	<u>278</u>
Operating cash flows before changes in working capital		5,548	5,437
<u>Changes in working capital:</u>			
<i>Net change in current assets</i>		(9,717)	2,600
<i>Net change in current liabilities</i>		(3,077)	(3,020)
Total changes in working capital		<u>(12,794)</u>	<u>(420)</u>
Cash flows from operations		(7,246)	5,017
Tax paid		204	(1,285)
Interest paid		(27)	(18)
Net cash flows from operating activities		(7,069)	3,714
Investing activities			
Dividends & Interest received		462	474
Purchase of property, plant and equipment		(1,112)	(41)
Fair value of short term fund		(142)	(281)
Placement of short term fund		7,640	-
Net Cash Flows (used in)/ from investing activities		6,848	152
Financing activities			
Borrowings		4,201	3,170
Effects of Exchange Rate Changes		-	-
Dividends Paid		-	-
Net cash flows (used in) / from financing activities		4,201	3,170
Net Changes in Cash & Cash Equivalents		3,980	7,036
Cash & Cash Equivalents at beginning of year		29,822	39,223
Cash & Cash Equivalents at end of 31 March 2017		33,802	46,259
Cash and cash equivalents comprise :-			
Cash and bank balances		<u>33,802</u>	<u>46,259</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statement for the year ended 31st December 2016



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

**Interim Financial Statements On Condensed Consolidated Statements of Changes In Equity
For The First Quarter Ended 31 Mar 2017**

	Note	←-----Attributable to Equity Holders of the Parent----->					Total Equity
		Share Capital	Share Premium	Fair Value Changes Reserve	Revaluation Reserve	Accumulated Profit	
		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
3 Months Period Ended 31 March 2017 As At 1 January 2017		105,431	25,556	254	1,210	40,955	173,406
Total Comprehensive Income for the period		-	-	(142)	-	3,930	3,788
Dividends	28	-	-	-	-	-	-
Balance As At 31 March 2017 (unaudited)		<u>105,431</u>	<u>25,556</u>	<u>112</u>	<u>1,210</u>	<u>44,885</u>	<u>177,194</u>
3 Months Period Ended 31 March 2016 As At 1 January 2016		105,431	25,556	230	1,210	31,019	163,446
Total Comprehensive Income for the period		-	-	26	-	3,755	3,781
Dividends	28	-	-	-	-	-	-
Balance As At 31 March 2016 (unaudited)		<u>105,431</u>	<u>25,556</u>	<u>256</u>	<u>1,210</u>	<u>34,774</u>	<u>167,227</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31st December 2016



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

1 Basis of Preparation

The unaudited interim financial statements for the 1st quarter ended 31 March 2017 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 2016. 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 2016.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2016, except for the adoption of the following Amendments to MFRS during the current financial period:

- Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2014-2016 Cycle”

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 12 Disclosure of Interest in Other Entities

Effective for annual periods commencing on or after 1 January 2018

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS contained in the document entitled “Annual Improvements to MFRS Standards 2014-2016 Cycle”. The Annual Improvements consist of the following amendments:

- i) Amendments to MFRS 12 Disclosure of Interests in Other Entities
These amendments clarify that an entity is not required to disclose summarised financial information for subsidiary, joint venture or associate when it is classified as held for sale in accordance with MFRS 5.
- ii) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
The amendments remove certain provision from the Standard that have served their intended purposes and are no longer required.
- iii) Amendments to MFRS 128 Investments in Associates and Joint Ventures
The amendments clarify that when an investment in an associate or a joint venture is held by an entity which is a venture capital organization, or a mutual fund, unit trust or similar entities, the entity may elect to ensure that investment at fair value on an investment by investment basis in accordance with the Standard.

The adoption of Annual Improvements to MFRS Standards 2014-2016 Cycle did not have any financial impact on the financial statements of the Group.



1 Basis of Preparation (continued)

Companies Act 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazette on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group upon the commencement of the New Act on 31 January 2017 includes:

- a) removal of the authorized share capital
- b) shares of the Company will cease to have par or nominal value; and
- c) the Company’s share premium account will become part of Company’s share capital

The adoption of the New Act did not have any financial impact on the Group for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments (2014)
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

A brief description of the new MFRSs, Amendments to MFRSs and IC Interpretation above that have been issued but not yet effective to the Group is set out below:

MFRS 15 Revenue from Contracts with Customers – MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any financial impact on the Group.

MFRS 9 Financial Instruments (2014) - This final version of MFRS 9 replaces all previous versions of MFRS 9. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with two measurement categories – amortised cost and fair value. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more



1 Basis of Preparation (continued)

timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 establishes a more principle-based approach that aligns the accounting treatment with risk management activities so that entities can reflect these activities in their financial statements. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. MFRS 9 introduces significant changes in the way the Group accounts for financial instruments. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group

Transfers of Investment Property (Amendments to MFRS 140) – The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration – The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group.

Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4) – The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an issuer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon. The expiration date of the temporary exemption from MFRS 9 coincide with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

MFRS 16 Leases – MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 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

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

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Group.

7 Dividend Paid

As At 31 Mar 2017

(a) There was no payment of dividend in the financial quarter under review.

As At 31 Mar 2016

(a) There was no payment of dividend in the previous financial quarter under review.

8 Short Term Funds

	31 Mar 2017 RM'000	31 Dec 2016 RM'000
At fair value through equity		
Investments in money market funds	50,389	58,028

9 Segmental Information

	1 st Quarter Ended	3 Months Ended	1 st Quarter Ended	3 Months Ended
	31 Mar 2017	31 Mar 2017	31 Mar 2016	31 Mar 2016
	RM '000	RM '000	RM '000	RM '000
Segment Revenue				
Distribution	43,792	43,792	48,704	48,704
Others	-	-	-	-
Total revenue including inter-segment sales	43,792	43,792	48,704	48,704
Eliminations	-	-	-	-
Total Revenue	43,792	43,792	48,704	48,704
Segment Results (Profit before Tax)				
Distribution	5,563	5,563	5,199	5,199
Others	(57)	(57)	(32)	(32)
	5,506	5,506	5,167	5,167
Eliminations	(106)	(106)	(8)	(8)
Total Results	5,400	5,400	5,159	5,159



9 Segmental Information (continued)

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

	1 st Quarter Ended	3 Months Ended	1 st Quarter Ended	3 Months Ended
	31 Mar 2017	31 Mar 2017	31 Mar 2016	31 Mar 2016
	RM '000	RM '000	RM '000	RM '000
Impairment loss/(reversal of impairment loss) on receivables	277	277	130	130
Inventories/(reversal of inventories) written down	50	50	418	418
Foreign exchange gain/(loss)	43	43	(170)	(170)

10 Carrying Amount of Revalued Assets

The valuations of land and buildings have been brought forward unchanged.

11 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.

12 Changes in the Composition of the Group

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

13 Changes in Contingent Liabilities and Contingent Assets

Contingent Liability – Unsecured:

	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Letter of undertaking given to banks for credit facilities granted to subsidiaries in normal course of business	26,605	26,605

14 Capital Commitments

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

15 Related Party Transactions

There were no related party transactions during the current financial quarter under review.



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

16 Review of the Group Performance for Current Year-to-date vs Previous Year-to-date

For the 1st quarter ended 31 March 2017, the Group registered a revenue of RM43.8 million, a decrease of RM4.9 million or 10% as compared to the previous corresponding quarter. Reduction in revenue was mainly due to softer market condition. However, the Group registered a profit before taxation of RM5.4 million, an increase of 5% from RM5.2 million in the preceding year corresponding quarter. Increased in earning was mainly contributed by increased timepiece sales and better margin derived from sales of new timepiece models.

17 Variation of Results against the Immediate Preceding Quarter

For the 1st quarter ended 31 Mar 2017, the Group registered a pre-tax profit of RM5.4 million, a drop of 11% as compared to the pre-tax profit of RM6.1 million for the preceding quarter ended 31 December 2016. The drop in pre-tax profit was mainly due to higher operating expenses.

18 Commentary on Prospects

Global growth are expected to remain challenging in 2017 given the economy uncertainties in the advance economies, volatile commodity market and heightened geopolitical tensions. On the local front, growth will be driven largely by domestic demand and stronger investment growth alongside a pick-up in government consumption expenditure. Our Group will continue to strengthen our distribution network to further develop the businesses and remain focused in operational efficiency to enhance the overall business growth.

19 Profit Forecast and Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group.

20 Taxation

	Quarter Ended 31 Mar 2017 RM '000	Quarter Ended 31 Mar 2016 RM '000
Income Tax	1,470	1,404
Tax expense	<u>1,470</u>	<u>1,404</u>
Profit/(loss) before taxation	<u>5,400</u>	<u>5,159</u>
Tax at statutory rate (24%) (2016:24%)	1,296	1,290
-Deferred Tax (Assets)/ Liabilities	78	129
-(Over)/Under provision of taxation	(187)	(132)
-Effects of expenses not deductible for tax purpose	293	126
-Expenses deductible/double deductible for tax purpose	(10)	(9)
Tax expense	<u>1,470</u>	<u>1,404</u>

The effective tax rates for the current quarter was higher than the statutory tax rate principally due to certain expenses which could not 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 31 Mar 2017	
	RM'000	
Short term borrowings – secured		8,964
Total		<u>8,964</u>

25 Financial Instruments with Off Balance Sheet Risk

As at 31 Mar 2017, 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 :	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Realised	89,100	87,732
Unrealised	1,282	990
Less : Consolidated adjustments	(45,497)	(47,767)
Total Group retained profits as per consolidated accounts	<u>44,885</u>	<u>40,955</u>

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 Dividends

- (a) The Board has recommended a first and final dividend of 0.5sen per share on 1,054,306,850 ordinary shares in respect of the financial year ended 31 December 2016. The proposed dividend is subject to shareholders approval at the forthcoming annual general meeting.
- (b) The Company had on 16 June 2016 paid a first and final dividend of 0.7sen on 1,054,306,850 ordinary shares in respect of the financial year ended 31 December 2015.



29 Earnings Per Share

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.

	1st Quarter Ended	3 Months Ended	1st Quarter Ended	3 Months Ended
	31 Mar 2017	31 Mar 2017	31 Mar 2016	31 Mar 2016
Net profit for the period (RM'000)	3,930	3,930	3,755	3,755
Weighted average number of ordinary shares in issue ('000)	1,054,307	1,054,307	1,054,307	1,054,307
Basic earnings per share (sen)	0.37	0.37	0.36	0.36

By order of The Board

Siew Cheau Sheang
Finance Director

Kuala Lumpur
Date : 30 May 2017