



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Condensed Interim Financial Statements on Consolidated Statements of Comprehensive Income

For The Third Quarter Ended 30 September 2017

	Note	3rd Quarter Ended		9 Months Ended	
		30-Sep-17 (Unaudited)	30-Sep-16 (Unaudited)	30-Sep-17 (Unaudited)	30-Sep-16 (Unaudited)
		RM '000	RM '000	RM '000	RM '000
Revenue	9	35,642	43,633	113,957	137,826
Other income		600	83	1,199	410
Changes in inventories of finished goods		(7,490)	389	4,597	986
Finished goods purchased		(20,728)	(32,326)	(91,436)	(104,367)
Depreciation		(249)	(200)	(780)	(585)
Other expenses		(3,892)	(5,324)	(15,073)	(18,378)
Profit from operations		3,883	6,255	12,464	15,892
Finance income		593	577	1,388	1,532
Finance costs		(12)	(17)	(64)	(51)
Profit before tax		4,464	6,815	13,788	17,373
Income tax expense	20	72	(1,896)	(2,382)	(4,815)
Profit after tax		4,536	4,919	11,406	12,558
Other Comprehensive Income		98	(263)	20	45
Total Comprehensive Income		4,634	4,656	11,426	12,603
Profit after tax Attributable to Owners of the Parent		4,536	4,919	11,406	12,558
Total Comprehensive Income Attributable to Owners of the Parent		4,634	4,656	11,426	12,603
Earnings per share attributable to equity holders of the parent (sen per share):					
(i) Basic	29	0.43	0.47	1.08	1.19
(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 30 Sept 2017

	Note	As At 30-Sep-17 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-16 (Audited)
		RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		904	1,132
Deferred tax assets		1,282	1,282
Investment Property		40,869	41,245
Intangible Assets		1,068	77
		<u>44,123</u>	<u>43,736</u>
Current Assets			
Inventories		28,243	38,202
Trade and other receivables		20,841	20,496
Short term fund		51,211	58,028
Cash and bank balances		47,831	29,822
		<u>148,126</u>	<u>146,548</u>
TOTAL ASSETS		<u>192,249</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		1,484	1,464
Retained Earnings		47,089	40,955
Total equity		<u>179,560</u>	<u>173,406</u>
Non-current liabilities			
Deferred tax liabilities		-	-
Current Liabilities			
Trade and Other payables		7,360	10,646
Bills payables	24	5,186	4,763
Tax Payable		143	1,469
Dividend Payable		-	-
		<u>12,689</u>	<u>16,878</u>
Total liabilities		<u>12,689</u>	<u>16,878</u>
TOTAL EQUITY AND LIABILITIES		<u>192,249</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 Third Quarter Ended 30 Sept 2017

	Note	9 months ended 30-Sep-17 (Unaudited)	9 months ended 30-Sep-16 (Unaudited)
		RM '000	RM '000
Operating activities			
Net Profit before tax		13,788	17,373
<u>Adjustment for:</u>			
Depreciation		780	585
Interest expense		64	51
Dividend and Interest income		(1,388)	(1,532)
Other items		957	435
Total adjustments		<u>413</u>	<u>(461)</u>
Operating cash flows before changes in working capital		14,201	16,912
<u>Changes in working capital:</u>			
<i>Net change in current assets</i>		9,282	1,337
<i>Net change in current liabilities</i>		(3,285)	(1,370)
Total changes in working capital		<u>5,997</u>	<u>(33)</u>
Cash flows from operations		20,198	16,879
Tax paid		(4,334)	(4,771)
Interest paid		(64)	(51)
Net cash flows from operating activities		15,800	12,057
Investing activities			
Dividends & Interest received		1,388	1,532
Purchase of property, plant and equipment		(1,167)	(522)
Fair value of short term fund		20	45
Placement of short term fund		6,817	(21,405)
Net Cash Flows (used in)/ from investing activities		7,058	(20,350)
Financing activities			
Borrowings		423	2,076
Effects of Exchange Rate Changes		-	-
Dividends Paid		(5,272)	(7,380)
Net cash flows (used in) / from financing activities		(4,849)	(5,304)
Net Changes in Cash & Cash Equivalents		18,009	(13,597)
Cash & Cash Equivalents at beginning of year		29,822	39,223
Cash & Cash Equivalents at end of 30 Sept 2017		47,831	25,626
Cash and cash equivalents comprise :-			
Cash and bank balances		<u>47,831</u>	<u>25,626</u>
		47,831	25,626

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 Third Quarter Ended 30 Sept 2017**

	Note	Attributable to Equity Holders of the Parent					Total Equity
		Share Capital	Non-Distributable			Accumulated Profit	
			Share Premium	Fair Value Changes Reserve	Revaluation Reserve		
		RM '000	RM '000	RM '000	RM '000	RM '000	
9 Months Period Ended 30 Sept 2017 As At 1 January 2017		105,431	25,556	254	1,210	40,955	173,406
Fair value change in available-for-sale financial assets		-	-	20	-	-	20
Total Comprehensive Income for the period		-	-	-	-	11,406	11,406
Dividends	28	-	-	-	-	(5,272)	(5,272)
Balance As At 30 Sept 2017 (unaudited)		<u>105,431</u>	<u>25,556</u>	<u>274</u>	<u>1,210</u>	<u>47,089</u>	<u>179,560</u>
9 Months Period Ended 30 Sept 2016 As At 1 January 2016		105,431	25,556	230	1,210	31,019	163,446
Fair value change in available-for-sale financial assets		-	-	45	-	-	45
Total Comprehensive Income for the period		-	-	-	-	12,558	12,558
Dividends	28	-	-	-	-	(7,380)	(7,380)
Balance As At 30 Sept 2016 (unaudited)		<u>105,431</u>	<u>25,556</u>	<u>275</u>	<u>1,210</u>	<u>36,197</u>	<u>168,669</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 3rd quarter ended 30 Sept 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:

Effective for annual periods commencing on or after 1 January 2017

Amendments to MFRS 107- Disclosure of Initiatives

Amendments to MRS 112-Recognition of Deferred Tax Assets for Unrealised losses

The adoption of above new amendments do not have any financial impact on the financial statements of the Group.

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 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.



1. Basis of Preparation (continued)

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments (IFRS 9 as issued by ISAB in July 2014)
- Amendments to MFRS 140- Transfers of Investment Property ()
- IC Interpretation 22 Foreign currency Transactions and Advance Consideration

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments

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 - 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 material financial impact on the Group.

MFRS 9 Financial Instruments - The standard addresses classification, measurement and derecognition of financial instruments, new impairment model for financial assets and new rules for hedge accounting. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard.

The Group does not expect the new guidance to affect the classification and measurement of these financial assets except for equity instruments currently classified as available-for-sale which a fair value through other comprehensive income election is available.

There will be no impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities.

The new impairment model requires the recognition of impairment provisions based on the expected credit losses rather than only incurred credit losses and it applies to financial assets classified as amortised costs. Based on the assessment undertaken to date, the Group does not expect any further material impact on the allowance of impairment of trade receivables besides those that was already accounted for in the financial statements of the Group.

Amendments to MFRS 140- Transfer of Investment Property – 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.



1. Basis of Preparation (continued)

MFRS 16 Leases – MFRS 16 introduces a single accounting model for a lessee and requires lessee to recognise assets and liabilities for all leases with a term of more than 12 months, as the distinction between operating and finance lease is removed. Under the new standard, an asset (the right to use the leased asset) and a financial liability to pay rentals are recognised. The only exceptions are short term value and low-value assets. The Group is assessing the financial effects arising from the adoption of this standard

IC Interpretation 23 Uncertainty over Income Tax Treatments – The IC Interpretation provides clarification on the application of recognition and measurement requirements in MFRS 112 Income Taxes when there is uncertainty over income tax treatments. The IC Interpretation clarifies that an entity shall:

- i) Assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- ii) Reflect the effect of uncertainty in determining the related tax position (using either the most likely amount method or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The adoption of the IC Interpretation 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 30 Sept 2017

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

As At 30 Sept 2016

(b) There was no dividends payment in the financial quarter under review.



8 Short Term Funds

	30 Sept 2017 RM'000	31 Dec 2016 RM'000
At fair value through equity		
Investments in money market funds	51,211	58,028

9 Segmental Information

	3 rd Quarter Ended	9 Months Ended	3 rd Quarter Ended	9 Months Ended
	30 Sept 2017	30 Sept 2017	30 Sept 2016	30 Sept 2016
	RM '000	RM '000	RM '000	RM '000
Segment Revenue				
Distribution	35,642	113,957	43,633	137,826
Others	-	-	-	-
Total revenue including inter-segment sales	35,642	113,957	43,633	137,826
Eliminations	-	-	-	-
Total Revenue	35,642	113,957	43,633	137,826
Segment Results (Profit before Tax)				
Distribution	4,449	13,825	6,934	17,562
Others	23	(13)	(12)	(67)
	4,472	13,812	6,922	17,495
Eliminations	(8)	(24)	(107)	(122)
Total Results	4,464	13,788	6,815	17,373



9 Segmental Information (continued)

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

	3 rd Quarter Ended	9 Months Ended	3 rd Quarter Ended	9 Months Ended
	30 Sept 2017	30 Sept 2017	30 Sept 2016	30 Sept 2016
	RM '000	RM '000	RM '000	RM '000
Impairment loss/(reversal of impairment loss) on receivables	324	242	(63)	(226)
Inventories/(reversal of inventories) written down	320	714	(7)	660
Foreign exchange gain/(loss)	(40)	201	(3)	(33)

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:

	30 Sept 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

Revenue for the nine months ended 30 Sept 2017 was RM114.0 million as compared to RM137.8 million in the previous corresponding period. The decrease in revenue was mainly due to softer market condition as well as influx of parallel imports that swamped the local market, driving retail prices down especially in the timepiece segment. Profit before taxation reduced by 21% from RM17.4 million in the preceding year corresponding quarters to RM13.8 million. Lower pre-tax profit was a result of pricing strategy to remain competitive as well as on going sales promotion to keep a healthy inventory.

17 Variation of Results against the Immediate Preceding Quarter

For the 3rd quarter ended 30 Sept 2017, the Group registered a pre-tax profit of RM4.5 million, an increase of 15% as compared to the immediate preceding quarter of RM3.9 million. The improved pre-tax profit was mainly due to lower operating overheads.

18 Commentary on Prospects

Global economic recovery is expected to sustain in 2017. Domestically, weak Ringgit and impact of GST are expected to continue moderating the Malaysian economy for the remaining of 2017. Our Group expects the operating environment to remain challenging in view of weak consumer purchasing power. Nevertheless, by focusing on promotional strategies and operation efficiency, the Group is optimistic that it will continue to contribute positively to the Group's profit.

19 Profit Forecast and Profit Guarantee

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

20 Taxation

	Quarter Ended 30 Sept 2017 RM '000	Quarter Ended 30 Sept 2016 RM '000
Income Tax	2,382	4,815
Tax expense	<u>2,382</u>	<u>4,815</u>
Profit/(loss) before taxation	<u>13,788</u>	<u>17,373</u>
Tax at statutory rate (24%) (2016:24%)	3,309	4,169
-Deferred Tax (Assets)/ Liabilities	183	100
-(Over)/Under provision of taxation	(591)	141
-Effects of expenses not deductible for tax purpose	429	429
-Expenses deductible/double deductible for tax purpose	(948)	(24)
Tax expense	<u>2,382</u>	<u>4,815</u>

The effective tax rates for the current quarter was lower than the statutory tax rate due to overprovision of taxation.

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 Sept 2017	
	RM'000	
Short term borrowings – secured		5,186
Total		<u>5,186</u>

25 Financial Instruments with Off Balance Sheet Risk

There was no financial instrument with off Balance Sheet risk which has been entered into by the Group during the financial quarter under review.

26 Realised and Unrealised Profits or Losses of the Group

Total retained profits of the Company and its subsidiaries :	30 Sept 2017 RM'000	31 Dec 2016 RM'000
Realised	91,320	87,732
Unrealised	1,282	990
Less : Consolidated adjustments	(45,513)	(47,767)
Total Group retained profits as per consolidated accounts	<u>47,089</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) There was no dividend proposed in the 3rd quarter ended 30 Sept 2017.

(b) There was no dividend proposed in the 3rd quarter ended 30 Sept 2016.



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.

	3rd Quarter Ended	9 Months Ended	3rd Quarter Ended	9 Months Ended
	30 Sept 2017	30 Sept 2017	30 Sept 2016	30 Sept 2016
Net profit for the period (RM'000)	4,536	11,406	4,919	12,558
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)	0.43	1.08	0.47	1.19

By order of The Board

Siew Cheau Sheang
Finance Director

Kuala Lumpur
Date: 22 November 2017