



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Condensed Interim Financial Statements on Consolidated Statements of Comprehensive Income For The Fourth Quarter Ended 31 December 2017

	Note	4th Quarter Ended		12 Months Ended	
		31-Dec-17 (Unaudited)	31-Dec-16 (Audited)	31-Dec-17 (Unaudited)	31-Dec-16 (Audited)
		RM '000	RM '000	RM '000	RM '000
Revenue	9	40,058	42,710	154,015	180,536
Other income		54	22	1,253	435
Changes in inventories of finished goods		(4,619)	13,925	(22)	14,911
Finished goods purchased		(26,164)	(44,851)	(117,600)	(149,218)
Depreciation		(294)	(201)	(1,074)	(786)
Other expenses		(5,649)	(5,945)	(20,722)	(24,323)
Profit from operations		3,386	5,660	15,850	21,555
Finance income		922	503	2,310	2,032
Finance costs		(11)	(16)	(75)	(67)
Profit before tax		4,297	6,147	18,085	23,520
Income tax expense	20	(1,546)	(1,389)	(3,928)	(6,204)
Profit after tax		2,751	4,758	14,157	17,316
Other Comprehensive Income			(21)		24
Total Comprehensive Income		2,751	4,737	14,157	17,340
Profit after tax Attributable to Owners of the Parent		2,751	4,758	14,157	17,316
Total Comprehensive Income Attributable to Owners of the Parent		2,751	4,737	14,157	17,340
Earnings per share attributable to equity holders of the parent (sen per share):					
(i) Basic	29	0.26	0.45	1.34	1.64
(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 Dec 2017**

	Note	As At 31-Dec-17 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-16 (Audited)
		RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,161	1,132
Deferred tax assets		1,282	1,282
Investment Property		40,744	41,245
Intangible Assets		1,008	77
		<u>44,195</u>	<u>43,736</u>
Current Assets			
Inventories		23,487	38,202
Trade and other receivables		25,006	20,496
Short term fund		-	58,028
Cash and bank balances		101,441	29,822
		<u>149,934</u>	<u>146,548</u>
TOTAL ASSETS		<u>194,129</u>	<u>190,284</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital	6	130,987	105,431
Share Premium		-	25,556
Reserves		1,210	1,464
Retained Earnings		49,840	40,955
Total equity		<u>182,037</u>	<u>173,406</u>
Non-current liabilities			
Deferred tax liabilities		-	-
Current Liabilities			
Trade and Other payables		9,568	10,646
Bills payables	24	2,493	4,763
Tax Payable		31	1,469
Dividend Payable		-	-
		<u>12,092</u>	<u>16,878</u>
Total liabilities		<u>12,092</u>	<u>16,878</u>
TOTAL EQUITY AND LIABILITIES		<u>194,129</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 Fourth Quarter Ended 31 Dec 2017

	Note	12 months ended 31-Dec-17 (Unaudited)	12 months ended 31-Dec-16 (Audited)
		RM '000	RM '000
Operating activities			
Net Profit before tax		18,085	23,520
<u>Adjustment for:</u>			
Depreciation		1,074	786
Interest expense		75	67
Dividend and Interest income		(2,310)	(2,032)
Other items		957	643
Total adjustments		(204)	(536)
Operating cash flows before changes in working capital		17,881	22,984
<u>Changes in working capital:</u>			
Net change in current assets		9,150	(2,609)
Net change in current liabilities		(1,052)	259
Total changes in working capital		8,098	(2,350)
Cash flows from operations		25,979	20,634
Tax paid		(5,416)	(6,750)
Interest paid		(75)	(67)
Net cash flows from operating activities		20,488	13,817
Investing activities			
Dividends & Interest received		2,310	2,032
Purchase of property, plant and equipment		(1,411)	(738)
Fair value of short term fund		-	24
Withdrawal/(Placement) of short term fund		57,774	(21,919)
Net Cash Flows (used in)/ from investing activities		58,673	(20,601)
Financing activities			
Borrowings		(2,270)	4,763
Effects of Exchange Rate Changes		-	-
Dividends Paid		(5,272)	(7,380)
Net cash flows (used in) / from financing activities		(7,542)	(2,617)
Net Changes in Cash & Cash Equivalents		71,619	(9,401)
Cash & Cash Equivalents at beginning of year		29,822	39,223
Cash & Cash Equivalents at end of 31 Dec 2017		101,441	29,822
Cash and cash equivalents comprise :-			
Cash and bank balances		101,441	29,822
		101,441	29,822

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 Fourth Quarter Ended 31 Dec 2017**

	Note	Attributable to Equity Holders of the Parent					Total Equity RM '000
		Share Capital RM '000	Non-Distributable			Accumulated Profit RM '000	
			Share Premium RM '000	Fair Value Changes Reserve RM '000	Revaluation Reserve RM '000		
12 Months Period Ended 31 Dec 2017 As At 1 January 2017		105,431	25,556	254	1,210	40,955	173,406
Transfer pursuant to Companies Act 2016		25,556	(25,556)	-	-	-	-
Fair value change in available-for-sale financial assets		-	-	(254)	-	-	(254)
Total Comprehensive Income for the period		-	-	-	-	14,157	14,157
Dividends paid	28	-	-	-	-	(5,272)	(5,272)
Balance As At 31 Dec 2017 (unaudited)		<u>130,987</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>49,840</u>	<u>182,037</u>
12 Months Period Ended 31 Dec 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		-	-	24	-	-	24
Total Comprehensive Income for the period		-	-	-	-	17,316	17,316
Dividends	28	-	-	-	-	(7,380)	(7,380)
Balance As At 31 Dec 2016 (audited)		<u>105,431</u>	<u>25,556</u>	<u>254</u>	<u>1,210</u>	<u>40,955</u>	<u>173,406</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 4th quarter ended 31 Dec 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

During the period, the Group had transferred a total of RM25,556,149 from its share premium account to the share capital pursuant to the New Act.

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)

The Malaysian Accounting Standards Board had issued the following new standards, amendments to MFRSs and IC Interpretation. All of which are effective for the financial period beginning on or after 1 January 2018. The Group did not early adopt these new standards, amendments to MFRSs and IC Interpretation.

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.



1. Basis of Preparation (continued)

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.

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 31 Dec 2017

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

As At 31 Dec 2016

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



8 Short Term Funds

	31 Dec 2017 RM'000	31 Dec 2016 RM'000
At fair value through Profit and Loss		
Investments in money market funds	Nil	58,028

9 Segmental Information

	4 th Quarter Ended	12 Months Ended	4 th Quarter Ended	12 Months Ended
	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016
	RM '000	RM '000	RM '000	RM '000
Segment Revenue				
Distribution	40,058	154,015	42,710	180,536
Others	-	-	-	-
Total revenue including inter-segment sales	40,058	154,015	42,710	180,536
Eliminations	-	-	-	-
Total Revenue	40,058	154,015	42,710	180,536
Segment Results (Profit before Tax)				
Distribution	4,026	17,851	6,189	23,752
Others	280	267	(34)	(101)
	4,306	18,118	6,155	23,651
Eliminations	(9)	(33)	(8)	(131)
Total Results	4,297	18,085	6,147	23,520



9 Segmental Information (continued)

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

	4 th Quarter Ended	12 Months Ended	4 th Quarter Ended	12 Months Ended
	31 Dec 2017 RM '000	31 Dec 2017 RM '000	31 Dec 2016 RM '000	31 Dec 2016 RM '000
Impairment loss/(reversal of impairment loss) on receivables	4	246	110	(116)
Inventories/(reversal of inventories) written down	145	859	482	1,142
Foreign exchange gain/(loss)	(414)	(213)	93	60

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 Dec 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 year ended 31 Dec 2017 was RM154.0 million as compared to RM180.5 million in the previous year. 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 23% from RM23.5 million in the preceding year to RM18.1 million. Lower pre-tax profit was a result of lower sales turnover and thinner margin due to competition.

17 Variation of Results against the Immediate Preceding Quarter

For the 4th quarter ended 31 Dec 2017, the Group registered a pre-tax profit of RM4.3 million, a marginal decrease of 4% as compared to the immediate preceding quarter of RM4.5 million. Lower profit was a result of intense competition.

18 Commentary on Prospects

Major economies are expected to tighten their monetary policy this year as their growth hastened. Domestically, retail spending is being impacted by weak consumer sentiment. Main causes for the poor sentiment are the rising cost of living post GST implementation and technology advancement which continues to drive down job openings that affect job security. Not spared by the pace of technology progression, our Group has kept pace with our e-commerce segment of business and started to operate aggressively. On top of this, social media marketing and online promotion have been used to reach out to younger consumers. We have also continued to keep the operation efficient to enhance the overall businesses.

19 Profit Forecast and Profit Guarantee

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

20 Taxation

	Quarter Ended 31 Dec 2017 RM '000	Quarter Ended 31 Dec 2016 RM '000
Income Tax	3,928	6,204
Tax expense	<u>3,928</u>	<u>6,204</u>
Profit/(loss) before taxation	<u>18,085</u>	<u>23,520</u>
Tax at statutory rate (24%) (2016:24%)	4,340	5,645
-Deferred Tax (Assets)/ Liabilities	221	49
-(Over)/Under provision of taxation	(306)	592
-Effects of expenses not deductible for tax purpose	587	227
-Expenses deductible/double deductible for tax purpose	(914)	(309)
Tax expense	<u>3,928</u>	<u>6,204</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 31 Dec 2017	
	RM'000	
Short term borrowings – secured		2,493
Total		<u>2,493</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 :	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Realised	94,079	87,732
Unrealised	1,282	990
Less : Consolidated adjustments	<u>(45,521)</u>	<u>(47,767)</u>
Total Group retained profits as per consolidated accounts	<u>49,840</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 ordinary share on 1,054,306,850 ordinary shares in respect of the financial year ended 31 December 2017. The proposed dividend is subject to shareholders approval at the forthcoming annual general meeting

(b) The Company had on 30 June 2017 paid a first and final dividend of 0.5sen per ordinary share on 1,054,306,850 ordinary shares in respect of the financial year ended 31 December 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.

	4th Quarter Ended	12 Months Ended	4th Quarter Ended	12 Months Ended
	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016
Net profit for the period (RM'000)	2,751	14,157	4,758	17,316
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)	0.26	1.34	0.45	1.64

By order of The Board

Siew Cheau Sheang
Finance Director

Kuala Lumpur
Date: 23 February 2018