



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Interim Financial Statements On Condensed Consolidated Statements of Comprehensive Income For The Second Quarter Ended 30 June 2018

	Note	2nd Quarter Ended		6 Months Ended	
		30-Jun-18 (Unaudited)	30-Jun-17 (Unaudited)	30-Jun-18 (Unaudited)	30-Jun-17 (Unaudited)
		RM '000	RM '000	RM '000	RM '000
Revenue	8	30,966	34,523	72,840	78,315
Other income		603	360	353	599
Changes in inventories of finished goods		4,188	3,535	1,004	12,087
Finished goods purchased		(27,474)	(30,233)	(56,417)	(70,708)
Depreciation		(294)	(275)	(584)	(531)
Other expenses		(4,437)	(4,294)	(9,171)	(11,181)
Profit from operations		3,552	3,616	8,025	8,581
Finance income		468	333	1,022	795
Finance costs		(17)	(25)	(44)	(52)
Profit before tax		4,003	3,924	9,003	9,324
Income tax expense	19	(531)	(984)	(1,983)	(2,454)
Profit after tax		3,472	2,940	7,020	6,870
Other Comprehensive Income		-	64	-	(78)
Total Comprehensive Income		3,472	3,004	7,020	6,792
Profit after tax Attributable to Owners of the Parent		3,472	2,940	7,020	6,870
Total Comprehensive Income Attributable to Owners of the Parent		3,472	3,004	7,020	6,792
Earnings per share attributable to equity holders of the parent (sen per share):					
(i) Basic	28	0.33	0.28	0.67	0.65
(ii) Diluted	28	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31st December 2017



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985P)

Interim Financial Statements On Condensed Consolidated Statements of Financial Position As At 30 June 2018

	Note	As At 30-Jun-18 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-17 (Audited)
		RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,258	1,161
Deferred tax assets		1,656	1,539
Investment Property		40,494	40,744
Intangible Assets		872	1,008
		<u>44,280</u>	<u>44,452</u>
Current Assets			
Inventories		24,916	32,763
Trade and other receivables		17,936	16,245
Short term fund		78,737	-
Cash and bank balances		33,400	101,458
		<u>154,989</u>	<u>150,466</u>
TOTAL ASSETS		<u>199,269</u>	<u>194,918</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital	6	130,987	130,987
Share Premium		-	-
Reserves		1,210	1,210
Retained Earnings		56,950	49,434
Total equity		<u>189,147</u>	<u>181,631</u>
Non-current liabilities			
Deferred tax liabilities		-	-
Current Liabilities			
Trade and Other payables		8,718	9,860
Bills payables	24	-	2,493
Tax Payable		1,404	934
Dividend Payable		-	-
		<u>10,122</u>	<u>13,287</u>
Total liabilities		<u>10,122</u>	<u>13,287</u>
TOTAL EQUITY AND LIABILITIES		<u>199,269</u>	<u>194,918</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.18	0.17

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31st December 2017



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Interim Financial Statements On Condensed Consolidated Statements of Cash Flows For The Second Quarter Ended 30 June 2018

	Note	6 months ended 30-Jun-18 (Unaudited)	6 months ended 30-Jun-17 (Unaudited)
		RM '000	RM '000
Operating activities			
Net Profit before tax		9,003	9,324
<u>Adjustment for:</u>			
Depreciation		584	531
Interest expense		44	52
Dividend and Interest income		(1,022)	(795)
Other items		(808)	312
Total adjustments		<u>(1,202)</u>	<u>100</u>
Operating cash flows before changes in working capital		7,801	9,424
<u>Changes in working capital:</u>			
<i>Net change in current assets</i>		7,163	101
<i>Net change in current liabilities</i>		(1,142)	538
Total changes in working capital		<u>6,021</u>	<u>639</u>
Cash flows from operations		13,822	10,063
Tax paid		(1,332)	(2,272)
Interest paid		(44)	(52)
Net cash flows from operating activities		12,446	7,739
Investing activities			
Dividends & Interest received		1,022	795
Purchase of property, plant and equipment		(296)	(1,120)
Fair value of short term fund		-	(79)
Placement of short term fund		(78,737)	17,181
Net Cash Flows (used in)/ from investing activities		(78,011)	16,777
Financing activities			
Borrowings		(2,493)	(1,406)
Effects of Exchange Rate Changes		-	-
Dividends Paid		-	(5,272)
Net cash flows (used in) / from financing activities		(2,493)	(6,678)
Net Changes in Cash & Cash Equivalents		(68,058)	17,838
Cash & Cash Equivalents at beginning of year		101,458	29,822
Cash & Cash Equivalents at end of 30 June 2018		33,400	47,660
Cash and cash equivalents comprise :-			
Cash and bank balances		33,400	47,660
		33,400	47,660

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statement for the year ended 31st December 2017



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

**Interim Financial Statements On Condensed Consolidated Statements of Changes In Equity
For The Second Quarter Ended 30 June 2018**

	Note	Attributable to Equity Holders of the Parent					Total Equity RM '000
		Share Capital RM '000	Non-Distributable			Retained Profits RM '000	
			Share Premium RM '000	Fair Value Changes Reserve RM '000	Revaluation Reserve RM '000		
6 Months Period Ended 30 June 2018							
At 1 January 2018							
-As previously stated		130,987	-	-	1,210	49,434	181,631
-Effect of changes in accounting policies		-	-	-	-	496	496
At 1 January 2018, as restated	1	<u>130,987</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>49,930</u>	<u>182,127</u>
Total Comprehensive Income for the period		-	-	-	-	7,020	7,020
Dividends	27	-	-	-	-	-	-
Balance As At 30 June 2018 (unaudited)		<u><u>130,987</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,210</u></u>	<u><u>56,950</u></u>	<u><u>189,147</u></u>
6 Months Period Ended 30 June 2017							
At 1 January 2017		105,431	25,556	254	1,210	40,955	173,406
Total Comprehensive Income for the period		-	-	(142)	-	3,548	3,406
Dividends	27	-	-	-	-	-	-
Balance As At 30 June 2017 (unaudited)		<u><u>105,431</u></u>	<u><u>25,556</u></u>	<u><u>112</u></u>	<u><u>1,210</u></u>	<u><u>44,503</u></u>	<u><u>176,812</u></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 2017



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

1 Basis of Preparation

The unaudited condensed interim financial statements for the 1st quarter ended 31 March 2018 have been prepared under the historical cost convention except for the financial asset which is stated at fair value through profit or loss (“FVTPL”).

The unaudited condensed 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 condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2017. The explanatory notes attached to the unaudited condensed 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 2017.

Adoption of Malaysian Financial Reporting Standards

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2017, except as disclosed below:

Effective for annual periods commencing on or after 1 January 2018

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

The amendments to MFRS 140 and IC Interpretation 22 did not have any impact on the Group’s accounting policy.

The main changes on the Group’s accounting policies and effect of the adoption of MFRSs above are summarised as below:

MFRS 9 Financial Instruments (2014) –

a) Main changes in accounting policy from 1 January 2018

The Group classifies its financial assets into those measured at amortised costs and those measured subsequently at fair value (either through profit or loss or other comprehensive income). The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

The Group subsequently measures all equity investments at fair value through profit or loss.

The Group assesses trade receivables on a forward looking basis using the expected lifetime losses from the initial recognition of receivables.



1. Basis of Preparation (continued)

Adoption of Malaysian Financial Reporting Standards (continued)

Effect of applying the impairment assessment based on the expected credit loss model "ECL" on trade receivables

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate comparatives. The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the ECL model on trade receivables.

The Group has applied forward-looking impairment policy to calculate the lifetime expected credit losses on all trade receivables. For the purpose of assessing the new ECL impairment model, the Group assesses the credit risk on the trade receivables by using rating criteria that categorised the customers into different customers portfolio, based on past repayment records, length of account establishment and purchasing power; thereafter probability-weighted to incorporate all available information which is relevant to the assessment, including information about past events and current condition. The Group determines the expected credit loss (ECL) of the trade receivables using 3-stage approach, i.e., performing, under-performing and non-performing, with incorporation of provision matrix. Where impairment exists based on evidence of impairment, a probability of default loss percentage will be assigned to the gross carrying amount of trade receivables to arrive at the impaired amount.

Statement of Financial Position	Previously stated on 31 Dec 2017 RM'000	Effects of MFRS 9 RM'000	Restated on 1 Jan 2018 RM'000
Current Assets			
Trade and other receivables	15,916	496	16,412
Equity attributable to owners of the parent			
Retained profits	49,434	496	49,930

MFRS 15 Revenue from Contracts with Customers

b) Main changes in accounting policy from 1 January 2018

MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts'. Sales are recognized when control of products has transferred. When the products are delivered to the customer and the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligations that could affect the customers' acceptance of the products transferred. No element of financing is deemed present as credit terms are given, which is consistent with market practice. The Group's obligations to provide warranty service/replacement for faulty products under the standard warranty terms is recognized as provision. The initial application of MFRS 15 was adopted retrospectively but did not have financial impact on the financial statements of the Group.



1. Basis of Preparation (continued)

Adoption of Malaysian Financial Reporting Standards (continued)

The Group has not adopted the following new MFRS, IC Interpretations and Amendments to published standards that have been issued and are relevant but are not yet effective to the Group and the Company:

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 9 – Prepayment Features with Negative Compensation
- Annual Improvements to MFRS Standards 2015 2017 Cycle
Amendments to MFRS 112 Income Taxes

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.

Prepayment Features with Negative Compensation (Amendments to MFRS 9) - The amendments allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met. The adoption of the amendments is not expected to have any financial impact on the financial statements of the Group.

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle":

Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes) - The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.

The adoption of Annual Improvements to MFRS Standards 2015 - 2017 Cycle 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 2017 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 June 2018

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

As At 30 June 2017

(b) On 30 June 2017, the Company paid a first and final single-tier dividend of 0.5 sen in respect of the financial year ended 31 December 2016, amounting to RM5,271,534.

8 Segmental Information

	2nd Quarter Ended	2nd Quarter Ended	6 months Ended	6 months Ended
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM '000	RM '000	RM '000	RM '000
Segment Revenue				
Distribution	30,966	34,523	72,840	78,315
Others	-	-	-	-
Total revenue including inter-segment sales	30,966	34,523	72,840	78,315
Eliminations	-	-	-	-
Total Revenue	30,966	34,523	72,840	78,315



8. Segmental Information
 (continued)

	2nd Quarter Ended	2nd Quarter Ended	6 months Ended	6 months Ended
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Segment Results (Profit before Tax)	RM '000	RM '000	RM '000	RM '000
Distribution	3,772	3,913	8,851	9,376
Others	239	19	168	(36)
	<u>4,011</u>	<u>3,932</u>	<u>9,019</u>	<u>9,340</u>
Eliminations	(8)	(8)	(16)	(16)
Total Results	<u><u>4,003</u></u>	<u><u>3,924</u></u>	<u><u>9,003</u></u>	<u><u>9,324</u></u>

Segment Assets

Distribution	121,352	119,866	121,352	119,866
Others	178,168	172,500	178,168	172,500
	<u>299,520</u>	<u>292,366</u>	<u>299,520</u>	<u>292,366</u>
Eliminations	(100,746)	(101,314)	(100,746)	(101,314)
Total Results	<u><u>198,774</u></u>	<u><u>191,052</u></u>	<u><u>198,774</u></u>	<u><u>191,052</u></u>

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

-Reversal of allowance of impairment/(impairment) on trade receivables	407	(359)	903	(82)
-Allowance/(reversal) for inventories written down	452	344	93	394
-Gain on foreign exchange	284	198	510	241

9 Carrying Amount of Revalued Assets

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

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 2018	31 Dec 2017
	RM'000	RM'000
Letter of undertaking given to banks for credit facilities granted to subsidiaries in normal course of business	26,605	26,605



13 Capital Commitments

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

14 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

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

The Group's pre-tax profit for the 2nd quarter ended 30 June 2018 of RM9.0 million was RM324,000 or 3% lower than the previous year corresponding quarters of RM9.3 million. The Group registered a revenue of RM72.8 million, a decrease of RM5.5 million or 7% as compared to the previous corresponding quarters.

The performance of the respective operating segments for the financial period ended 30 June 2018 as compared to the previous year corresponding period is analysed as follows:-

Timepiece

The result in this segment includes all timepiece brands carried by the Group. Revenue was 4.5% or RM2.8 million lower as compared with RM61.4 million in the corresponding period last year due to weaker consumer demand. Segment profit was 9% higher as a result of higher average margins earned on products sold.

Calculator

Calculator revenue grew by 8% or RM0.8 million from RM10.1 million registered in last year same quarter due to effective rebate and promotion campaigns. Segment profit was 4% higher attributed to improved revenue.

Digital Camera

Revenue for Digital Camera was 82% or RM3.5 million lower as compared to the revenue of RM4.4 million recorded in the corresponding quarter last year. Our Group expects the business to decline further in the near future as evolution of smartphone as digital cameras take over. Segment profit was 59% lower as a result of lower revenue.

Digital Musical Instruments

Revenue for this segment of RM2.4 million was at par with last year corresponding quarter. Segmental profit was 140% higher as a results of reversal of impairments of accounts receivables and inventory.

16 Variation of Results against the Immediate Preceding Quarter

For the 2nd quarter ended 30 June 2018, the Group registered a pre-tax profit of RM4.0 million, a drop of 20% as compared to the immediate preceding quarter of RM5.0 million on the back of lower revenue. Revenue decreased by RM10.9 million or 26% compared to the immediate preceding quarter of RM41.9 million.

17 Commentary on Prospects

Global economy will remain challenging for the remaining of 2018 given the US-China escalated trade dispute. Malaysia as one of the export-dependent economy may be vulnerable when global trade is under threat. On the local front, consumers are widely exposed to the volatility of the Ringgit and the impending implementation of Sales and Service Tax that will continue to pose challenges to the Group. Notwithstanding the challenges of the macro environment, our Group will continue with its advertising and promotion strategies to enhance the overall business growth.



18 Profit Forecast and Profit Guarantee

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

19 Taxation

	Quarter Ended 30 June 2018 RM '000	Quarter Ended 30 June 2017 RM '000
Income Tax	1,983	2,454
Tax expense	1,983	2,454
Profit/(loss) before taxation	9,003	9,324
Tax at statutory rate (24%) (2017:24%)	2,161	2,238
-Deferred Tax (Assets)/ Liabilities	(147)	40
-(Over)/Under provision of taxation	27	165
-Effects of expenses not deductible for tax purpose	28	268
-Expenses deductible/double deductible for tax purpose	(86)	(257)
Tax expense	1,983	2,454

The effective tax rates for the current quarter was lower than the statutory tax rate principally due to deferred tax assets.

20 Notes to Condensed Consolidated Income Statement

	2 nd Quarter Ended 30 June 2018 RM '000	6 months Ended 30 June 2018 RM '000
Interest Income	468	1022
Interest expense	(17)	(44)
Depreciation and amortisation	(294)	(584)
Reversal of allowance of impairment on trade receivables	407	903
Allowance for inventories written down	452	93
Gain on foreign exchange	284	510

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 2018 RM'000
Short term borrowings – secured	-
Total	-



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 Changes in Material Litigation

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

27 Dividends

(a) There was no dividend proposed in the 2nd quarter ended 30 June 2018.

(b) There was no dividend proposed in the 2nd quarter ended 30 June 2017.

28 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.

	2nd Quarter Ended	2nd Quarter Ended	6 Months Ended	6 Months Ended
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Net profit for the period (RM'000)	3,472	2,940	7,020	6,870
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)	0.33	0.28	0.67	0.65

By order of The Board

Siew Cheau Sheang
Finance Director

Kuala Lumpur
Date: 17 August 2018