MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Condensed Consolidated Statement of Comprehensive Income

For The Fourth Quarter Ended 31 Dec 2018

	Note	4th Quarter Ended		12 Months Ended	
		31-Dec-18 (Unaudited)	31-Dec-17	31-Dec-18 (Unaudited)	31-Dec-17
		RM '000	RM '000	RM '000	RM '000
Revenue	8	39,245	40,729	150,332	154,686
Other income		601	(485)	1,880	714
Changes in inventories of finished goods		168	(9,216)	(2,991)	(4,619)
Finished goods purchased		(29,432)	(21,229)	(110,157)	(112,665)
Depreciation		(304)	(294)	(1,178)	(1,074)
Other expenses		(6,100)	(5,596)	(21,397)	(20,669)
Profit from operations		4,178	3,909	16,489	16,373
Finance income		98	648	1,415	2,036
Finance costs		(32)	(6)	(76)	(70)
Profit before tax		4,244	4,551	17,828	18,339
Taxation	19	(762)	(2,207)	(3,717)	(4,589)
Profit after tax		**3,482**	**2,344**	**14,111**	**13,750**
Other Comprehensive Income			(274)		(254)
Total Comprehensive Income		**3,482**	**2,070**	**14,111**	**13,496**
Profit Attributable to:					
Owners of the Parent		**3,482**	**2,344**	**14,111**	**13,750**
Total Comprehensive Income Attributable to:					
Owners of the Parent		**3,482**	**2,070**	**14,111**	**13,496**
Earnings per share attributable to: equity holders of the parent (sen):					
(i) Basic	28	0.33	0.22	1.34	1.30
(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)

Condensed Consolidated Statement of Financial Position

As At 31 Dec 2018

	Note	As At 31-Dec-18 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-17
		RM '000	**RM '000**
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,078	1,161
Deferred tax assets		1,539	1,539
Investment Property		40,244	40,744
Investment in associates		26,658	-
Intangible Assets		829	1,008
		70,348	44,452
Current Assets			
Inventories		31,954	32,763
Trade and other receivables		18,134	16,245
Short term fund		-	-
Cash and bank balances		83,091	101,458
		133,179	150,466
TOTAL ASSETS		**203,527**	**194,918**
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		58,769	49,434
Total equity		190,966	181,631
Non-current liabilities			
Deferred tax liabilities		-	-
Current Liabilities			
Trade and Other payables		12,059	9,860
Bills payables	24	-	2,493
Tax Payable		502	934
Dividend Payable		-	-
		12,561	13,287
Total liabilities		12,561	13,287
TOTAL EQUITY AND LIABILITIES		**203,527**	**194,918**
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)

Condensed Consolidated Cash Flow Statement

For The Fourth Quarter Ended 31 Dec 2018

	Note	12 months ended 31-Dec-18 (Unaudited)	12 months ended 31-Dec-17
		RM '000	RM '000
Operating activities			
Net Profit before tax		17,828	18,340
Adjustment for:			
Depreciation		1,178	1,074
Interest expense		76	70
Dividend and Interest income		(1,415)	(2,037)
Other items		(561)	891
Total adjustments		(722)	(2)
Operating cash flows before changes in working capital		**17,106**	**18,338**
Changes in working capital:			
Net change in current assets		(319)	8,404
Net change in current liabilities		2,199	(759)
Total changes in working capital		1,880	7,645
Cash flows from operations		**18,986**	**25,983**
Tax paid		(3,853)	(5,349)
Interest paid		(76)	(70)
Net cash flows from operating activities		**15,057**	**20,564**
Investing activities			
Dividends & Interest received		1,415	2,037
Purchase of property, plant and equipment		(417)	(1,533)
Proceeds from disposal of short term funds		-	75,604
Investment in associate		(26,657)	
Placement of short term fund		-	(17,563)
Net Cash Flows (used in)/ from investing activities		**(25,659)**	**58,545**
Financing activities			
Borrowings		(2,493)	(2,270)
Effects of Exchange Rate Changes		-	-
Dividends Paid		(5,272)	(5,271)
Net cash flows (used in) / from financing activities		**(7,765)**	**(7,541)**
Net Changes in Cash & Cash Equivalents		**(18,367)**	**71,636**
Cash & Cash Equivalents at beginning of year		**101,458**	**29,822**
Cash & Cash Equivalents at end of 31 Dec 2018		**83,091**	**101,458**
Cash and cash equivalents comprise :-			
Cash and bank balances		83,091	101,458
		83,091	**101,458**

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)

Condensed Consolidated Statement of Changes In Equity
For The Fourth Quarter Ended 31 Dec 2018

		<-----Attributable to Equity Holders of the Parent-----	<-----Non-Distributable-----				
	Note	**Share Capital**	**Share Premium**	**Fair Value Changes Reserve**	**Revaluation Reserve**	**Retained Profits**	**Total Equity**
		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
12 Months Period Ended 31 Dec 2018							
At 1 January 2018							
-As previously stated		130,987	-	-	1,210	49,434	181,631
-Effect of changes in accounting policies	1	-	-	-	-	496	496
At 1 January 2018, as restated		130,987	-	-	1,210	49,930	182,127
Total Comprehensive Income for the period		-	-	-	-	14,111	14,111
Dividends	27	-	-	-	-	(5,272)	(5,272)
Balance As At 31 Dec 2018 (unaudited)		130,987	-	-	1,210	58,769	190,966
12 Months Period Ended 31 Dec 2017							
At 1 January 2017		105,431	25,556	254	1,210	40,955	173,406
Transfer pursuant to section 618 (2) of the Companies Act 2016		25,556	(25,556)	-	-	-	-
Realised gain on disposal of available-for-sale financial assets		-	-	(254)	-	-	(254)
Total Comprehensive Income for the period		-	-	-	-	13,750	13,750
Dividends	27	-	-	-	-	(5,271)	(5,271)
Balance As At 31 Dec 2017		130,987	-	-	1,210	49,434	181,631

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 4th quarter ended 31 Dec 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:

<u>Effective for annual periods commencing on or after 1 January 2018</u>

- 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 though 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 31 Dec 2018

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

As At 31 Dec 2017

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

8 Segmental Information

	4th Quarter Ended 31 Dec 2018 RM '000	4th Quarter Ended 31 Dec 2017 RM '000	12 months Ended 31 Dec 2018 RM '000	12 months Ended 31 Dec 2017 RM '000
Segment Revenue				
Distribution	39,245	39,879	150,332	153,836
Others	3,380	6,180	3,380	6,180
Total revenue including inter-segment sales	42,625	46,059	153,712	160,016
Eliminations	(3,380)	(5,330)	(3,380)	(5,330)
Total Revenue	39,245	40,729	150,332	154,686

8. Segmental Information (continued)

	4th Quarter Ended	4th Quarter Ended	12 months Ended	12 months Ended
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Segment Results (Profit before Tax)	**RM '000**	**RM '000**	**RM '000**	**RM '000**
Distribution	4,470	4,280	17,754	18,105
Others	3,163	5,610	3,487	5,597
	7,633	9,890	21,241	23,702
Eliminations	(3,389)	(5,339)	(3,413)	(5,363)
Total Results	4,244	4,551	17,828	18,339

Segment Assets	31 Dec 2018	31 Dec 2017
Distribution	138,090	122,455
Others	202,894	190,731
	340,984	313,186
Eliminations	(137,457)	(118,268)
Total Assets	203,527	194,918

Segment Liabilities	31 Dec 2018	31 Dec 2017
Distribution	23,063	18,542
Others	26,964	75
	50,027	18,617
Eliminations	(37,466)	(5,330)
Total Liabilities	12,561	13,287

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

As at 7 December 2018, the Company has completed the acquisition of 1,615,600 Ordinary shares in Time Galerie (M) Sdn Bhd (Company No. 157260-W) ("TGSB") representing 40.39% equity interest in TGSB for a total cash consideration of RM26,657,400.

Other than the above-mentioned, there is no changes in the composition of the Group for the financial quarter under review.

12 Changes in Contingent Liabilities and Contingent Assets

Contingent Liability – Unsecured:	**31 Dec 2018 RM'000**	**31 Dec 2017 RM'000**
-Letter of undertaking given to banks for credit facilities granted to subsidiaries in normal course of business	26,605	26,605
	26,605	26,605

13 Capital Commitments

The Company had approved and contracted for capital expenditures amounting approximately to RM3.5 million.

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 year ended 31 Dec 2018 of RM17.8 million was RM500,000 or 3% lower than the previous year of RM18.3 million. The Group registered a revenue of RM150.3 million, a decrease of RM4.3 million or 3% as compared to the previous year.

The performance of the respective operating segments for the financial year ended 31 Dec 2018 as compared to the previous year is analysed as follows:-

Timepiece

The result in this segment includes all timepiece brands carried by the Group. The Group registered revenue of RM121 million, a 0.3% decrease year-on-year while segment profit also eased by 3% as a result of lower average margins earned on products sold.

Calculator

Calculator revenue of RM23 million was at par with FY2017. However, segment profit was 44% higher than 2017 as a result of reversal of allowance for inventories written down.

Digital Camera

Revenue for Digital Camera was 83% or RM5 million lower as compared with revenue of RM6 million recorded in 2017. Our Group has terminated the operation for this segment in line with Casio's decision to exit compact digital camera business. Segmental profit was 121% lower as a result of allowance for inventories written down on obsolete stock.

Digital Musical Instruments

This segment registered a revenue of RM5 million, an 25% increase over FY2017. Segmental profit was 210% higher as a results of reversal of impairments of accounts receivables and inventory.

16 Variation of Results against the Immediate Preceding Quarter

For the 4th quarter ended 31 Dec 2018, the Group's revenue increased by RM1.0 million or 3% to RM39.2 million from RM38.2 million registered in the immediate preceding quarter. However, pre-tax profit was down by 9% to RM4.2 million compared with immediate preceding quarter of RM4.6 million. Lower profit was mainly due to lower average margins earned. .

17 Commentary on Prospects

With a global economic slowdown and further monetary tightening, 2019 looks set to be as challenging as 2018. Lingering global trade tensions and financial-market volatility are the main downside risks to the outlook going forward. On the local front, economy continues to rely on domestic consumption and expected to weaken due to high cost of living. In view of this, the government has introduced measures in an effort to support low-income earners and reduce income inequality. Our group will position ourselves with consumers' changing behaviour as they reevaluate their consumption priorities, to stretch our marketing dollar while maintaining a strong brand image for a long term business growth.

18 Profit Forecast and Profit Guarantee

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

19 Taxation

	Quarter Ended 31 Dec 2018 RM '000	Quarter Ended 31 Dec 2017 RM '000
Income Tax	3,717	4,589
Tax expense	3,717	4,589
Profit/(loss) before taxation	17,828	18,339
Tax at statutory rate (24%) (2017:24%)	4,279	4,401
-Deferred Tax (Assets)/ Liabilities	(216)	3
-(Over)/Under provision of taxation	(294)	296
-Effects of expenses not deductible for tax purpose	(26)	282
-Expenses deductible/double deductible for tax purpose	(26)	(393)
Tax expense	3,717	4,589

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

20 Notes to Condensed Consolidated Income Statement

	4th Quarter Ended 31 Dec 2018 RM '000	12 months Ended 31 Dec 2018 RM '000
Interest Income	98	1,415
Interest expense	(32)	(76)
Depreciation and amortisation	(305)	(1,178)
Reversal of allowance of impairment on trade receivables	(477)	(82)
Reversal of allowance of inventories written down	(1,999)	(974)
Gain on foreign exchange	273	945

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 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) The Board has recommended a first and final dividend of 0.30 sen per ordinary share on 1,054,306,850 ordinary shares in respect of the financial year ended 31 December 2018. The proposed dividend is subject to shareholders approval at the forthcoming annual general meeting.

(b) The Company had on 13 July 2018 paid a first and final single tier dividend of 0.50 sen per ordinary share amounting to RM5,271,534 in respect of the financial year ended 31 December 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.

	4th Quarter Ended 31 Dec 2018	4th Quarter Ended 31 Dec 2017	12 Months Ended 31 Dec 2018	12 Months Ended 31 Dec 2017
Net profit for the period (RM'000)	3,482	2,344	14,111	13,750
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	0.22	1.34	1.30

By order of The Board
Siew Cheau Sheang
Finance Director
Kuala Lumpur, 19 February 2019