



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

Condensed Consolidated Statement of Comprehensive Income For The First Quarter Ended 31 March 2020

	Note	1st Quarter Ended		3 Months Ended	
		31-Mar-20 (Unaudited)	31-Mar-19	31-Mar-20 (Unaudited)	31-Mar-19
		RM '000	RM '000	RM '000	RM '000
Revenue	8	30,478	35,389	30,478	35,389
Other income		172	547	172	547
Changes in inventories of finished goods		311	2,908	311	2,908
Finished goods purchased		(23,733)	(29,340)	(23,733)	(29,340)
Depreciation		(693)	(297)	(693)	(297)
Other expenses		(3,836)	(5,254)	(3,836)	(5,254)
Share of Associated Company's Profit		310	532	310	532
Profit from operations		3,009	4,485	3,009	4,485
Finance income		582	487	582	487
Finance costs		(35)	(6)	(35)	(6)
Profit before tax		3,556	4,966	3,556	4,966
Taxation	19	(1,063)	(1,342)	(1,063)	(1,342)
Profit after tax		2,493	3,624	2,493	3,624
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		2,493	3,624	2,493	3,624
Profit Attributable to: Owners of the Parent		2,493	3,624	2,493	3,624
Total Comprehensive Income Attributable to: Owners of the Parent		2,493	3,624	2,493	3,624
Earnings per share attributable to: equity holders of the parent (sen):					
(i) Basic	29	0.24	0.34	0.24	0.34
(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 2019



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(Incorporated in Malaysia - 8985P)

Condensed Consolidated Statement of Financial Position As At 31 March 2020

	Note	As At 31-Mar-20 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-19
		RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		3,718	3,875
Deferred tax assets		1,484	1,484
Investment Property		39,618	39,744
Investment in associates		21,215	20,905
Intangible Assets		668	747
Operating lease right-of-use assets		5,651	5,916
		<u>72,354</u>	<u>72,671</u>
Current Assets			
Inventories		27,226	34,881
Trade and other receivables		25,373	23,691
Cash and bank balances		94,288	88,375
		<u>146,887</u>	<u>146,947</u>
TOTAL ASSETS		<u>219,241</u>	<u>219,618</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital	6	130,987	130,987
Reserves		1,210	1,210
Retained Earnings		73,284	70,791
Total equity		<u>205,481</u>	<u>202,988</u>
Non-current liabilities			
Operating lease liabilities		4,517	4,880
Current Liabilities			
Trade and Other payables	25	6,966	9,248
Bills payables		-	-
Tax Payable		1,073	1,396
Operating lease liabilities		1,204	1,106
Dividend Payable		-	-
		<u>9,243</u>	<u>11,750</u>
Total liabilities		<u>13,760</u>	<u>16,630</u>
TOTAL EQUITY AND LIABILITIES		<u>219,241</u>	<u>219,618</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.19	0.19

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31st December 2019



MARCO HOLDINGS BERHAD

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Condensed Consolidated Cash Flow Statement For The First Quarter Ended 31 March 2020

	Note	3 months ended 31-Mar-20 (Unaudited)	3 months ended 31-Mar-19
		RM '000	RM '000
Operating activities			
Net Profit before tax		3,556	4,966
<u>Adjustment for:</u>			
Depreciation		693	297
Interest expense		35	6
Dividend and Interest income		(582)	(487)
Other items		(57)	601
Total adjustments		89	417
Operating cash flows before changes in working capital		3,645	5,383
<u>Changes in working capital:</u>			
<i>Net change in current assets</i>		6,080	2,228
<i>Net change in current liabilities</i>		(2,609)	(5,176)
Total changes in working capital		3,471	(2,948)
Cash flows from operations		7,116	2,435
Tax paid		(1,739)	(2,056)
Interest paid		(35)	(6)
Net cash flows from operating activities		5,342	373
Investing activities			
Dividends & Interest received		582	487
Purchase of property, plant and equipment		(11)	(130)
Short term funds		-	-
Investment in associate		-	(532)
Other Items		-	-
Net Cash Flows (used in)/ from investing activities		571	(175)
Financing activities			
Borrowings		-	-
Operating lease liability		-	-
Dividends Paid		-	-
Net cash flows (used in) / from financing activities		-	-
Net Changes in Cash & Cash Equivalents		5,913	198
Cash & Cash Equivalents at beginning of year		88,375	83,091
Cash & Cash Equivalents at end of 31 March 2020		94,288	83,289
Cash and cash equivalents comprise :-			
Cash and bank balances		94,288	83,289
		94,288	83,289

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statement for the year ended 31st December 2019



MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 8985-P)

**Condensed Consolidated Statement of Changes In Equity
For The First Quarter Ended 31 March 2020**

	Note	Attributable to Equity Holders of the Parent					
		Share Capital	Non-Distributable			Retained Profits	Total Equity
			Share Premium	Fair Value Changes Reserve	Revaluation Reserve		
		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
3 Months Period Ended 31 March 2020 At 1 January 2020		130,987	-	-	1,210	70,791	202,988
Total Comprehensive Income for the period		-	-	-	-	2,493	2,493
Dividends	28	-	-	-	-	-	-
Balance As At 31 Mar 2020 (unaudited)		<u>130,987</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>73,284</u>	<u>205,481</u>
3 Months Period Ended 31 March 2019 At 1 Jan 2019		130,987	-	-	1,210	58,449	190,646
Total Comprehensive Income for the period		-	-	-	-	3,624	3,624
Dividends	28	-	-	-	-	-	-
Balance As At 31 March 2019		<u>130,987</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>62,073</u>	<u>194,270</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 2019



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

1 Basis of Preparation

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 2019. 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 2019.

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 2019, except as disclosed below:

Standards issued but not yet effective:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3 Business Combinations – Definition of a Business
- Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform

Adoption of the above standards if applicable, will not have any material 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 2019 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 flows 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 Dividends Paid

As At 31 Mar 2020

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

As At 31 Mar 2019

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

8 Segmental Information

	1st Quarter Ended 31 Mar 2020 RM '000	1st Quarter Ended 31 Mar 2019 RM '000	3 Months Ended 31 Mar 2020 RM '000	3 Months Ended 31 Mar 2019 RM '000
Segment Revenue				
Distribution	30,478	35,564	30,478	35,564
Others	-	(175)	-	(175)
Total revenue including Inter-segment sales	30,478	35,389	30,478	35,389
Eliminations	-	-	-	-
Total Revenue	30,478	35,389	30,478	35,389
Segment Results (Profit before Tax)				
	RM '000	RM '000	RM '000	RM '000
Distribution	3,160	4,420	3,160	4,420
Others	94	22	94	22
	3,254	4,442	3,254	4,442
Conso Adjustment	302	524	302	524
Total Results	3,556	4,966	3,556	4,966
Segment Assets				
			3 Months Ended 31 March 2020	12 Months Ended 31 Dec 2019
Distribution			151,842	120,871
Others			204,884	204,624
			356,726	325,495
Eliminations			(137,485)	(105,877)
Total Assets			219,241	219,618
Segment Liabilities				
Distribution			18,656	16,461
Others			27,114	27,089
			45,770	43,550
Eliminations			(32,010)	(26,920)
Total Liabilities			13,760	16,630

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 are no material events that have not been reflected in the financial quarter under review.



11 Changes in the Composition of the Group

There were 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 Mar 2020 RM'000	31 Dec 2019 RM'000
-Letter of undertaking given to banks for credit facilities granted to subsidiaries in normal course of business	26,605	26,605
	<u>26,605</u>	<u>26,605</u>

13 Capital Commitments

Capital expenditure commitments outstanding not provided for in the interim financial statements are as follows:

	31 Mar 2020 RM'000	31 Dec 2019 RM'000
-Property, plant and equipment Contracted but not provided for in the financial statements	Nil	73
	<u>Nil</u>	<u>73</u>

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 registered a revenue of RM30.5 million, a decreased of RM4.9 million or 14% compared to previous corresponding period of RM35.4 million. Decreased in revenue was mainly due to adverse impact of Covid-19 outbreak and Movement Control Order (“MCO”) that basically close down all the retailing of non-essential goods. Group’s pre-tax profit correspondingly declined by RM1.4 million or 28% to RM3.6 million for the first quarter ended 31 March 2020, compared to previous corresponding period of RM5 million as a result of lower revenue and lower margin from most of the product groups.

The performance of the respective operating segments for the financial period ended 31 March 2020 compared to the previous corresponding period is analysed as follows:-

Timepiece

The result in this segment includes all timepiece brands carried by the Group. The Group registered a revenue of RM21.9 million, a decrease of 14% compared to corresponding quarter last year due to Covid-19 pandemic outbreak. Lower revenue coupled by lower margin has resulted in 45% drop in the segmental profit compared to corresponding quarter of 2019.



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

The performance of the respective operating segments for the financial year ended 31 March 2020 compared to the previous year is analysed as follows:- (cont)

Calculator

Calculator revenue of RM7.7 million was 10% lower compared to corresponding quarter last year. Lower revenue as well as lower margin has resulted in 42% drop in segmental profit compared to corresponding quarter of 2019.

Digital Musical Instruments

This segment registered a revenue of RM0.9 million, a decrease of 25% over the corresponding quarter of 2019. Segmental profit however was 44% higher as a results of write back of provision of slow moving inventory.

16 Variation of Results against the Immediate Preceding Quarter

For the 1st quarter ended 31 March 2020, Group's revenue decreased by 30% or RM13 million to RM30.5 million from RM43.5 million registered in the immediate preceding quarter, revenue declined as a result of adverse impact of Covid-19 and MCO. Pre-tax profit dropped by 42% to RM3.6 million as a result of lower revenue.

17 Commentary on Prospects

The ongoing Covid-19 pandemic outbreak and the containment measures have posed an unprecedented challenge to the global economy. Our Group, being in the retail industry, is being adversely affected by this pandemic. We are adapting to this challenges by accelerating our e-commerce channels, introducing new products to the market, working closely with our dealers to explore alternatives to sustain mutual growth, and executing cost cutting measurements among others. Our Group remain optimistic to deliver positive results against this background of adversities.

18 Profit Forecast and Profit Guarantee

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

19 Taxation

	Quarter Ended 31 Mar 2020 RM '000	Quarter Ended 31 Mar 2019 RM '000
Income Tax	1,063	1,342
Tax expense	<u>1,063</u>	<u>1,342</u>
Profit/(loss) before taxation	<u>3,556</u>	<u>4,966</u>
Tax at statutory rate (24%) (2019:24%)	853	1,192
-Deferred Tax (Assets)/ Liabilities	51	91
-(Over)/Under provision of taxation	39	(46)
-Share of associated company's tax	(98)	(168)
-Effects of expenses not deductible for tax purpose	224	300
-Expenses deductible/double deductible for tax purpose	(6)	(27)
Tax expense	<u>1,063</u>	<u>1,342</u>

The effective tax rates for the current quarter was higher than the statutory tax rate principally due to certain expenses that could not be deducted for tax purpose.



20 Notes to Condensed Consolidated Income Statement

	1 st Quarter Ended 31 Mar 2020 RM '000	1 st Quarter Ended 31 Mar 2019 RM '000
Profit for the period is arrived at after charging:		
Interest expense	35	6
Depreciation and amortisation	694	297
Allowance of impairment on trade receivables	62	43
Allowance of inventories written down	192	558
Loss on foreign exchange	-	88
and after crediting:		
Interest Income	582	487
Gain on foreign exchange	238	-

21 Unquoted Investments and/or Properties

There were no acquisitions or disposals of unquoted investments and properties during the financial quarter under review.

22 Investment in an associate

	As at 31 Mar 2020 RM '000	As at 31 Dec 2019 RM '000
Unquoted investment, at cost	26,657,400	26,657,400
Dividend income	(8,078,000)	(8,078,000)
Share of post-acquisition profit	2,635,797	2,325,741
	<u>21,215,197</u>	<u>20,905,141</u>

23 Quoted Securities

There were no acquisitions or disposals of quoted securities during the financial quarter under review.

24 Corporate Proposal

There were no corporate proposals announced but not completed.

25 Group Borrowings and Debt Securities

	As at 31 Mar 2020 RM'000	As at 31 Dec 2019 RM'000
Short term borrowings – secured	-	-
Total	<u>-</u>	<u>-</u>

26 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.

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 1st quarter ended 31 March 2020.
- (b) There was no dividend proposed in the 1st quarter ended 31 March 2019.

29 Earnings Per Share

Basic

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	1st Quarter Ended	1st Quarter Ended	3 Months Ended	3 Months Ended
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
Net profit for the period (RM'000)	2,493	3,624	2,493	3,624
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)	0.24	0.34	0.24	0.34

By order of The Board
Siew Cheau Sheang
Finance Director
Kuala Lumpur, 22nd June 2020