


MARCO HOLDINGS BERHAD

(Incorporated in Malaysia - 196901000631 (8985-P))

**Condensed Consolidated Statement of Comprehensive Income
For The Second Quarter Ended 30 June 2020**

	Note	2nd Quarter Ended		6 Months Ended	
		30-Jun-20 (Unaudited)	30-Jun-19	30-Jun-20 (Unaudited)	30-Jun-19
		RM '000	RM '000	RM '000	RM '000
Revenue	8	25,879	32,409	56,357	67,798
Other income		180	(275)	352	272
Changes in inventories of finished goods		(2,440)	3,276	(2,129)	6,184
Finished goods purchased		(16,152)	(27,238)	(39,885)	(56,578)
Depreciation		(591)	(307)	(1,284)	(604)
Other expenses		(4,207)	(5,211)	(8,043)	(10,449)
Share of Associated Company's Profit		375	476	685	1008
Profit from operations		3,044	3,130	6,053	7,631
Finance income		593	929	1,175	1,416
Finance costs		(181)	(10)	(216)	(32)
Profit before tax		3,456	4,049	7,012	9,015
Taxation	19	(981)	(937)	(2,044)	(2,279)
Profit after tax		2,475	3,112	4,968	6,736
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		2,475	3,112	4,968	6,736
Profit Attributable to: Owners of the Parent		2,475	3,112	4,968	6,736
Total Comprehensive Income Attributable to: Owners of the Parent		2,475	3,112	4,968	6,736
Earnings per share attributable to: equity holders of the parent (sen):					
(i) Basic	29	0.23	0.34	0.47	0.64
(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 2019



MARCO HOLDINGS BERHAD
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Condensed Consolidated Statement of Financial Position
As At 30 June 2020

	Note	As At 30-Jun-20 (Unaudited)	As At Preceding Financial Year Ended 31-Dec-19
		RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		3,549	3,875
Deferred tax assets		1,484	1,484
Investment Property		39,493	39,744
Investment in associates		21,590	20,905
Intangible Assets		590	747
Operating lease right-of-use assets		5,381	5,916
		<u>72,087</u>	<u>72,671</u>
Current Assets			
Inventories		24,557	34,881
Trade and other receivables		28,438	23,691
Cash and bank balances		97,291	88,375
		<u>150,286</u>	<u>146,947</u>
TOTAL ASSETS		<u>222,373</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		75,759	70,791
Total equity		<u>207,956</u>	<u>202,988</u>
Non-current liabilities			
Operating lease liabilities		4,022	4,880
Current Liabilities			
Trade and Other payables	25	6,716	9,248
Bills payables		-	-
Tax Payable		2,181	1,396
Operating lease liabilities		1,498	1,106
Dividend Payable		-	-
		<u>10,395</u>	<u>11,750</u>
Total liabilities		<u>14,417</u>	<u>16,630</u>
TOTAL EQUITY AND LIABILITIES		<u>222,373</u>	<u>219,618</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.20	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
(Incorporated in Malaysia - 196901000631 (8985-P))

Condensed Consolidated Cash Flow Statement
For The Second Quarter Ended 30 June 2020

	Note	6 months ended 30-Jun-20 (Unaudited)	6 months ended 30-Jun-19
		RM '000	RM '000
Operating activities			
Net Profit before tax		7,012	9,015
<u>Adjustment for:</u>			
Depreciation		1,284	604
Interest expense		216	32
Dividend and Interest income		(1,175)	(1,416)
Operating Lease Rental			172
Other items		(87)	1,215
Total adjustments		238	607
Operating cash flows before changes in working capital		7,250	9,622
<u>Changes in working capital:</u>			
<i>Net change in current assets</i>		5,283	3,836
<i>Net change in current liabilities</i>		(2,147)	(3,520)
Total changes in working capital		3,136	316
Cash flows from operations		10,386	9,938
Tax paid		(1,555)	(1,608)
Interest paid		(216)	(32)
Net cash flows from operating activities		8,615	8,298
Investing activities			
Dividends & Interest received		1,175	1,416
Purchase of property, plant and equipment		(16)	(512)
Short term funds		-	-
Investment in associate		-	(1,008)
Placement of short term fund		-	-
Net Cash Flows (used in)/ from investing activities		1,159	(104)
Financing activities			
Borrowings		-	4,156
Operating lease liability		(858)	(172)
Dividends Paid		-	-
Net cash flows (used in) / from financing activities		(858)	3,984
Net Changes in Cash & Cash Equivalents		8,916	12,178
Cash & Cash Equivalents at beginning of year		88,375	83,091
Cash & Cash Equivalents at end of 30 June 2020		97,291	95,269
Cash and cash equivalents comprise :-			
Cash and bank balances		97,291	95,269
		97,291	95,269

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
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**Condensed Consolidated Statement of Changes In Equity
For The Second Quarter Ended 30 June 2020**

	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 2020 At 1 January 2020		130,987	-	-	1,210	70,791	202,988	
Total Comprehensive Income for the period		-	-	-	-	4,968	4,968	
Dividends	28	-	-	-	-	-	-	
Balance As At 30 June 2020 (unaudited)		<u>130,987</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>75,759</u>	<u>207,956</u>	
6 Months Period Ended 30 June 2019 At 1 Jan 2019		130,987	-	-	1,210	58,449	190,646	
Total Comprehensive Income for the period		-	-	-	-	6,736	6,736	
Dividends	28	-	-	-	-	-	-	
Balance As At 30 June 2019		<u>130,987</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>65,185</u>	<u>197,382</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 paragraph 9.22 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:

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2020. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in 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 30 June 2020

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

As At 30 June 2019

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



8 Segmental Information

	2nd Quarter Ended 30 June 2020 RM '000	2nd Quarter Ended 30 June 2019 RM '000	6 Months Ended 30 June 2020 RM '000	6 Months Ended 30 June 2019 RM '000
Segment Revenue				
Distribution	25,879	32,234	56,357	67,798
Others	-	175	-	-
Total revenue including Inter-segment sales	25,879	32,409	56,357	67,798
Eliminations	-	-	-	-
Total Revenue	25,879	32,409	56,357	67,798
Segment Results (Profit before Tax)				
	RM '000	RM '000	RM '000	RM '000
Distribution	3,024	3,257	6,184	7,677
Others	65	323	159	345
	3,089	3,580	6,343	8,022
Conso Adjustment	367	469	669	993
Total Results	3,456	4,049	7,012	9,015
Segment Assets				
			6 Months Ended 30 June 2020	6 Months Ended 30 June 2019
Distribution			154,530	147,841
Others			204,953	204,642
			359,483	352,483
Eliminations			(137,110)	(137,714)
Total Assets			222,373	214,769
Segment Liabilities				
Distribution			19,239	21,717
Others			27,180	26,991
			46,419	48,708
Eliminations			(32,002)	(33,867)
Total Liabilities			14,417	14,841

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:	30 June 2020 RM'000	30 June 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:

	30 June 2020 RM'000	30 June 2019 RM'000
-Property, plant and equipment Contracted but not provided for in the financial statements	Nil	744
	<u>Nil</u>	<u>744</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 RM56.4 million, a decreased of RM11.4 million or 17% compared to previous corresponding period of RM67.8 million. Decreased in revenue was mainly due to adverse impact of Covid-19 outbreak and Movement Control Order (“MCO”) that closed down all the retailing of non-essential goods. Group’s pre-tax profit correspondingly declined by RM2.0 million or 22% to RM7.0 million compared to previous corresponding period of RM9.0 million as a result of lower sales volume as well as lower margin from most of the product groups.

The performance of the respective operating segments for the financial period ended 30 June 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 RM45.1 million, a decrease of 11% compared to corresponding period last year due to Covid-19 pandemic outbreak. Lower sales volume coupled with lower margin has resulted in 3% drop in the segmental profit compared to corresponding quarter of 2019.

Calculator

Calculator revenue of RM8.9 million was 34% lower compared to corresponding period of last year. Lower revenue was mainly due to closure of school segment during MCO. Segmental profit has dropped by 53% compared to corresponding period of 2019 as a result of lower revenue.

Digital Musical Instruments

This segment registered a revenue of RM2.4 million, a decrease of 13% over the corresponding period of 2019. Segmental profit however was 23% higher as a results of write back of provision of slow moving inventory.



16 Variation of Results against the Immediate Preceding Quarter

For the 2nd quarter ended 30 June 2020, Group's revenue decreased by 15% or RM4.6 million to RM25.9 million from RM30.5 million registered in the immediate preceding quarter, revenue declined as a result of adverse impact of MCO. Pre-tax profit dropped by RM0.1 million or 3% to RM3.4 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 measures 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 30 June 2020 RM '000	Quarter Ended 30 June 2019 RM '000
Income Tax	2,044	2,279
Tax expense	<u>2,044</u>	<u>2,279</u>
Profit/(loss) before taxation	<u>7,012</u>	<u>9,015</u>
Tax at statutory rate (24%) (2019:24%)	1,683	2,164
-Deferred Tax (Assets)/ Liabilities	267	236
-(Over)/Under provision of taxation	165	(40)
-Share of associated company's tax	(315)	(497)
-Effects of expenses not deductible for tax purpose	258	443
-Expenses deductible/double deductible for tax purpose	(14)	(27)
Tax expense	<u>2,044</u>	<u>2,279</u>

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



20 Notes to Condensed Consolidated Income Statement

	2 nd Quarter Ended 30 June 2020 RM '000	2 nd Quarter Ended 30 June 2019 RM '000
Profit for the period is arrived at after charging:		
Interest expense	216	32
Depreciation and amortisation	1,284	604
Allowance of impairment on trade receivables	258	44
Allowance of inventories written down	339	1,171
Loss on foreign exchange	-	21
and after crediting:		
Interest Income	1,175	1,416
Gain on foreign exchange	115	-

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 30 June 2020 RM '000	As at 30 June 2019 RM '000
Unquoted investment, at cost	26,657	26,657
Dividend income	(8,078)	(4,847)
Share of post-acquisition profit	3,011	1,008
	<u>21,590</u>	<u>22,818</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 30 June 2020 RM'000	As at 30 June 2019 RM'000
Short term borrowings – secured	-	4,156
Total	<u>-</u>	<u>4,156</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 2nd quarter ended 30 June 2020.
- (b) There was no dividend proposed in the 2nd quarter ended 30 June 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.

	2nd Quarter Ended	2nd Quarter Ended	6 Months Ended	6 Months Ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Net profit for the period (RM'000)	2,475	3,112	4,968	6,736
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)	0.23	0.34	0.47	0.64

By order of The Board
Siew Cheau Sheang
Finance Director
Kuala Lumpur, 17 August 2020