

CHEETAH HOLDINGS BERHAD (430404-H)

NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

PART A – PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134 - INTERIM FINANCIAL REPORTING

A1. Basis of Preparation and Consolidation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2018. These 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 30 June 2018.

New and Revised Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of the interim financial statements, the new and revised Standards and Amendments and IC Interpretations, and which were issued but not yet effective and not early adopted by the Group are as listed below:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers (and the Related Clarifications) ¹
MFRS 16	Leases ²
MFRS 17	Insurance Contracts ³
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ¹
Amendments to MFRS 9	Prepayment Features with Negative Compensation ²
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement ²
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures ²
Amendments to MFRS 140	Transfers of Investment Property ¹
Amendments to MFRS	Annual Improvement to MFRSs 2014 - 2016 Cycle ¹ Annual Improvement to MFRSs 2015 - 2017 Cycle ²
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretations 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that abovementioned Standards, Amendments and IC Interpretations will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards, Amendments and IC Interpretations will have no material impact on the financial statements of the Group in the period of initial application except for MFRS 9, MFRS 15 and MFRS 16. The directors of the Group anticipate that the application of the MFRS 9, MFRS 15 and MFRS 16 on the future may have an impact on the amounts reported and disclosures made in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the abovementioned standards until the Group performs a detailed review.

A2. Preceding Audited Financial Statements

The audited financial statements of the Group for the preceding year ended 30 June 2018 were not qualified.

A3. Seasonal or Cyclical Factors

The Group's business operations are mainly in product designing, product development, marketing and retailing of sports apparel and accessories and casual wear under its own brand names. It is subject to seasonal or cyclical factors where local festivals, school holidays and carnival sales will generally have an impact on its performance.

A4. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income, or cash flow of the Group for the quarter or the financial period-to-date.

A5. Changes In Estimates

There were no changes in estimates of amounts reported in prior interim periods of the current or previous financial years which have any material effect in the current interim period.

A6. Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the quarter under review.

A7. Dividend

There was no dividend paid during the current quarter under review.

A8. Segmental Information

The Group is principally engaged in product designing, product development, marketing and retailing of sports apparel and accessories and casual wear under its own brand names. Hence, segmental information is not presented as there are no significant business segments other than the retailing business.

A9. Valuation of Property, Plant and Equipment

The property, plant and equipment are carried at cost less accumulated depreciation and no valuation is done for the financial year ended 30 June 2018.

A10. Subsequent Events

There is no material event subsequent to the end of the current quarter, which has not been reflected in the financial statements for the current period.

A.11 Changes In The Composition of The Group

There were no changes in the composition of the Group during the quarter under review including business composition, acquisition or disposal of any subsidiaries or long term investments, restructuring or discontinued operations.

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PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B1. Review of Performance of the Group

The Group recorded a revenue of RM26.63 million for the current quarter under review, a decrease of RM1.23 million or 4.41% as compared to RM27.86 million recorded in the previous year corresponding quarter. The decrease in revenue was due to soft consumer sentiment and the restructuring and consolidating of non-performing counters.

The Loss Before Tax for the current quarter reduced by 57.20% or RM1.89 million to RM1.42 million as compared to Loss Before Tax of RM3.32 million as recorded in the previous year corresponding quarter. The reduction in Loss Before Tax was due to better sales margin achieved compared to previous year corresponding quarter.

B2. Material Changes in the Profit Before Tax As Compared to the Immediate Preceding Quarter

The comparison of this quarter's results with the immediate preceding quarter is set out below.

	Current Quarter	Preceding Quarter	Variance
Period ended	31.03.2019	31.12.2018	
	RM'000	RM'000	RM'000
Revenue	26,634	30,551	(3,917)
(Loss)/Profit Before Tax	(1,423)	880	(2,303)

Revenue for current quarter was RM26.63 million which is RM3.92 million or 12.82% lower than that of the immediate preceding quarter of RM30.55 million. This lower revenue was due to the better sales recorded for the Christmas, Pre-Chinese New Year seasons and the year-end school holidays in the immediate preceding quarter.

For the current quarter ended 31 March 2019, the Group posted a Loss before tax of RM1.42 million compared to the immediate preceding quarter Profit before tax of RM0.88 million. The Loss Before Tax in the current quarter under review was mainly due to lower sales and year end incentive expenses captured in the current quarter under review.

B3. Prospects

The Group will continue to be vigilant to the changes in the external business environment and take the necessary action of reviewing our cost structure and outlets performance in order to maintain long term sustainable growth.

B4. Variance from Profit Forecast and Profit Guarantee

Not applicable.

B5. Taxation

The breakdown of taxation is as follows:-

	Current Quarter	Year-to-Date
Tax (Over)Provision :	RM'000	RM'000
Current	20	356
Tax Refund	-	-
Total	20	356

The Group's effective tax rate for the current quarter and current financial year are higher than the statutory rate of 24% mainly due to certain expenses and provisions which are not deductible for tax purposes.

B6. Status of Corporate Proposals

There were no corporate proposals as at the date of this quarterly report.

B7. Details of treasury shares

As at the end of the reporting period, the status of share buy-back is as follows:-

	Current Quarter	Accumulated Total
Description of shares purchased	Ordinary Share	Ordinary Share
Number of shares purchased	Nil	12,761,300
Number of shares cancelled	Nil	Nil
Number of shares held as treasury shares	Nil	Nil
Number of treasury shares resold	Nil	Nil

The Company will not continue its share buy-back program at the moment as the treasury shares now stand at 9.9% of the company's issued shares, the maximum allowed being 10.0%.

B8. Group Borrowings and Debt Securities

The Group's borrowings as at the end of the current quarter is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short-term borrowings	-	824	824
Total	-	824	824

There were no debt securities issued as at 31 March 2019.

B9. Material Litigation

There is no litigation of a material nature involving the Group as at the date of this quarterly report.

B10. Proposed Dividend

No dividend has been declared or recommended for payment by the Company for the current quarter under review.

B11. Earnings Per Share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders for the period by the weighted average number of ordinary shares in issue during the period.

	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended
	31.03.2019	31.03.2018
Net (Loss) attributable to shareholders (RM'000)	(1,443)	(3,117)
<i>Weighted average number of ordinary shares of RM0.50 each in issue ('000)</i>		
Weighted average number of ordinary shares ('000)	114,859	115,525
Basic earnings per share (sen)	(1.26)	(2.70)

B12. Profit before taxation

	Current Year Quarter Ended 31.03.2019 RM'000	9 Months Cumulative to Date 31.03.2019 RM'000
Profit before tax is arrived at after charging/(crediting):-		
Amortisation of prepaid lease payments	9	25
Depreciation of property, plant and equipment	626	1,985
Depreciation of investment properties	3	11
Property, plants and equipment written off	72	137
Provision for inventories written off / (Provision for inventories written off no longer required)	333	958
Provision for slow moving inventories / (Provision for slow moving inventories no longer required)	1	81
Inventories written down / (Inventories write down no longer required)	-	237
Interest income	(254)	(826)
Finance costs	38	63