

## CHEETAH HOLDINGS BERHAD (430404-H)

### NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 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.

##### A2. Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 30 June 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 30 June 2018.

As of 1 July 2018, the Group and the Company have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

##### **Effective for annual period beginning on or after 1 July 2018**

<b>Title</b>	<b>Effective Date</b>
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standard 2014 – 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48

## A2. Significant Accounting Policies (continued)

### 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:

<b>Title</b>	<b>Effective Date</b>
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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. 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. Significant Accounting Policies (continued)

### **MFRS 9 Financial Instruments**

Effective from 1 January 2018, MFRS 9 *Financial Instruments* had replaced MFRS 139 *Financial Instruments: Recognition and Measurement*.

Upon adoption of MFRS 9, the Group has changed its impairment methodology, on debt instruments from the existing incurred loss model to expected credit loss (“ECL”) model.

Impairment for trade receivables are recognised based on the simplified approach using the life time expected credit losses. The Group considered past loss experience and observable data such as current changes and future forecast in economic conditions by market segment of the Group to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has applied the modified retrospective method for the above adoption where cumulative effects are shown as an adjustment to the opening retained earnings as at 1 July 2018. Details are as follows:

<b><u>Group</u></b>	<b>As reported At 30 June 2018 RM'000</b>	<b>Effects of MFRS 9 RM'000</b>	<b>Restated balance At 01 July 2018 RM'000</b>
<b>Current assets</b>			
Trade and other receivables	34,356	(288)	34,068
<b>Non-current liabilities</b>			
Deferred tax liabilities	639	(60)	579
<b>Capital and reserves</b>			
Retained earnings	69,892	(228)	69,664

**A2. Significant Accounting Policies (continued)**

MFRS 15 *Revenue from Contracts with Customers*, an entity shall account for a contract with a customer when it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Based on the requirements of MFRS 15, the entity is required to evaluate at contract inception whether it is probable that it will collect the consideration it expects to be entitled in exchange for the goods or services that will be transferred to a customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

The Group has assessed the impact on initial application of MFRS 15 and concluded that there is no significant impact on the financial statements of the Group. Presentation of financial statements was affected by the reclassification of affected items from expenses to revenue or vice versa. The impact of the changes in accounting policies are as follows:

	Impact of change in accounting policy		
	For current year Quarter Ended 30 June 2019		
	Before Adoption RM'000	MFRS 15 Adjustments RM'000	After Adoption RM'000
Revenue	35,055	29,781	64,836
Cost of sales	(21,403)	(29,781)	(51,184)
Gross profit	13,652	-	13,652
GP %	38.94%		21.06%

**A3. Preceding Audited Financial Statements**

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

**A4. 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.

**A5. 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.

**A6. 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.

**A7. Changes in Debt and Equity Securities**

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

**A8. Dividend**

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

**A9. 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.

**A10. 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.

**A11. 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.

**A12. 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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### NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 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**

With reference to note A2, the impact of MFRS 15 to the Group revenue for current quarter under review and cumulative revenue for the year ended 30 June 2019 are as follows:

Group	Impact of change in accounting policy		
	Before Adoption	MFRS 15 Adjustments	After Adoption
	RM'000	RM'000	RM'000
Revenue – current quarter	35,055	29,781	64,836
Revenue – current cumulative	111,694	29,781	141,475

The Group recorded a revenue of RM35.06 million for the current quarter under review, a decreased of RM2.08 million or 5.60% as compared to RM37.14 million recorded in the previous year corresponding quarter. The decrease in revenue was due to softer demand for Hari Raya Festive season as compared to the previous corresponding quarter.

Profit Before Tax for the current quarter was RM4.27 million, reduced by 38.12% or RM2.63 million as compared to Profit Before Tax of RM6.90 million as recorded in the previous year corresponding quarter. The decrease in Profit before tax was due to soft consumer sentiment and lower sales margin compared to previous year corresponding quarter.

The cumulative revenue for the year ended 30 June 2019 and 30 June 2018 were RM111.69 and RM116.96 respectively. The decrease of RM5.27 million or 4.51% was due to more conservative spending by consumers compared to previous corresponding year.

The cumulative Profit before tax for the year ended 30 June 2019 was RM0.35 million, decreased by RM1.32 million or 79.04% as compared to the cumulative Profit before tax of RM1.67 million in previous corresponding twelve month period. The decrease was due to lower sales leading to a lower profit.

**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.

Period ended	<b>Current Quarter</b> 30.06.2019 RM'000	<b>Preceding Quarter</b> 31.03.2019 RM'000	<b>Variance</b> RM'000
Revenue	35,055	26,634	8,421
Profit/(Loss) Before Tax	4,270	(1,423)	5,693

Revenue for current quarter was RM35.06 million which is RM8.42 million or 31.62% higher than that of the immediate preceding quarter of RM26.63 million. This higher revenue was due to the Hari Raya Festive Sales fully captured in current quarter under review.

For the current quarter ended 30 June 2019, the Group posted a Profit before tax of RM4.27 million compared to the immediate preceding quarter Loss before tax of RM1.42 million. The significantly increase in Profit before tax was due to Hari Raya Festive Sales and better margin in the current quarter under review.

**B3. Prospects**

Due to challenging economy outlook in retail industry, increased cost of living, higher operating cost and unfavorable consumer sentiment, the Group expect the performance for the next financial year remain challenging.

The Group will continue to be responsive to the changes in the business environment, improve operational efficiency and outlets performance in order to maintain the growth.

**B4. Variance from Profit Forecast and Profit Guarantee**

Not applicable.

**B5. Taxation**

The breakdown of taxation is as follows:

	<b>Current Quarter</b>	<b>Year-to-Date</b>
<b>Tax Provision:</b>	RM'000	RM'000
Current	(83)	273
Prior year	12	12
Tax Refund	(33)	(33)
	<b>(104)</b>	<b>252</b>
<b>Deferred tax:</b>		
Current	134	134
Prior year	(353)	(353)
	<b>(219)</b>	<b>(219)</b>
<b>Total income tax (credit)/expense</b>	<b>(323)</b>	<b>33</b>

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:-

	<b>Current Quarter</b>	<b>Accumulated Total</b>
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:-

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term borrowings	-	-	-
<b>Total</b>	-	-	-

There were no debt securities issued as at 30 June 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.

	<b>Current Year Quarter Ended</b>	<b>Preceding Year Corresponding Quarter Ended</b>
	30.06.2019	30.06.2018
Net Profit attributable to shareholders (RM'000)	4,593	6,582
<i>Weighted average number of ordinary shares of RM0.50 each in issue ('000)</i>		
Weighted average number of ordinary shares ('000)	114,859	115,358
Basic earnings per share (sen)	<b>4.00</b>	<b>5.69</b>

**B12. Profit before taxation**

	<b>Current Year Quarter Ended 30.06.2019 RM'000</b>	<b>12 Months Cumulative to Date 30.06.2019 RM'000</b>
Profit before tax is arrived at after charging/(crediting):-		
Amortisation of prepaid lease payments	8	33
Depreciation of property, plant and equipment	583	2,568
Depreciation of investment property	4	15
Impairment loss on property, plant and equipment	31	31
Reversal of impairment loss on investment property	(197)	(197)
Property, plants and equipment written off	25	162
Inventories written off	802	1,760
Inventories written back	(449)	(131)
Interest income	(304)	(1,130)
Finance costs	(14)	48