

## CHEETAH HOLDINGS BERHAD (430404-H)

### NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2019. 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 2019.

##### **A2. Significant Accounting Policies**

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the quarterly consolidated financial statements for 30 September 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 30 June 2019, except for changes arising from the adoption of MFRS 16 *Leases*.

##### MFRS 16 *Leases*

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, MFRS 117 *Leases*.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

## A2. Significant Accounting Policies (continued)

The Group adopted MFRS 16 using the modified retrospective method and did not restate comparative amounts for the period prior to first adoption. The impact of adoption of MFRS 16 are as follows:

<b>Statement of financial position</b>	
<b>Assets</b>	<b>RM'000</b>
Right-of-use assets	2,708
<b>Liabilities</b>	
Lease liabilities	(2,708)

### **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>
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.

**A3. Preceding Audited Financial Statements**

The audited financial statements of the Group for the preceding year ended 30 June 2019 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 2019.

**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 FIRST QUARTER ENDED 30 SEPTEMBER 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

As reported in last financial year ended 30 June 2019, the Group has adopted MFRS 15 *Revenue from Contracts with Customers*. The Group has concluded that there is no significant impact on the financial statement of the Group and was affected by the reclassification of affected items from expenses to revenue or vice versa.

Hence, for comparative purpose, the Group revenue for current quarter under review and cumulative revenue for the quarter ended 30 September 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	19,889	5,266	25,155
Revenue – corresponding quarter	19,454	n/a	n/a
Revenue – current cumulative	19,889	5,266	25,155
Revenue – corresponding cumulative	19,454	n/a	n/a

The Group recorded a revenue of RM19.89 million for the current quarter under review, a slight increase of RM0.44 million or 2.26% as compared to RM19.45 million recorded in the previous year corresponding quarter.

Loss before tax for the current quarter was RM2.80 million, a decrease in loss of RM0.58 million or 17.16% as compared to Loss before tax of RM3.38 million as recorded in the previous year corresponding quarter. The reduction in Loss before tax was due to slight improvement in cost control compared to previous year corresponding quarter.

**B2. Material Changes in the (Loss)/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> 30.09.2019 RM'000	<b>Preceding Quarter</b> 30.06.2019 RM'000	<b>Variance</b> RM'000
Revenue	19,889	35,055	(15,166)
(Loss)/Profit Before Tax	(2,799)	4,270	(7,069)

Revenue for current quarter was RM19.89 million which is RM15.17 million or 43.27% lower than that of the immediate preceding quarter of RM35.06 million. This lower revenue was due to the Hari Raya Festive Sales fully captured in immediate preceding quarter.

For the current quarter ended 30 September 2019, the Group posted a Loss before tax of RM2.80 million compared to the immediate preceding quarter Profit before tax of RM4.27 million. The Loss before tax was mainly due to lower revenue and lower margin in the current quarter under review whereas Hari Raya Festive Sales being fully captured in immediate preceding quarter under review.

**B3. Prospects**

Due to challenging economy outlook in retail industry, higher operating cost and unfavorable consumer sentiment, the Group will continue to be alert to the changes in the business environment, improve operational efficiency and outlets performance in order to maintain 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	-	-
Prior year	-	-
Tax Refund	-	-
	-	-
<b>Deferred tax:</b>		
Current	-	-
Prior year	-	-
	-	-
<b>Total income tax (credit)/expense</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	-	860	860
<b>Total</b>	<b>-</b>	<b>860</b>	<b>860</b>

There were no debt securities issued as at 30 September 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>
	30.09.2019	30.09.2018
Net Loss attributable to shareholders (RM'000)	(2,799)	(3,379)
<i>Weighted average number of ordinary shares of RM0.50 each in issue ('000)</i>		
Weighted average number of ordinary shares ('000)	114,859	116,973
Basic earnings (loss) per share (sen)	<b>(2.44)</b>	<b>(2.89)</b>



**B12. Loss before taxation**

	<b>Current Year Quarter Ended 30.09.2019 RM'000</b>	<b>3 Months Cumulative to Date 30.09.2019 RM'000</b>
Loss before tax is arrived at after charging/(crediting):-		
Amortisation of prepaid lease payments	8	8
Depreciation of property, plant and equipment	544	544
Depreciation of right-of-use assets	186	186
Depreciation of investment property	3	3
Property, plants and equipment written off	166	166
Provision of inventories written off / Inventories written off	314	314
Inventories written down	49	49
Finance costs	46	46
Income distribution form short- term funds	(336)	(336)