

CHEETAH HOLDINGS BERHAD (430404-H)

NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31 December 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* with effective from 1 July 2019.

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:

Statement of financial position	
Assets	RM'000
Right-of-use assets	2,708
Liabilities	
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:

Title	Effective Date
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 SECOND QUARTER ENDED 31 DECEMBER 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 31 December 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	30,062	8,165	38,227
Revenue – corresponding quarter	30,551	n/a	n/a
Revenue – current cumulative	49,952	13,431	63,383
Revenue – corresponding cumulative	50,005	n/a	n/a

The Group recorded a revenue of RM30.06 million for the current quarter under review, a decrease of RM0.49 million or 1.60% as compared to RM30.55 million recorded in the previous year corresponding quarter.

The Profit Before Tax for the current quarter increased by 48.86% or RM0.43 million to RM1.31 million compared to Profit Before Tax of RM0.88 million as recorded in the previous year corresponding quarter. The increase in Profit Before Tax for current quarter under review was due to better profit margin.

B2. Material Changes in the Profit/(Loss) 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	Current Quarter 31.12.2019 RM'000	Preceding Quarter 30.09.2019 RM'000	Variance RM'000
Revenue	30,062	19,889	10,173
Profit/(Loss) Before Tax	1,312	(2,799)	4,111

Revenue for current quarter was RM30.06 million which is RM10.17 million or 51.13% higher than that of the immediate preceding quarter of RM19.89 million. This higher revenue was due to the Christmas holiday season and year-end school holidays during the current quarter under review.

For the current quarter ended 31 December 2019, the Group posted a Profit before tax of RM1.31 million compared to the immediate preceding quarter Loss before tax of RM2.80 million. The Profit before tax was mainly due to higher sales and better profit margin in current quarter under review.

B3. Prospects

Due to challenging and uncertain economy outlook in retail industry and COVID-19 outbreak, 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:

	Current Quarter	Year-to-Date
Tax Provision:	RM'000	RM'000
Current	-	-
Prior year	-	-
Tax Refund	-	-
	-	-
Deferred tax:		
Current	-	-
Prior year	-	-
	-	-
Total income tax (credit)/expense	-	-

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	-	741	741
Total	-	741	741

There were no debt securities issued as at 31 December 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
	31.12.2019	31.12.2018
Net Profit attributable to shareholders (RM'000)	1,312	880
<i>Weighted average number of ordinary shares of RM0.50 each in issue ('000)</i>		
Weighted average number of ordinary shares ('000)	114,859	114,859
Basic earnings Profit per share (sen)	1.14	0.77

B12. Profit/(Loss) before taxation

	Current Year Quarter Ended 31.12.2019 RM'000	6 Months Cumulative to Date 31.12.2019 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-		
Amortisation of prepaid lease payments	8	17
Depreciation of property, plant and equipment	500	1,043
Depreciation of right-of-use assets	186	372
Depreciation of investment property	3	6
Property, plants and equipment written off	131	297
Provision of inventories written off / Inventories written off	1,270	1,585
Inventories written down / (written back)	(42)	7
Finance costs	55	101
Income distribution form short-term funds	(313)	(649)