



**ATLAN HOLDINGS BHD
ANNOUNCEMENT TO BURSA MALAYSIA
FOR THE QUARTER ENDED 31 MAY 2016**

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 MAY 2016

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000 (restated)	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000 (restated)
Revenue	9	231,770	186,462	231,770	186,462
Operating expenses		(206,502)	(163,070)	(206,502)	(163,070)
Other operating income		6,716	5,338	6,716	5,338
Operating profit		31,984	28,730	31,984	28,730
Depreciation and amortisation		(4,244)	(4,490)	(4,244)	(4,490)
Finance costs		(1,784)	(1,895)	(1,784)	(1,895)
Share of results of an associate		34	(15)	34	(15)
Profit before taxation	9, 17	25,990	22,330	25,990	22,330
Taxation	18	(5,672)	(6,072)	(5,672)	(6,072)
Profit for the period		20,318	16,258	20,318	16,258
Attributable to:					
Equity holders of the parent		15,681	12,918	15,681	12,918
Non-controlling interests		4,637	3,340	4,637	3,340
		20,318	16,258	20,318	16,258
Earnings per share attributable to equity holders of the parent (sen)					
- Basic	25	6.18	5.09	6.18	5.09

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE QUARTER ENDED 31 MAY 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	Ended	Ended	Ended
	31-May-16	31-May-15	31-May-16	31-May-15
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Profit for the period, representing total comprehensive income for the period	<u>20,318</u>	<u>16,258</u>	<u>20,318</u>	<u>16,258</u>
Total comprehensive income attributable to:				
Equity holders of the parent	15,681	12,918	15,681	12,918
Non-controlling interests	<u>4,637</u>	<u>3,340</u>	<u>4,637</u>	<u>3,340</u>
	<u>20,318</u>	<u>16,258</u>	<u>20,318</u>	<u>16,258</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 MAY 2016

		(Unaudited)		
	Note	As at 31-May-16 RM'000	As at 29-Feb-16 RM'000 (restated)	As at 01-Mar-15 RM'000 (restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		144,850	146,152	147,528
Investment properties		38,235	39,066	42,641
Land use rights		22,654	22,770	23,220
Goodwill		27,408	27,408	27,408
Investment in associates		578	544	505
Other investments		130	130	131
Prepayments		56,605	59,050	68,831
Deferred tax assets		1,151	948	1,063
		<u>291,611</u>	<u>296,068</u>	<u>311,327</u>
CURRENT ASSETS				
Inventories		274,642	331,908	206,816
Biological assets		171	352	302
Trade and other receivables		88,234	84,316	94,122
Prepayments		11,356	12,260	12,271
Tax recoverable		4,723	4,753	5,117
Marketable securities		11	9	79
Derivative assets		1,192	-	168
Cash and bank balances		138,194	84,185	110,381
		<u>518,523</u>	<u>517,783</u>	<u>429,256</u>
TOTAL ASSETS		<u>810,134</u>	<u>813,851</u>	<u>740,583</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2016 (CONT'D)**

		(Unaudited)		
	Note	As at 31-May-16 RM'000	As at 29-Feb-16 RM'000 (restated)	As at 01-Mar-15 RM'000 (restated)
EQUITY AND LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		98,111	172,556	115,351
Derivative liabilities		-	1,632	-
Provisions		14,296	14,296	12,540
Employee benefits		65	302	342
Dividends payable		-	-	205
Tax payable		8,115	8,146	3,900
Borrowings	21	60,888	49,152	94,235
		<u>181,475</u>	<u>246,084</u>	<u>226,573</u>
Net current assets		<u>337,048</u>	<u>271,699</u>	<u>202,683</u>
NON-CURRENT LIABILITIES				
Employee benefits		7,359	6,982	6,566
Deferred tax liabilities		6,334	6,498	7,347
Borrowings	21	67,463	68,428	16,858
		<u>81,156</u>	<u>81,908</u>	<u>30,771</u>
TOTAL LIABILITIES		<u>262,631</u>	<u>327,992</u>	<u>257,344</u>
NET ASSETS		<u>547,503</u>	<u>485,859</u>	<u>483,239</u>

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 MAY 2016 (CONT'D)

		(Unaudited)		
	Note	As at 31-May-16 RM'000	As at 29-Feb-16 RM'000 (restated)	As at 01-Mar-15 RM'000 (restated)
EQUITY AND LIABILITIES (CONT'D)				
EQUITY				
Equity attributable to owners of the parent				
Share capital		253,650	253,650	253,650
Share premium		102,878	102,878	102,878
Currency translation reserve		(214)	(214)	(214)
Other reserve		113	(32,560)	(32,567)
Retained earnings	19	72,800	71,270	72,873
		<u>429,227</u>	<u>395,024</u>	<u>396,620</u>
Non-controlling interests		118,276	90,835	86,619
TOTAL EQUITY		<u>547,503</u>	<u>485,859</u>	<u>483,239</u>
TOTAL EQUITY AND LIABILITIES		<u>810,134</u>	<u>813,851</u>	<u>740,583</u>
Net assets per share attributable to owners of the parent (RM)		<u>1.69</u>	<u>1.56</u>	<u>1.56</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2016

	← Attributable to Owners of the Parent →					Non- controlling Interests ("NCI")	Total Equity	
	Share capital RM'000	Share premium RM'000	Currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000			Total RM'000
At 1 March 2015, as previously stated	253,650	102,878	(214)	(32,567)	74,583	398,330	86,987	485,317
Effects of adoption of amendments to MFRS 116 and MFRS 141	-	-	-	-	(1,710)	(1,710)	(368)	(2,078)
At 1 March 2015, as restated	253,650	102,878	(214)	(32,567)	72,873	396,620	86,619	483,239
Total comprehensive income for the period	-	-	-	-	12,918	12,918	3,340	16,258
Transactions with owners:								
Dividends on ordinary shares	-	-	-	-	(25,365)	(25,365)	-	(25,365)
Dividend paid to NCI by a subsidiary	-	-	-	-	-	-	(5,260)	(5,260)
At 31 May 2015	253,650	102,878	(214)	(32,567)	60,426	384,173	84,699	468,872
At 1 March 2016, as previously stated	253,650	102,878	(214)	(32,560)	73,278	397,032	91,267	488,299
Effects of adoption of amendments to MFRS 116 and MFRS 141	-	-	-	-	(2,008)	(2,008)	(432)	(2,440)
At 1 March 2016, as restated	253,650	102,878	(214)	(32,560)	71,270	395,024	90,835	485,859
Total comprehensive income for the period	-	-	-	-	15,681	15,681	4,637	20,318
Transaction with owners:								
Changes of equity interest in a subsidiary	-	-	-	32,673	(14,151)	18,522	22,804	41,326
At 31 May 2016	253,650	102,878	(214)	113	72,800	429,227	118,276	547,503

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD

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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2016

	12 MONTHS ENDED	
	31-May-16 RM'000	31-May-15 RM'000 (restated)
Operating activities		
Profit before taxation	25,990	22,330
Adjustments for:		
Changes in fair value of marketable securities	(27)	(98)
Changes in fair value of biological assets	181	(40)
Depreciation and amortisation	4,244	4,490
Employee benefits	140	159
Loss on disposal of assets	-	29
Interest expense	1,784	1,895
Interest income	(1,213)	(1,354)
Inventories written back	(118)	-
Inventories written off	20	20
Inventories written down	237	-
Property, plant and equipment written off	1	32
Reversal of impairment losses on assets	-	(273)
Unrealised gain on foreign exchange (net)	(1,495)	(798)
Share of results of an associate	(34)	15
Operating cash flows before changes in working capital	29,710	26,407
Changes in working capital	(19,286)	(12,442)
Cash generated from operations	10,424	13,965
Tax paid	(6,040)	(3,461)
Net cash flows generated from operating activities	4,384	10,504
Investing activities		
Acquisition of assets	(1,727)	(3,887)
Interest received	1,213	1,354
Proceeds from disposal of property, plant and equipment	-	131
Proceeds from Subscription Shares by a subsidiary (Note 10(a))	36,226	-
Proceeds from Placement Shares by a subsidiary (Note 10(a))	5,099	-
Net cash flows generated from/(used in) investing activities	40,811	(2,402)

ATLAN HOLDINGS BHD

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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2016 (CONT'D)

	12 MONTHS ENDED	
	31-May-16 RM'000	31-May-15 RM'000 (restated)
Financing activities		
Increase in pledged fixed deposits	-	(82)
Dividends paid to non-controlling interests of subsidiaries	-	(5,465)
Interest paid	(1,783)	(1,896)
Proceeds from borrowings	10,900	15,758
Repayment of borrowings	(1,061)	(4,595)
Repayment of obligations under finance leases	(201)	(331)
Net cash flows generated from financing activities	<u>7,855</u>	<u>3,389</u>
Net increase in cash and cash equivalents	53,050	11,491
Cash and cash equivalents at beginning of the period	<u>70,724</u>	<u>97,145</u>
Cash and cash equivalents at end of the period	<u>123,774</u>	<u>108,636</u>
Cash and cash equivalents at end of financial period comprise the following:		
Cash and bank balances	138,194	123,594
Less: Pledged deposits	<u>(13,461)</u>	<u>(13,298)</u>
	124,733	110,296
Bank overdraft	<u>(959)</u>	<u>(1,660)</u>
	<u>123,774</u>	<u>108,636</u>

The Condensed Consolidated Cash Flows Statement should be read in conjunction with the audited financial statements for the year ended 29 February 2016 and the accompanying notes attached to the interim financial statements.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“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 (“Bursa Securities”). These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 29 February 2016. 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 financial year ended 29 February 2016.

The interim financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

2. Summary of Significant Accounting Policies

(i) Changes in Accounting Policies

The significant accounting policies adopted in preparing this condensed financial report are consistent with those of the audited financial statements for the year ended 29 February 2016, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2016:

- Amendments to MFRS 119: Defined Benefits Plans: Employee Contributions
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts
- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Annual Improvements to MFRSs 2012 – 2014 Cycle

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

2. Summary of Significant Accounting Policies (cont'd.)

(i) Changes in Accounting Policies (cont'd.)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except for Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants as disclosed in Note 26.

(ii) Standards Issued But Not Yet Effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments MFRS 107 Statement of Cash Flows	1 January 2017
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, other than for Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128), MFRS 15 Revenue from Contracts with Customers, MFRS 9 Financial Instruments and MFRS 16 Leases. The Group is in the process of assessing the financial implications of MFRS 16 Leases and MFRS 15 Revenue from Contracts with Customers.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 29 February 2016 was not qualified.

4. Comments About Seasonal or Cyclical Factors

The business operations of the Group have not been materially affected by any seasonal or cyclical factors during the financial quarter under review.

5. Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 May 2016 other than the Subscription Shares and Placement Shares (please refer to Note 10(a) for details) in Duty Free International Limited, a subsidiary of the Company, both totaling RM41.3 million which were recognized in the statement of changes in equity.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 May 2016.

8. Dividends Paid and Distributed

On 14 July 2016, the Company declared a first interim single tier ordinary dividend of 12.5 sen per share in respect of the financial year ending 28 February 2017 amounting to RM31.71 million which is payable on 19 August 2016.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

9. Segmental Information

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000 (restated)	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000 (restated)
Segment Revenue				
Duty free	192,237	139,222	192,237	139,222
Automotive	32,085	38,500	32,085	38,500
Property and hospitality	7,430	8,303	7,430	8,303
Investment holding	724	55,474	724	55,474
Others	1,829	1,662	1,829	1,662
	<u>234,305</u>	<u>243,161</u>	<u>234,305</u>	<u>243,161</u>
Eliminations	(2,535)	(56,699)	(2,535)	(56,699)
Group revenue	<u>231,770</u>	<u>186,462</u>	<u>231,770</u>	<u>186,462</u>
Segment Results				
Duty free	26,184	20,810	26,184	20,810
Automotive	2,037	2,676	2,037	2,676
Property and hospitality	1,655	2,237	1,655	2,237
Investment holding	(1,477)	(1,507)	(1,477)	(1,507)
Others	(2,409)	(1,886)	(2,409)	(1,886)
Profit before taxation	<u>25,990</u>	<u>22,330</u>	<u>25,990</u>	<u>22,330</u>

The Group comprises the following main business segments:

- (i) Duty free – trading of duty free goods and non-dutiable merchandise;
- (ii) Automotive – manufacturing and marketing of automotive parts;
- (iii) Property and hospitality – property development, property management and hotel operations;
- (iv) Investment holding; and
- (v) Others – provision of corporate services, dormant and inactive companies.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

9. Segmental Information (cont'd.)

Segment Revenue

- (a) Duty free segment recorded higher revenue in current quarter as compared to the corresponding quarter in the previous financial year. The growth was mainly contributed by an improvement in the pricing for certain products as well as revenue contributed from the new outlets at KLIA 2.
- (b) The revenue in Automotive segment in current quarter was lower than the corresponding quarter in the previous financial year mainly due to lower orders received from its customers.
- (c) The lower revenue in the Property and hospitality segment in the current quarter compared to the corresponding quarter in the previous year mainly due to lower revenue reported from both property and hospitality segment.
- (d) The revenue in the Investment holding segment mainly relates to interest income and dividend income from subsidiaries in the Group which were eliminated at Group level. No dividend income received in current quarter which resulted in the lower revenue as compared to the corresponding quarter in previous year.
- (e) The revenue in the Others segment mainly relates to interest income and management fee from companies in the Group which were eliminated at Group level.

Segment Results

- (a) Duty free segment reported a favourable result in the current quarter as compared to the corresponding quarter in the previous year mainly due to increase in revenue coupled with higher net foreign exchange gain of RM1.3 million. However, the positive effect was partially offset by increase in rental of premises, employee benefits expenses and professional fees.
- (b) In the Automotive segment, the profit for the current quarter was lower than corresponding quarter in the previous year mainly due to lower revenue reported as a result of lower orders received from its customers as mentioned above.
- (c) In the Property and hospitality segment, the profit for the current quarter was lower than corresponding quarter in the previous year mainly due to lower revenue reported as mentioned above.
- (d) In the Investment holding segment, the losses in the current quarter in current year was comparable with the corresponding quarter in the previous year.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

9. Segmental Information (cont'd.)

Segment Results (cont'd.)

- (e) In the Others segment, the losses in the current quarter was higher than the corresponding quarter in the previous year mainly due to higher operating expenses.

10. Significant and Subsequent Events

- a. On 25 February 2016, an announcement was made by a subsidiary of the Company, Duty Free International Limited (“DFIL”) in relation to the issuance of an aggregate of 39,000,000 new ordinary shares in the capital of DFIL (“Subscription Shares”) at an issue price of S\$0.32 for each Subscription Share (“Subscription”), representing approximately 3.55% of the total number of issued ordinary shares of DFIL. On 7 March 2016, 39,000,000 new ordinary shares were issued and allotted to the Subscribers pursuant to the Subscription. Subsequent to the completion of the issuance of Subscription Shares on 7 March 2016, the Subscription Shares were then listed and quoted on the Catalist Board of the SGX-ST.

As a consequence of the issuance of Subscription Shares, the Company’s holding in DFIL was diluted to 79.47% as at 7 March 2016 from 82.29% as at 29 February 2016.

DFIL had, on 24 March 2016, placed out an aggregate of 5,500,000 treasury shares in the capital of DFIL (“Placement Shares”), at a placement price of S\$0.32 for each Placement Shares (“Placement”). The Placement Shares were undertaken by way of private placement in accordance with Section 272 B of the Securities and Future Act (Chapter 289) of Singapore.

As at the date of this announcement, DFIL’s issued and paid up share capital comprises 1,144,350,393 ordinary shares, excluding treasury shares. DFIL’s treasury shares as at the date of this announcement is 698,000.

Consequently, the Company’s holding in DFIL further diluted to 79.09% as at 24 March 2016.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

10. Significant and Subsequent Events (cont'd.)

- b. On 17 March 2016, the Board of the Company announced that a subsidiary of the Company, DFIL has entered into a Sales and Purchase Agreement to dispose of 10% equity interest plus one share (“First Tranche Sale Shares”) in DFZ Capital Berhad (“DFZ”), a wholly owned group subsidiary, to Heinemann Asia Pacific Pte Ltd (“HAP”) with further options to dispose of maximum of 15% equity interest in DFZ by DFIL (“Proposed Disposal”).

The sale and purchase of the First Tranche Sale Shares has been completed on 1 June 2016.

For detail information in relation to the above, please refer to the Company’s announcement dated 17 March 2016 on Bursa Securities website.

- c. Further to the Company’s announcement made on 22 October 2015, the Board of the Company wishes to announce that Front Top (M) Sdn. Bhd. (“FTSB”), a subsidiary company which was placed under Members’ Voluntary Winding-up on 22 October 2015, has convened and held its final meeting on 31 March 2016 pursuant to Section 272(1) of the Companies Act, 1965.

The Return by Liquidator relating to Final Meeting of FTSB was lodged on 31 March 2016 with the Companies Commission of Malaysia and the Official Receiver. Pursuant to Section 272(5) of the Companies Act, 1965, on the expiration of three (3) months after the said lodgement date, FTSB will be dissolved.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 31 May 2016.

11. Changes in Composition of the Group

Other than as disclosed in Note 10(a) above, there were no changes in the composition of the Group during the current quarter ended 31 May 2016.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2016**

12. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 May 2016 were as follows:

(a) Capital commitments

RM'000

Purchase of property, plant and equipment:

Approved and contracted for

1,415

Approved but not contracted for

12,802

14,217

(b) Non-cancellable operating lease commitments

RM'000

Rental payable

165,770

13. Performance Review

Explanatory comment on the performance of each of the Group's segment is provided in Note 9 above.

14. Comment on Material Change in Profit Before Taxation Compared with Immediate Preceding Quarter

The profit before taxation for the quarter under review was slightly higher at RM26.0 million as compared to the preceding quarter ended 29 February 2016 of RM25.3 million mainly due to the improved performance of the automotive segment in the preceding quarter.

15. Commentary on Prospects

Given the prevailing economic conditions, the business environment in which the Group operates is expected to remain challenging. The Group will continue realising effective commercial strategies and cost-efficiency programmes to ensure it remains competitive and profitable in the remaining quarters of the financial year ending 28 February 2017.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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16. Profit Forecast or Profit Guarantee

There is no profit forecast and profit guarantee provided by the Company and as such, this disclosure requirement is not applicable.

17. Profit Before Taxation

Included in the profit before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000 (restated)	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000 (restated)
Changes in fair value of marketable securities	(27)	(98)	(27)	(98)
Changes in fair value of biological assets	181	(40)	181	(40)
Depreciation and amortisation	4,244	4,490	4,244	4,490
Loss on disposal of:				
- property, plant and equipment	-	29	-	29
Interest expense	1,784	1,895	1,784	1,895
Interest income	(1,213)	(1,354)	(1,213)	(1,354)
Inventories written back	(118)	-	(118)	-
Inventories written down	237	-	237	-
Inventories written off	20	20	20	20
Property, plant and equipment written off	1	32	1	32
Reversal of impairment losses on:				
- land use rights	-	(39)	-	(39)
- property, plant and equipment	-	(226)	-	(226)
- receivables	-	(8)	-	(8)
Foreign exchange gain (net)	(1,521)	(36)	(1,521)	(36)

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000	Ended 31-May-16 RM'000	Ended 31-May-15 RM'000
Income tax				
- current period provision	7,108	6,215	7,108	6,215
- over provision in prior periods	(1,601)	(4)	(1,601)	(4)
Deferred taxation	165	(139)	165	(139)
	<u>5,672</u>	<u>6,072</u>	<u>5,672</u>	<u>6,072</u>

The lower effective tax rate in the current quarter was mainly due to over provision of income tax in prior periods being adjusted in the current quarter while the higher effective tax rate in the corresponding quarter in previous financial year was mainly due to inclusion of certain non-deductible expenses.

19. Retained Earnings

	As at 31-May-16 RM'000	As at 29-Feb-16 RM'000 (restated)
Total retained earnings		
- Realised	349,652	333,493
- Unrealised	(25,205)	(28,397)
Total share of results from an associate		
- Realised	140	107
	<u>324,587</u>	<u>305,203</u>
Consolidation adjustments	(251,787)	(233,933)
Total retained earnings as per Consolidated Statement of Financial Position	<u>72,800</u>	<u>71,270</u>

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20. Corporate Proposals

The status of corporate proposals announced but not completed as at the date of issue of this interim financial report are as follows:

- (a) On 10 April 2012, the Board of the Company announced that the Company's subsidiary, Kelana Megah Sdn Bhd ("KMSB") has entered into a sale and purchase agreement with Berjaya Waterfront Sdn Bhd ("BWSB"), a subsidiary of Berjaya Assets Berhad, to dispose of a parcel of land bearing lot number PTB 20379 for a consideration of RM27,990,000.

However, as at the date of this report, the condition precedent as stipulated have not been fulfilled. The Company will continue to keep shareholders informed of any new developments.

- (b) On 15 July 2015 and 20 July 2015, the Company announced that the Company's subsidiary which is listed on the Singapore Exchange Securities Trading Limited, Duty Free International Limited ("DFIL"), is seeking dual primary listing on the main board of the Stock Exchange of Hong Kong Limited.

As at the date of this report, the above mentioned corporate exercise is pending completion.

- (c) On 17 March 2016, the Board of the Company announced that a subsidiary of the Company, Duty Free International Limited ("DFIL") has entered into a Sales and Purchase Agreement ("SPA") to dispose of 10% equity interest plus one share ("First Tranche Sale Shares") in DFZ Capital Berhad ("DFZ"), a wholly owned group subsidiary, to Heinemann Asia Pacific Pte. Ltd. ("HAP") for a consideration of EUR19,700,000, with further options to dispose a maximum of 15% equity interest in DFZ by DFIL ("Proposed Disposal").

Under the terms of the SPA, DFIL has also granted the following call option to HAP ("Call Options") for a nominal consideration of EUR1.00 each:

- i. In the 18-month period beginning on the date of completion of the sale of the First Tranche Sale Shares ("Completion"), the option to require DFIL to sell HAP a second Tranche of shares in DFZ (the "Second Tranche Sale Shares") ("Second Tranche Call Option"), and
- ii. In the 12-month period beginning on the date of expiry of the Second Tranche Call Option period, the option to require DFIL to sell to HAP a third tranche of shares in DFZ (the "Third Tranche Sale Shares") ("Third Tranche Call Option").

(collectively, the " Proposed Disposals")

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20. Corporate Proposals (cont'd.)

The aggregate number of shares in DFZ which may be acquired by HAP under the Call Options shall not exceed 15% of the issued and paid-up share capital of DFZ as at the date of the SPA. Each Call Option may only be exercised once. The Third Tranche Call Option will remain valid and binding notwithstanding the Second Tranche Call Option not being exercised.

Upon the completion of Proposed Disposals (assuming all the Call Options are fully exercised), 75% minus one share of the issued and paid-up share capital of DFZ will be held by DFIL while the remaining 25% plus one share will be held by HAP.

The Proposed Disposals were approved by the Shareholders of DFIL at the Extraordinary General Meeting (“EGM”) on 30 May 2016. Consequently, the sale and purchase of the First Tranche Sale Shares was completed on 1 June 2016.

21. Borrowings and Debt Securities

As at 31 May 2016, the Group’s borrowings were as follows:

	RM’000
Short Term Borrowings – Secured	
- Overdraft	959
- Trade facilities	50,119
- Term loan	9,000
- Obligations under finance leases	810
	<u>60,888</u>
Long Term Borrowings – Secured	
- Term Loan	66,000
- Obligations under finance leases	1,463
	<u>67,463</u>
Total Group’s borrowings	<u><u>128,351</u></u>

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22. Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets/liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 May 2016				
Financial assets:				
Marketable securities	11	-	-	11
Derivatives				
- Forward foreign exchange contracts	-	1,192	-	1,192
Non-financial assets:				
Biological assets	-	-	171	171
At 29 February 2016, restated				
Financial assets:				
Marketable securities	9	-	-	9
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	-	1,632	-	1,632
Non-financial assets:				
Biological assets	-	-	352	352

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset/liability that subsequently resulted in a different classification of that asset/liability.

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23. Changes in Material Litigation

There were no material litigation matters involving the Company and/or its subsidiaries as at the date of this report.

24. Dividend Payable and Distributable

On 14 July 2016, the Company declared a first interim single tier ordinary dividend of 12.5 sen per share in respect of the financial year ending 28 February 2017 amounting to RM31.71 million which is payable on 19 August 2016.

25. Earnings Per Share

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period. The basic earnings per share was calculated as follows:

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	31-May-16	31-May-15	31-May-16	31-May-15
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Profit attributable to ordinary equity holders of the parent (RM'000)	15,681	12,918	15,681	12,918
Number of ordinary shares in issue ('000)	253,650	253,650	253,650	253,650

b. Diluted

There is no ESOS or ICPS issued by the Company. Accordingly, there is no diluted earnings per share.

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26. Comparative Figures

On 1 March 2016, the Group and the Company adopted the new MFRSs and amendments to MFRSs that are mandatory for application from that date. Except for the adoption of the amendments to MFRS 116 and MFRS 141, the application of these new or amended MFRSs result in changes in the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

The impact of adoption of amendments to MFRS 116 and MFRS 141 is summarized below:

	As previously stated RM'000	Prior year adjustments RM'000	As restated RM'000
As at 29 February 2016			
Consolidated statement of financial position			
Non-current assets			
Property, plant and equipment	143,844	2,308	146,152
Biological assets	5,100	(5,100)	-
Current assets			
Biological assets	-	352	352
Equity			
Retained earnings	(73,278)	2,008	(71,270)
Non-controlling interests	(91,267)	432	(90,835)
Consolidated income statement			
Changes in fair value of biological assets	300	(250)	50
Depreciation and amortisation	17,397	113	17,510

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26. Comparative Figures (cont'd.)

The impact of adoption of amendments to MFRS 116 and MFRS 141 is summarized below:
(cont'd.)

	As previously stated RM'000	Prior year adjustments RM'000	As restated RM'000
As at 1 March 2015			
Consolidated statement of financial position			
Non-current assets			
Property, plant and equipment	145,108	2,420	147,528
Biological assets	4,800	(4,800)	-
Current assets			
Biological assets	-	302	302
Equity			
Retained Earnings	(74,583)	1,710	(72,873)
Non-controlling Interests	(86,987)	368	(86,619)
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1st quarter ended 31 May 2015			
Consolidated income statement			
Changes in fair value of biological assets	-	40	40
Depreciation and amortisation	4,462	28	4,490
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27. Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 July 2016.