



**ATLAN HOLDINGS BHD
ANNOUNCEMENT TO BURSA MALAYSIA
FOR THE QUARTER ENDED 28 FEBRUARY 2018**

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 28 FEBRUARY 2018

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000
Revenue	9	223,604	196,419	826,335	809,435
Operating expenses		(196,720)	(177,046)	(736,929)	(719,832)
Other operating income		20,861	9,668	39,978	20,265
Net foreign exchange (loss)/gain		(4,908)	(1,948)	(17,761)	9,005
Operating profit		42,837	27,093	111,623	118,873
Depreciation and amortisation		(3,730)	(4,026)	(16,336)	(16,957)
Finance costs		(1,021)	(1,096)	(4,159)	(5,382)
Share of results of an associate		(39)	(64)	158	19
Profit before taxation	9, 17	38,047	21,907	91,286	96,553
Taxation	18	(6,978)	(3,773)	(24,961)	(20,954)
Profit for the period		31,069	18,134	66,325	75,599
Attributable to:					
Equity holders of the parent		26,353	12,591	49,033	54,536
Non-controlling interests		4,716	5,543	17,292	21,063
		31,069	18,134	66,325	75,599
Earnings per share attributable to equity holders of the parent (sen)					
- Basic	25	10.39	4.96	19.33	21.50

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2017 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 28 FEBRUARY 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	Ended	Ended	Ended
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	31,069	18,134	66,325	75,599
Other comprehensive income not to be recycled to profit or loss in subsequent periods:				
- Re-measurement gain on defined benefit plan	-	1,236	-	1,236
Total comprehensive income for the period	31,069	19,370	66,325	76,835
Total comprehensive income attributable to:				
Equity holders of the parent	26,353	13,719	49,033	55,664
Non-controlling interests	4,716	5,651	17,292	21,171
	31,069	19,370	66,325	76,835

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 28 February 2017 and the accompanying explanatory notes attached to the interim financial statements.

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(Company Number: 173250-W)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 28 FEBRUARY 2018

	Note	(Unaudited) As at 28-Feb-18 RM'000	(Audited) As at 28-Feb-17 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		141,679	145,817
Investment properties		36,494	38,739
Land use rights		21,871	22,321
Goodwill		27,408	27,408
Investment in associates		721	563
Other investments		129	130
Prepayments		39,489	49,270
Deferred tax assets		1,259	1,734
		<u>269,050</u>	<u>285,982</u>
CURRENT ASSETS			
Inventories		172,539	243,703
Biological assets		152	187
Trade and other receivables		92,966	92,850
Prepayments		12,934	12,329
Tax recoverable		7,831	7,830
Marketable securities		5	11
Derivative assets		8	3
Cash and bank balances		410,231	303,151
		<u>696,666</u>	<u>660,064</u>
TOTAL ASSETS		<u>965,716</u>	<u>946,046</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 28 FEBRUARY 2018 (CONT'D.)

	Note	(Unaudited) As at 28-Feb-18 RM'000	(Audited) As at 28-Feb-17 RM'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		135,682	143,209
Derivative liabilities		1,043	9,006
Provisions		-	14,557
Employee benefits		594	22
Dividends payable		34,731	40,485
Tax payable		2,912	4,351
Borrowings	21	27,881	19,557
		<u>202,843</u>	<u>231,187</u>
NET CURRENT ASSETS		<u>493,823</u>	<u>428,877</u>
NON-CURRENT LIABILITIES			
Employee benefits		2,930	6,225
Deferred tax liabilities		6,113	7,223
Borrowings	21	41,803	52,631
		<u>50,846</u>	<u>66,079</u>
TOTAL LIABILITIES		<u>253,689</u>	<u>297,266</u>
NET ASSETS		<u>712,027</u>	<u>648,780</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 28 FEBRUARY 2018 (CONT'D.)

	Note	(Unaudited) As at 28-Feb-18 RM'000	(Audited) As at 28-Feb-17 RM'000
EQUITY AND LIABILITIES (CONT'D)			
EQUITY			
Equity attributable to owners of the parent			
Share capital		356,528	356,528
Currency translation reserve		(214)	(214)
Other reserve		(39,455)	(32,059)
Retained earnings	19	216,236	156,061
		<u>533,095</u>	<u>480,316</u>
Non-controlling interests		178,932	168,464
TOTAL EQUITY		<u>712,027</u>	<u>648,780</u>
TOTAL EQUITY AND LIABILITIES		<u>965,716</u>	<u>946,046</u>
Net assets per share attributable to owners of the parent (RM)		<u>2.10</u>	<u>1.89</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 28 February 2017 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 28 FEBRUARY 2018

	← Attributable to Owners of the Parent →				Non-controlling	Total Equity	
	Share capital RM'000	Currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Interests ("NCI") RM'000		
	Total RM'000						
At 1 March 2016, as previously stated	356,528	(214)	(32,560)	73,278	397,032	91,267	488,299
Effects of adoption of amendments to MFRS 116 and MFRS 141	-	-	-	(2,148)	(2,148)	(462)	(2,610)
At 1 March 2016, as restated	356,528	(214)	(32,560)	71,130	394,884	90,805	485,689
Profit for the year	-	-	-	54,536	54,536	21,063	75,599
Other comprehensive income	-	-	-	1,128	1,128	108	1,236
	-	-	-	55,664	55,664	21,171	76,835
Transactions with owners:							
Changes of equity interest in a subsidiary							
- arising from dilution of equity interest in a subsidiary	-	-	501	27,281	27,782	65,009	92,791
- arising from part disposal of equity interest in a subsidiary	-	-	-	59,057	59,057	15,616	74,673
Dividends on ordinary shares	-	-	-	(57,071)	(57,071)	-	(57,071)
Dividends paid to NCI by subsidiary	-	-	-	-	-	(24,137)	(24,137)
At 28 February 2017	356,528	(214)	(32,059)	156,061	480,316	168,464	648,780
At 1 March 2017	356,528	(214)	(32,059)	156,061	480,316	168,464	648,780
Total comprehensive income for the year	-	-	-	49,033	49,033	17,292	66,325
Transactions with owners:							
Changes of equity interest in a subsidiary							
- arising from (accretion)/dilution of equity interest in DFIL	-	-	(7,396)	21,173	13,777	16,049	29,826
- arising from part disposal of equity interest in DFZ	-	-	-	43,236	43,236	3,100	46,336
Dividends on ordinary shares	-	-	-	(53,267)	(53,267)	-	(53,267)
Dividends paid to NCI by subsidiary	-	-	-	-	-	(25,973)	(25,973)
At 28 February 2018	356,528	(214)	(39,455)	216,236	533,095	178,932	712,027

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 28 February 2017 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED 28 FEBRUARY 2018**

	12 MONTHS ENDED	
	28-Feb-18	28-Feb-17
	RM'000	RM'000
Operating activities		
Profit before taxation	91,286	96,553
Adjustments for:		
Changes in fair value of marketable securities	(229)	191
Changes in fair value of biological assets	35	(5)
Depreciation and amortisation	16,336	16,957
Employee benefits	(2,090)	695
Gain on disposal of assets	(1,032)	(3,037)
Gain arising from changes in fair value of options	(7,977)	(4,044)
Interest expense	4,159	5,382
Interest income	(8,456)	(6,506)
Inventories written off	157	88
Inventories written down	1,134	2,223
Property, plant and equipment written off	32	40
Impairment loss on receivables	22	24
Reversal of impairment loss on receivables	(234)	-
Reversal of inventories written down	(668)	(578)
Reversal of short term accumulating compensated absences	(19)	-
Reversal of provision of guarantees	(14,875)	-
Unrealised loss/(gain) on foreign exchange (net)	19,977	(7,198)
Share of results of an associate	(158)	(19)
Operating cash flows before changes in working capital	97,400	100,766
Changes in working capital	52,927	63,973
Cash generated from operations	150,327	164,739
Tax paid	(27,036)	(28,277)
Employee benefits paid	(634)	(106)
Net cash flows generated from operating activities	122,657	136,356
Investing activities		
Acquisition of assets	(10,615)	(16,249)
Interest received	8,456	6,506
Repurchase of shares by a subsidiary	(9,985)	-
Proceeds from disposal of property, plant and equipment	3,241	3,995
Proceeds from issuance of new ordinary shares by subsidiary	39,811	87,824
Proceeds from placements of treasury shares of subsidiary	-	4,967
Proceeds from non-controlling interests partial divestment	46,336	87,712
Net cash flows generated from investing activities	77,244	174,755

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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 28 FEBRUARY 2018 (CONT'D.)

12 MONTHS ENDED

28-Feb-18 28-Feb-17
RM'000 RM'000

Financing activities

Decrease/(increase) in pledged fixed deposits	1,777	(217)
Dividends paid to non-controlling interests of subsidiaries	(31,763)	(9,039)
Dividends paid to ordinary shareholders of the Company	(53,267)	(31,706)
Interest paid	(4,159)	(5,382)
Net repayment of borrowings	(1,680)	(45,390)
Net repayment of obligations under finance leases	(1,952)	(628)
Net cash flows used in financing activities	<u>(91,044)</u>	<u>(92,362)</u>

Net increase in cash and cash equivalents 108,857 218,749

Cash and cash equivalents at beginning of the period 289,473 70,724

Cash and cash equivalents at end of the period 398,330 289,473

Cash and cash equivalents at end of financial period

comprise the following:

Cash and bank balances	410,231	303,151
Less: Pledged deposits	(11,901)	(13,678)
	<u>398,330</u>	<u>289,473</u>

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 March 2017 RM'000	Cash flows RM'000	Non-cash changes Acquisitions RM'000	Carrying amount as at 28 February 2018 RM'000
Term loans	56,500	(5,248)	-	51,252
Trade facilities	13,489	3,568	-	17,057
Obligations under finance leases	2,199	(1,952)	1,128	1,375
Total liabilities from financing activities	<u>72,188</u>	<u>(3,632)</u>	<u>1,128</u>	<u>69,684</u>

The Condensed Consolidated Cash Flows Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2017 and the accompanying notes attached to the interim financial statements.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2018**

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 28 February 2017. 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 28 February 2017.

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 28 February 2017, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2017:

- Amendments to MFRS 107: Disclosures Initiatives
- Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses
- Annual Improvements to MFRSs 2014 – 2016 (Amendments to MFRS 12: Disclosure of Interests in Other Entities)

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2018**

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

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

The adoption of the above pronouncements did not have material impact on the financial statements of the Group, except as disclosed below:

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

(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
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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2. Summary of Significant Accounting Policies (cont'd.)

(ii) Standards Issued But Not Yet Effective (cont'd.)

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: (cont'd.)

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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 MFRS 15 Revenue from Contracts with Customers, MFRS 9 Financial Instruments and MFRS 16 Leases.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 28 February 2017 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

Except for the net loss in foreign exchange amounting RM4.9 million in current quarter and RM17.8 million in the cumulative quarter incurred by Duty Free International Limited Group ("DFIL"), reversal of provision of guarantees amounting RM14.9 million in current quarter as well as changes of equity interest in DFIL and DFZ Capital Sdn Bhd ("DFZ") as disclosed in the statement of changes in equity, there was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 28 February 2018.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2018
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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 28 February 2018.

8. Dividends Paid and Distributed

On 13 July 2017, the Company declared a first interim single tier ordinary dividend of 6.0 sen per share in respect of the financial year ended 28 February 2018 amounting to RM15.22 million which was paid on 23 August 2017.

On 12 October 2017, the Company declared a second interim single tier ordinary dividend of 5.0 sen per share in respect of the financial year ended 28 February 2018 amounting to RM12.68 million which was paid on 15 November 2017.

On 11 January 2018, the Company declared a third interim single tier ordinary dividend of 10.0 sen per share in respect of the financial year ended 28 February 2018 amounting to RM25.36 million which was paid on 15 March 2018.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2018**

9. Segmental Information

	Individual Quarter			Cumulative Quarter		
	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000	Changes %	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000	Changes %
Segment Revenue						
Duty free	170,452	149,857	13.7%	618,967	631,721	-2.0%
Automotive	44,811	38,922	15.1%	175,884	147,221	19.5%
Property and hospitality	7,372	7,026	4.9%	28,538	29,306	-2.6%
Investment holding	45,467	73,268	-37.9%	151,363	168,404	-10.1%
Others	2,063	1,962	5.1%	7,526	7,468	0.8%
	<u>270,165</u>	<u>271,035</u>	<u>-0.3%</u>	<u>982,278</u>	<u>984,120</u>	<u>-0.2%</u>
Eliminations	(46,561)	(74,616)	-37.6%	(155,943)	(174,685)	-10.7%
Group revenue	<u>223,604</u>	<u>196,419</u>	<u>13.8%</u>	<u>826,335</u>	<u>809,435</u>	<u>2.1%</u>
Segment Results						
Duty free	23,331	22,443	4.0%	82,233	86,576	-5.0%
Automotive	7,170	(1,079)	-764.5%	11,994	5,692	110.7%
Property and hospitality	1,988	1,367	45.4%	7,743	7,013	10.4%
Investment holding	(6,259)	1,926	-425.0%	(15,767)	8,255	-291.0%
Others	11,817	(2,750)	529.7%	5,083	(10,983)	146.3%
Profit before taxation	<u>38,047</u>	<u>21,907</u>	<u>73.7%</u>	<u>91,286</u>	<u>96,553</u>	<u>-5.5%</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.

Segment Revenue

- (a) Duty free segment recorded an increase in revenue in the current quarter under review mainly due to increase in demand for certain products and sales mix. However, lower revenue was recorded in cumulative quarter compared to corresponding cumulative quarter in the previous financial year. The drop was largely due to lower demand from customers in particular in 1QFY2017 following the imposition of Goods and Services Tax at the border outlets and duty free zones with effect from 1 January 2017.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2018**

9. Segmental Information (cont'd.)

Segment Revenue (cont'd.)

- (b) The revenue in Automotive segment in the current quarter and cumulative quarter was higher than corresponding quarter and cumulative quarter in the previous year mainly due to higher orders received from its customers.
- (c) Higher revenue reported from Property and hospitality segment in the current quarter as compared to the corresponding quarter in the previous financial year mainly due to higher occupancy rate. However, lower revenue was recorded in cumulative quarter compared to the corresponding cumulative quarter in the previous year mainly due to lower occupancy rates in the first three quarters of the current financial year.
- (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. Lower revenue recorded in current quarter and cumulative quarter as compared to the corresponding periods of the previous financial year was mainly due to lower dividend income received.
- (e) The revenue in the Others segment mainly relates to interest income and management fee from related companies in the Group which were eliminated at Group level.

Segment Results

- (a) Duty free segment reported a comparable profit in the current quarter compared to the corresponding quarter in previous year. However, cumulative quarter was lower as compared to the corresponding cumulative quarter in the previous year mainly due to lower revenue recorded in the cumulative quarter as mentioned above. However, the decrease was partly mitigated by savings in transportation costs and lower inventories written down in this financial year under review.
- (b) In the Automotive segment, higher profit was registered in the current quarter and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous year mainly due to higher revenue as mentioned above coupled with the reversal of overprovision of retirement benefits amounting RM2.4 million and gain on disposal of property, plant and equipment of approximately RM1 million.
- (c) In the Property and hospitality segment, the profit for the current quarter and cumulative quarter was higher than corresponding quarter and cumulative quarter in the previous year mainly due to lower operating and administrative expenses incurred.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2018**

9. Segmental Information (cont'd.)

Segment Results (cont'd.)

- (d) Investment holding segment reported a loss in current quarter and cumulative quarter as compared to profit before tax recorded in the corresponding quarter and cumulative quarter in previous financial year. The unfavourable result for current quarter was mainly due to absence of gain arising from changes in fair value of option amounting to RM4.0 million coupled with net loss in foreign exchange amounting to RM4.9 million compared to RM1.9 million net foreign exchange loss in the corresponding quarter in previous financial year.

For the cumulative quarter, the Ringgit Malaysia had rebounded against the Singapore Dollar by approximately 6.0% from RM3.15 as at 28 February 2017 to RM2.96 as at 28 February 2018 and US Dollar by approximately 11.7% from RM4.44 as at 28 February 2017 to RM3.92 as at 28 February 2018. Due to the stronger Ringgit Malaysia, DFIL Group had incurred a net loss in foreign exchange amounting to RM17.8 million in the current cumulative quarter arising from the currency translation of DFIL Group's deposits that were held in foreign currencies. For the corresponding cumulative quarter in the previous financial year, DFIL Group had recorded a net gain in foreign exchange of RM9.0 million.

- (e) In the Others segment, higher profit was recorded in current quarter and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous year mainly due to a reversal of provision of guarantees amounting to RM14.9 million in respect of credit facilities previously granted by the Group with a financial institution, now no longer required.

10. Significant and Subsequent Events

- a. With reference to the earlier announcement made by the Company on 29 July 2015 in relation to the approval granted by Bursa Malaysia Securities Berhad ("Bursa Securities") to the Company on a lower public shareholding spread of 20.81% for the purpose of compliance with Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities.

The Board of the Company had on 8 July 2016 announced that the Company has been notified by its substantial shareholders, Berjaya Corporation Berhad and Tan Sri Dato' Seri Vincent Tan Chee Yioun in relation to the change of their substantial interests held in AHB. As a result of the said change, the Public Shareholding Spread of the Company has decreased to 20.33%.

Further to the announcement, on 11 January 2018, the Board of the Company announced that the Company's public shareholding spread as at 29 December 2017 were as follows:

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2018**

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

Number of Public Shareholders: 1,065
Percentage of public shareholding: 20.33%

The Company will continue to monitor the level of public shareholding spread and make the necessary announcements as and when there is a development on the above.

- b. On 30 November 2017, a subsidiary of the Company, Duty Free International Limited (“DFIL”) announced that Heinemann Asia Pacific Pte Ltd (“HAP”) has exercised the Second Tranche Call Option, requiring DFIL to sell to HAP 5% of the issued and paid-up share capital of DFZ Capital Sdn Bhd (formerly known as DFZ Capital Berhad) (“DFZ”), being 10,498,191 shares in DFZ, for a consideration of EUR9,850,000 (“Second Tranche Call Option Disposal”).

The sales and purchase of the Second Tranche Sale Shares was completed on 29 December 2017. Consequently, HAP’s equity interest in DFZ increased from 10% plus one share to 15% plus one share.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 28 February 2018.

11. Changes in Composition of the Group

Other than as disclosed in statement of changes in equity on changes of equity interest of DFIL (equity interest diluted from 75.78% as per 1QFY2018 quarter announcement dated 13 July 2017 to 74.30% as per 3QFY2018 quarter announcement dated 11 January 2018) and DFZ (refer to Note 10(b)) respectively in the cumulative quarter, there were no changes in the composition of the Group during the current quarter ended 28 February 2018.

12. Commitments

The amount of commitments not provided for in the interim financial statements as at 28 February 2018 were as follows:

(a) Capital commitments

	RM’000
Purchase of property, plant and equipment:	
Approved and contracted for	3,282
Approved but not contracted for	3,958
	<u>7,240</u>

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12. Commitments (cont'd.)

(b) Non-cancellable operating lease commitments

	RM'000
Rental payable	165,393

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

	Current Quarter	Immediate	
	28-Feb-18	Preceding Quarter	
	RM'000	30-Nov-17	Changes
		RM'000	%
Revenue	223,604	186,066	20.2%
Operating Profit	42,837	13,679	213.2%
Profit before interest and tax	39,068	9,610	306.5%
Profit before tax	38,047	8,606	342.1%
Profit after tax	31,069	3,708	737.9%
Profit attributable to equity holders of the parent	26,353	1,610	1,536.8%

The profit before taxation for the quarter under review was higher at RM38.0 million as compared to the preceding quarter ended 30 November 2017 of RM8.6 million mainly due to increase in revenue of approximately 20.2% as compared to 3QFY2018, coupled with the reversal of provision of guarantees RM14.9 million and lower loss in foreign exchange of RM4.9 million in current quarter as compared to RM7.3 million foreign exchange loss in the immediate preceding quarter.

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15. Commentary on Prospects

With rising inflationary cost and cautious consumers' purchasing sentiment, the business environment where the Group operates is expected to remain challenging. The Group foresees that its financial performance in 2018/2019 will continue to be impacted by such challenges and will continue to strive forward its business strategies to reform its businesses towards improving revenue and profitability.

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 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000
Changes in fair value of marketable securities	(83)	37	(229)	191
Changes in fair value of biological assets	13	(84)	35	(5)
Gain arising from changes in fair value of options	-	(4,044)	(7,977)	(4,044)
Gain on disposal of property, plant and equipment	(953)	(2,516)	(1,032)	(3,037)
Depreciation and amortisation	3,730	4,026	16,336	16,957
Interest expense	1,021	1,096	4,159	5,382
Interest income	(2,486)	(2,139)	(8,456)	(6,506)
Inventories written down	316	1,863	1,134	2,223
Inventories written off	30	27	157	88
Property, plant and equipment written off	22	3	32	40
Reversal of inventories written down	(327)	(334)	(668)	(578)
Reversal of impairment loss on receivables	-	-	(234)	-
Reversal of provision of guarantees	(14,875)	-	(14,875)	-
Realised foreign exchange (gain)/loss (net)	(1,399)	2,241	(2,216)	(1,807)
Unrealised foreign exchange loss/(gain) (net)	6,307	(293)	19,977	(7,198)

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current period provision	7,241	6,042	25,584	25,359
- under/(over) provision in prior periods	38	(2,121)	(200)	(4,501)
Deferred taxation	(301)	(148)	(423)	96
	<u>6,978</u>	<u>3,773</u>	<u>24,961</u>	<u>20,954</u>

The lower effective tax rate in the current quarter was mainly due to lower income tax provision.

The higher effective tax rate in the cumulative quarter was mainly due to inclusion of certain non-deductible expenses.

19. 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.

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19. Corporate Proposals (cont'd.)

- (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”)

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.

On 30 November 2017, HAP exercised the Second Tranche Call Option requiring DFIL to sell to HAP 5% of the equity interest in DFZ. The sales and purchase of the Second Tranche Sale Shares was completed on 29 December 2017. Consequently, HAP’s equity interest in DFZ increased from 10% plus one share to 15% plus one share.

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19. Corporate Proposals (cont'd.)

In relation thereto, the following agreements had been entered in connection with the Proposed Disposals mentioned above:

- (i) a shareholders' agreement between HAP, DFIL and DFZ, for the purposes of regulating the relationship between HAP and DFIL as shareholders;
- (ii) a management agreement between HAP and DFZ, pursuant to which HAP shall be appointed to provide management services to DFZ; and
- (iii) a supply and distribution agreement between HAP, DFZ and its subsidiaries, pursuant to which HAP shall be granted extensive rights for the purchase, and exclusive supply of, certain product categories.

20. Borrowings and Debt Securities

	As at 28-Feb-18 RM'000	As at 28-Feb-17 RM'000
Short Term Borrowings - Secured		
- Trade facilities	17,057	13,726
- Term loan	10,283	5,000
- Obligations under finance leases	541	831
	<u>27,881</u>	<u>19,557</u>
Long Term Borrowings - Secured		
- Term loan	40,969	51,263
- Obligations under finance leases	834	1,368
	<u>41,803</u>	<u>52,631</u>
Total Group's borrowings	69,684	72,188

21. 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

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21. Fair Value Hierarchy (cont'd.)

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	<i>Total</i> <i>RM'000</i>
At 28 February 2018				
Financial assets:				
Marketable securities	5	-	-	5
Derivatives				
- Forward foreign exchange contracts	-	8	-	8
Financial liabilities:				
Derivatives				
- Call options on subsidiary shares	-	-	1,017	1,017
- Forward foreign exchange contracts	-	26	-	26
Non-financial asset:				
Biological assets	-	-	152	152
At 28 February 2017				
Financial assets:				
Marketable securities	11	-	-	11
Derivatives				
- Forward foreign exchange contracts	-	3	-	3
Financial liabilities:				
Derivatives				
- Call options on subsidiary shares	-	-	8,993	8,993
- Forward foreign exchange contracts	-	13	-	13
Non-financial asset:				
Biological assets	-	-	187	187

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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22. Derivative Financial Instruments

	Notional Amount RM'000	Fair value RM'000	Assets RM'000	Liabilities RM'000
At 28 February 2018				
Call options on subsidiary shares				
- Less than 1 year	1,017	1,017	-	1,017
Forward foreign exchange contracts				
- Less than 1 year	9,822	18	8	26
At 28 February 2017				
Call options on subsidiary shares				
- Less than 1 year	7,976	7,976	-	7,976
- 1 year to 3 years	1,017	1,017	-	1,017
Forward foreign exchange contracts				
- Less than 1 year	23,377	10	3	13

The Group uses forward foreign currency contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The derivatives represent total financial assets and liabilities at fair value through profit or loss, classified held for trading.

During the current financial quarter and financial period ended 28 February 2018, the Group recognised a gain on forward foreign exchange contracts of RM258,000 and loss on forward foreign exchange contracts RM8,000 respectively arising from fair value changes of financial derivative. The fair value changes are attributable to changes in foreign exchange and forward rate.

The call options was in relation to the fair value of call options issued which gives HAP the option to acquire a maximum of 15% additional equity interest in DFZ, a subsidiary of the Company as set out in Note 19(c).

During the current financial quarter and financial period ended 28 February 2018, the Group recognised a gain on call options of RM Nil and RM7,977,000 respectively arising from fair value changes of financial derivative. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

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23. Material Litigation/Contingent Liabilities

Other than as disclosed below, there were no material litigation/contingent liabilities matters involving the Company and/or its subsidiaries as at the date of this report.

On 30 November 2017, the Company announced that the Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received the bills of demand dated 14 November 2017 from the Royal Malaysian Customs of Perak Darul Ridzuan ("Customs"), which SMSB received on 21 November 2017, demanding payments of customs duties, excise duties, sales tax and Goods and Services Tax ("GST") all totalling RM41,594,986.86.

The said Bills of demand were raised by the Customs Department who alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.

The Company, after consultation with its solicitors, strongly believes that there is no legal and/or factual basis for Customs Department to arrive at their decision to raise the said Bills of demand. This is especially so when SMSB's duty free shop is located after the last customs station en-route out of Malaysia and before the first customs station en-route into Malaysia, where no duties are payable. The solicitors of SMSB are taking the necessary defence actions on its behalf.

On 29 November 2017, the High Court granted leave to SMSB's application for judicial review, as well as an interim stay of the enforcement of the bills of demand until the disposal of the inter partes stay hearing under the Customs Act 1967 and Excise Act, 1976.

The High Court has on 4 January 2018 fixed the case for hearing on 12 April 2018 and subsequently postponed to 17 April 2018. During the hearing on 17 April 2018, SMSB argued that the Bills of demand are illegal and are raised beyond the scope of the Customs' jurisdiction. This is on the premise that the alleged conditions were not attached to the duty free shop licences issued to SMSB, as required under Section 65D(2) of the Customs Act 1967.

The High Court subsequently fixed for decision of the matter on 25 May 2018. In addition, the High Court also granted interim stay of enforcement of the Bills of demand until the date of decision.

On 12 December 2017, SMSB had also appealed to the Director-General in respect of the sales tax pursuant to Section 68 of the Sales Tax Act and had submitted an application to the Director-General in respect of GST pursuant to Section 124 of the GST Act. To-date, the matter is still pending a decision from the Director-General.

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24. Dividend Payable and Distributable

For the financial year ended 28 February 2018, the Company paid a total dividends of 21 sen per ordinary share amounting to RM53.27 million (2017: 22.5 sen per ordinary share totaling to RM57.07 million).

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
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent (RM'000)	26,353	12,591	49,033	54,536
Number of ordinary shares in issue ('000)	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>
Basic earnings per share (sen)	<u>10.39</u>	<u>4.96</u>	<u>19.33</u>	<u>21.50</u>

b. Diluted

There is no dilutive instrument issued by the Company. Accordingly, there is no diluted earnings per share.

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26. Significant Related Party Transactions

All related party transactions had been entered into the ordinary course of business on normal commercial terms.

The transactions with related company and related parties of the Group are set out below:

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000	Ended 28-Feb-18 RM'000	Ended 28-Feb-17 RM'000
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	65,376	57,355	244,160	122,008
Management fee paid/payable to HAP	701	543	2,199	1,185
Ad-space rental received/receivable from HAP	450	1,173	2,079	1,173
Reimbursement of costs from HAP	361	1,581	4,244	1,583

* The transactions were in pursuant to the agreements as disclosed in Note 19(c).

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 26 April 2018.