



**ATLAN HOLDINGS BHD
ANNOUNCEMENT TO BURSA MALAYSIA
FOR THE QUARTER ENDED 31 MAY 2018**

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 MAY 2018

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	Ended 31-May-18 RM'000	Ended 31-May-17 RM'000	Ended 31-May-18 RM'000	Ended 31-May-17 RM'000
Revenue	9	170,532	217,305	170,532	217,305
Operating expenses		(155,891)	(193,585)	(155,891)	(193,585)
Other operating income		4,565	10,790	4,565	10,790
Net foreign exchange gain/(loss)		2,288	(5,947)	2,288	(5,947)
Operating profit		21,494	28,563	21,494	28,563
Depreciation and amortisation		(3,945)	(4,263)	(3,945)	(4,263)
Finance costs		(1,006)	(1,105)	(1,006)	(1,105)
Share of results of an associate		23	55	23	55
Profit before taxation	9, 17	16,566	23,250	16,566	23,250
Taxation	18	(5,225)	(6,394)	(5,225)	(6,394)
Profit for the period		11,341	16,856	11,341	16,856
Attributable to:					
Equity holders of the parent		7,380	11,426	7,380	11,426
Non-controlling interests		3,961	5,430	3,961	5,430
		11,341	16,856	11,341	16,856
Earnings per share attributable to equity holders of the parent (sen)					
- Basic	25	2.91	4.50	2.91	4.50

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	Ended	Ended	Ended
	31-May-18	31-May-17	31-May-18	31-May-17
	RM'000	RM'000	RM'000	RM'000
Profit for the period, representing total comprehensive income for the period	<u>11,341</u>	<u>16,856</u>	<u>11,341</u>	<u>16,856</u>
Total comprehensive income attributable to:				
Equity holders of the parent	7,380	11,426	7,380	11,426
Non-controlling interests	<u>3,961</u>	<u>5,430</u>	<u>3,961</u>	<u>5,430</u>
	<u>11,341</u>	<u>16,856</u>	<u>11,341</u>	<u>16,856</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 28 February 2018 and the accompanying explanatory notes attached to the interim financial statements.

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 MAY 2018

	Note	(Unaudited) As at 31-May-18 RM'000	(Audited) As at 28-Feb-18 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		140,804	141,679
Investment properties		36,003	36,494
Land use rights		21,754	21,871
Goodwill		27,408	27,408
Investment in associates		743	721
Other investments		148	129
Prepayments		37,044	39,489
Deferred tax assets		245	2,267
		<u>264,149</u>	<u>270,058</u>
CURRENT ASSETS			
Inventories		167,615	172,539
Biological assets		87	152
Trade and other receivables		114,464	92,944
Prepayments		14,727	12,956
Tax recoverable		8,640	7,663
Marketable securities		5	5
Derivative assets		11	8
Cash and bank balances		337,862	410,231
		<u>643,411</u>	<u>696,498</u>
TOTAL ASSETS		<u>907,560</u>	<u>966,556</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2018 (CONT'D.)**

	Note	(Unaudited) As at 31-May-18 RM'000	(Audited) As at 28-Feb-18 RM'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		109,736	135,682
Derivative liabilities		1,017	1,043
Employee benefits		79	594
Dividends payable		-	34,731
Tax payable		2,146	2,744
Borrowings	21	18,639	27,881
		<u>131,617</u>	<u>202,675</u>
NET CURRENT ASSETS		<u>511,794</u>	<u>493,823</u>
NON-CURRENT LIABILITIES			
Employee benefits		3,397	2,930
Deferred tax liabilities		5,572	7,121
Borrowings	21	43,606	41,803
		<u>52,575</u>	<u>51,854</u>
TOTAL LIABILITIES		<u>184,192</u>	<u>254,529</u>
NET ASSETS		<u>723,368</u>	<u>712,027</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 MAY 2018 (CONT'D.)

	Note	(Unaudited) As at 31-May-18 RM'000	(Audited) As at 28-Feb-18 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)	(39,455)
Retained earnings	19	223,616	216,236
		<u>540,475</u>	<u>533,095</u>
Non-controlling interests		182,893	178,932
TOTAL EQUITY		<u>723,368</u>	<u>712,027</u>
TOTAL EQUITY AND LIABILITIES		<u>907,560</u>	<u>966,556</u>
Net assets per share attributable to owners of the parent (RM)		<u>2.13</u>	<u>2.10</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 28 February 2018 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 31 MAY 2018**

	← Attributable to Owners of the Parent →				Non-controlling Interests ("NCI")	Total Equity	
	Share capital RM'000	Currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000			Total RM'000
At 1 March 2017	356,528	(214)	(32,059)	156,061	480,316	168,464	648,780
Total comprehensive income for the period	-	-	-	11,426	11,426	5,430	16,856
Transactions with owners:							
Changes of equity interest in a subsidiary							
- arising from dilution of equity interest in a subsidiary	-	-	-	17,303	17,303	22,508	39,811
At 31 May 2017	356,528	(214)	(32,059)	184,790	509,045	196,402	705,447
At 1 March 2018	356,528	(214)	(39,455)	216,236	533,095	178,932	712,027
Total comprehensive income for the period	-	-	-	7,380	7,380	3,961	11,341
At 31 May 2018	356,528	(214)	(39,455)	223,616	540,475	182,893	723,368

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 28 February 2018 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 31 MAY 2018****3 MONTHS ENDED****31-May-18
RM'000****31-May-17
RM'000****Operating activities**

Profit before taxation	16,566	23,250
Adjustments for:		
Changes in fair value of marketable securities	13	(70)
Changes in fair value of biological assets	65	41
Depreciation and amortisation	3,945	4,263
Employee benefits	-	183
Gain on disposal of assets	-	(5)
Gain arising from changes in fair value of options	-	(5,996)
Interest expense	1,006	1,105
Interest income	(3,260)	(1,837)
Inventories written off	29	59
Inventories written down	325	237
Property, plant and equipment written off	41	3
Reversal of impairment loss on receivables	-	(234)
Reversal of inventories written down	(24)	(158)
Unrealised loss on foreign exchange (net)	59	5,628
Share of results of an associate	(23)	(55)
Operating cash flows before changes in working capital	18,742	26,414
Changes in working capital	(12,354)	(21,515)
Cash generated from operations	6,388	4,899
Tax paid	(6,327)	(7,255)
Employee benefits paid	(48)	(107)
Net cash flows generated from/(used in) operating activities	13	(2,463)
Investing activities		
Acquisition of assets	(2,537)	(3,925)
Interest received	3,260	1,837
Proceeds from disposal of property, plant and equipment	13	5
Proceeds from issuance of new ordinary shares by subsidiary	-	39,811
Investment in debt securities	(30,000)	-
Net cash flows (used in)/generated from investing activities	(29,264)	37,728

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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2018 (CONT'D.)

3 MONTHS ENDED

31-May-18
RM'000

31-May-17
RM'000

Financing activities

Dividends paid to non-controlling interests of subsidiaries	(9,308)	(15,098)
Dividends paid to ordinary shareholders of the Company	(25,365)	(25,365)
Interest paid	(1,006)	(1,105)
Net repayment of borrowings	(7,624)	1,771
Net repayment of obligations under finance leases	(150)	(326)
Net cash flows used in financing activities	<u>(43,453)</u>	<u>(40,123)</u>

Net decrease in cash and cash equivalents (72,704) (4,858)

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

Cash and cash equivalents at end of the period 325,626 284,615

Cash and cash equivalents at end of financial period comprise the following:

Cash and bank balances	337,862	299,641
Less: Pledged deposits	<u>(11,901)</u>	<u>(13,678)</u>
	325,961	285,963
Bank overdraft	<u>(335)</u>	<u>(1,348)</u>
	<u><u>325,626</u></u>	<u><u>284,615</u></u>

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 March 2018 RM'000	Cash flows RM'000	Non-cash changes Others RM'000	Carrying amount as at 31 May 2018 RM'000
Term loans	51,252	1,934	-	53,186
Trade facilities	17,057	(9,558)	-	7,499
Overdraft	-	-	335	335
Obligations under finance leases	1,375	(150)	-	1,225
Total liabilities from financing activities	<u>69,684</u>	<u>(7,774)</u>	<u>335</u>	<u>62,245</u>

The Condensed Consolidated Cash Flows Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2018 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 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 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 28 February 2018.

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 2018, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2018:

- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140: Transfers of Investment Property
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2018**

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

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

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except as discussed below:

MFRS 15 Revenue from Contracts with Customers

This Standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of this Standard results in changes in accounting policies for revenue recognition and has no impact other than the disclosures in the Group's financial statements.

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2018, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopt MFRS 9.

There was no material impact on the accounting for Group's financial assets upon initial application of the new classification requirements.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2018**

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

(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 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 16 Leases	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Share-based payment	1 January 2020
Amendments to MFRS 3: Business combinations	1 January 2020
Amendments to MFRS 6: Exploration for and evaluation of mineral resources	1 January 2020
Amendments to MFRS 14: Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101: Presentation of financial statements	1 January 2020
Amendments to MFRS 108: Accounting policies, changes in accounting estimates and errors	1 January 2020
Amendments to MFRS 134: Interim Financial Reporting	1 January 2020
Amendments to MFRS 137: Provisions, contingent liabilities and contingent assets	1 January 2020
Amendments to MFRS 138: Intangible assets	1 January 2020
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 16 Leases.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2018**

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 28 February 2018 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 gain in foreign exchange amounting RM2.3 million, there was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 May 2018.

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 2018.

8. Dividends Paid and Distributed

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.

On 12 July 2018, the Company declared a first interim single tier ordinary dividend of 10.0 sen (first interim single tier ordinary dividend Q1FY2018: 6.0 sen amounting to RM15.22 million) per share in respect of the financial year ending 28 February 2019 amounting to RM25.36 million which is payable on 16 August 2018.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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9. Segmental Information

	Individual Quarter			Cumulative Quarter		
	Ended 31-May-18 RM'000	Ended 31-May-17 RM'000	Changes %	Ended 31-May-18 RM'000	Ended 31-May-17 RM'000	Changes %
Segment Revenue						
Duty free	117,153	166,971	-29.8%	117,153	166,971	-29.8%
Automotive	45,249	42,865	5.6%	45,249	42,865	5.6%
Property and hospitality	6,297	6,877	-8.4%	6,297	6,877	-8.4%
Investment holding	2,322	1,264	83.7%	2,322	1,264	83.7%
Others	1,836	1,861	-1.3%	1,836	1,861	-1.3%
	<u>172,857</u>	<u>219,838</u>	<u>-21.4%</u>	<u>172,857</u>	<u>219,838</u>	<u>-21.4%</u>
Eliminations	<u>(2,325)</u>	<u>(2,533)</u>	<u>-8.2%</u>	<u>(2,325)</u>	<u>(2,533)</u>	<u>-8.2%</u>
Group revenue	<u>170,532</u>	<u>217,305</u>	<u>-21.5%</u>	<u>170,532</u>	<u>217,305</u>	<u>-21.5%</u>
Segment Results						
Duty free	11,662	22,652	-48.5%	11,662	22,652	-48.5%
Automotive	3,936	1,924	104.6%	3,936	1,924	104.6%
Property and hospitality	940	1,909	-50.8%	940	1,909	-50.8%
Investment holding	1,511	(1,368)	-210.5%	1,511	(1,368)	-210.5%
Others	(1,483)	(1,867)	20.6%	(1,483)	(1,867)	20.6%
Profit before taxation	<u>16,566</u>	<u>23,250</u>	<u>-28.7%</u>	<u>16,566</u>	<u>23,250</u>	<u>-28.7%</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 a drop in revenue in current quarter as compared to the corresponding quarter of the previous financial year. The drop was largely due to shortage of supply of certain popular products in the global market, and accordingly had affected the revenue performance of the Group.
- (b) The revenue from the Automotive segment in this current quarter under review was higher than the corresponding quarter of the previous year mainly due to higher orders received from its customers.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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9. Segmental Information (cont'd.)

Segment Revenue (cont'd.)

- (c) Lower revenue reported from Property and hospitality segment in the current quarter compared to the corresponding quarter of the previous year as a result of lower occupancy rate.
- (d) The revenue from 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 the current quarter as well as the corresponding quarter of the previous year. Higher revenue recorded in current quarter mainly relates to higher interest income earned from deposits placements with financial institutions.
- (e) The revenue of 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 lower profit in this current quarter under review as compared to the corresponding quarter of the previous year mainly due to lower revenue as mentioned above, donation of RM3.0 million and the absence of gain arising from changes in fair value of options amounting to RM6.0 million as compared to the corresponding quarter of the previous year.
- (b) In the Automotive segment, higher profit was registered in the current quarter as compared to the corresponding quarter of the previous year mainly due to higher revenue and improved gross margin arising from better utilisation of raw materials.
- (c) In the Property and hospitality segment, the profit for the current quarter was lower than corresponding quarter of the previous year mainly due to lower revenue as mentioned above coupled with higher operating expenditure.
- (d) Investment holding segment reported a profit in current quarter as compared to a loss incurred in the corresponding quarter of previous financial year. The favourable result for current quarter was mainly due to net gain in foreign exchange of RM2.3 million compared to a net foreign exchange loss of RM5.9 million in the corresponding quarter of previous year.
- (e) In the Others segment, the losses in the current quarter was lower than corresponding quarter of the previous financial year mainly due to lower operating expenses.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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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 26 April 2018, the Board of the Company announced that the Company’s public shareholding spread as at 13 April 2018 were as follows:

Number of Public Shareholders: 1,019
Percentage of public shareholding: 20.33%

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

- b. Subsequent to 31 May 2018 and up to the date of this announcement, a subsidiary of the Company, Duty Free International Limited (“DFIL”) had repurchased 4,592,500 of its ordinary shares from the open market for a total cash consideration of approximately RM2,840,000 (including transaction cost). The shares were bought with internally generated funds and all repurchased shares are being held as treasury shares.

With the repurchase of shares by DFIL, the Company’s holding in DFIL (excluding treasury shares) increased from 74.30% as at 30 November 2017 to 74.58% as at the date of this announcement.

As at the date of this announcement, DFIL’s issued and paid-up share capital comprises 1,213,453,993 ordinary shares, excluding treasury shares and DFIL has 491,400,042 outstanding convertible warrants each with exercise price of S\$0.43 expiring on 13 May 2022. DFIL’s treasury shares as at the date of this announcement amounted to 15,744,400.

- c. On 9 July 2018, the Board of the Company announced that a subsidiary of the Company, Duty Free International Limited (“DFIL”) had entered into a conditional subscription agreement (“Agreement”) with Mr. Robert Justin Frizelle and Meridian Compass Ltd (“Founders”), and Brand Connect Holding Pte Ltd (“Brand Connect”) pursuant to which DFIL shall subscribe for 2,800,000 new ordinary shares in the capital of Brand Connect (“Subscription Shares”) (the “Proposed Subscription”).

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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10. Significant and Subsequent Events (cont'd.)

Under the Agreement, it is a condition precedent to completion of DFIL's subscription ("Completion") that the Founders and Brand Connect complete an internal restructuring exercise of the Brand Connect group of companies (together, the "Target Group"), and Brand Connect will increase its share capital to US\$1,200,000 comprising 1,200,000 ordinary shares. Completion is also subject to other conditions precedent customary in transactions of this nature. The Target Group is engaged in the business of marketing and the trading, wholesale and retail distribution of alcohol and other beverage products across countries in the Asia Pacific region.

At Completion, DFIL will pay the consideration amount of US\$2,800,000 ("Consideration") for the Subscription Shares, being 70% of the enlarged share capital of Brand Connect, and thereafter, Brand Connect's issued and paid up share capital will be US\$4,000,000 comprising 4,000,000 ordinary shares. DFIL will also enter into a shareholders' agreement with the shareholders of Brand Connect. Upon Completion, Brand Connect will be a 70% subsidiary of DFIL.

The Consideration of US\$2,800,000 was arrived at following arm's length negotiations, based on the parties' agreed net asset value of the Target Group of approximately US\$1.4 million as at 31 May 2018, as well as representing the proportion attributable to the equity interest of DFIL in Brand Connect. No independent valuation was conducted in respect of the value of the Target Group. The Consideration shall be satisfied in cash at the date of Completion and is funded from DFIL's internal resources.

The rationale for the Proposed Subscription is to develop and grow the Group's alcohol distribution business as well as to expand the Group's market operations beyond the current sales channels in the duty free market of Malaysia to include the duty paid market across South East Asia.

Upon Completion, Mr. Robert Justin Frizelle will be appointed as the Chief Executive Officer, and Mr. Patrick James Loram as the Chief Operating Officer of the Brand Connect Group of Companies.

The Proposed Subscription is not expected to have any material impact on the net tangible assets per share or earnings per share of DFIL for the current financial year ending 28 February 2019. None of the directors of DFIL has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholding interests in DFIL.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 31 May 2018.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 May 2018.

12. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 May 2018 were as follows:

(a) Capital commitments

RM'000

Purchase of property, plant and equipment:

Approved and contracted for

296

Approved but not contracted for

5,292

5,588

(b) Non-cancellable operating lease commitments

RM'000

Rental payable

165,339

13. Performance Review

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

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

	Current Quarter 31-May-18 RM'000	Immediate Preceding Quarter 28-Feb-18 RM'000	Changes %
Revenue	170,532	223,604	-23.7%
Operating Profit	21,494	42,837	-49.8%
Profit before interest and tax	17,572	39,068	-55.0%
Profit before tax	16,566	38,047	-56.5%
Profit after tax	11,341	31,069	-63.5%
Profit attributable to equity holders of the parent	7,380	26,353	-72.0%

The profit before taxation for the quarter under review was lower at RM16.6 million as compared to the preceding quarter ended 28 February 2018 of RM38.0 million mainly due to decrease in revenue of approximately 23.7% as compared to 4QFY2018 and the absence of reversal of provision of guarantees, RM14.9 million compared to the immediate preceding quarter.

15. Commentary on Prospects

Given the prevailing economic conditions and the volatility of Ringgit Malaysia against foreign currencies, the Group expects its operating environment to remain challenging. The Group will continue its efforts to identify new market opportunity and strategies to further strengthen our customer base as well as distribution channel, together with close monitoring of the key cost drivers, in order to stay competitive and profitable in the remaining quarters of the financial year ending 28 February 2019.

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.

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17. Profit Before Taxation

Included in the profit before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	31-May-18	31-May-17	31-May-18	31-May-17
	RM'000	RM'000	RM'000	RM'000
Changes in fair value of marketable securities	13	(70)	13	(70)
Changes in fair value of biological assets	65	41	65	41
Gain arising from changes in fair value of options	-	(5,996)	-	(5,996)
Gain on disposal of property, plant and equipment	-	(5)	-	(5)
Depreciation and amortisation	3,945	4,263	3,945	4,263
Interest expense	1,006	1,105	1,006	1,105
Interest income	(3,260)	(1,837)	(3,260)	(1,837)
Inventories written down	325	237	325	237
Inventories written off	29	59	29	59
Property, plant and equipment written off	41	3	41	3
Reversal of inventories written down	(24)	(158)	(24)	(158)
Reversal of impairment loss on receivables	-	(234)	-	(234)
Realised foreign exchange (gain)/loss (net)	(2,347)	319	(2,347)	319
Unrealised foreign exchange loss (net)	59	5,628	59	5,628

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	31-May-18	31-May-17	31-May-18	31-May-17
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current period provision	4,749	6,473	4,749	6,473
- under/(over) provision in prior periods	3	(62)	3	(62)
Deferred taxation	473	(17)	473	(17)
	<u>5,225</u>	<u>6,394</u>	<u>5,225</u>	<u>6,394</u>

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

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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.

- (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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19. 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.

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.

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.

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20. Borrowings and Debt Securities

	As at 31-May-18 RM'000	As at 28-Feb-18 RM'000
Short Term Borrowings - Secured		
- Overdraft	335	-
- Trade facilities	7,499	17,057
- Term loan	10,283	10,283
- Obligations under finance leases	522	541
	<u>18,639</u>	<u>27,881</u>
Long Term Borrowings - Secured		
- Term loan	42,903	40,969
- Obligations under finance leases	703	834
	<u>43,606</u>	<u>41,803</u>
Total Group's borrowings	62,245	69,684

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

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21. Fair Value Hierarchy (cont'd.)

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 31 May 2018				
Financial assets:				
Marketable securities	5	-	-	5
Derivatives				
- Forward foreign exchange contracts	-	11	-	11
Financial liabilities:				
Derivatives				
- Call options on subsidiary shares	-	-	1,017	1,017
Non-financial asset:				
Biological assets	-	-	87	87
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

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 31 May 2018				
Call options on subsidiary shares				
- Less than 1 year	1,017	1,017	-	1,017
Forward foreign exchange contracts				
- Less than 1 year	563	11	11	-
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

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 ended 31 May 2018, the Group recognised a gain on forward foreign exchange contracts of RM29,000 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).

The fair value changes are attributable to changes in foreign exchange spot and forward rate. However, during the current financial quarter ended 31 May 2018, no gain or loss on call options arising from fair value changes of financial derivative.

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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.

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 17 April 2018 heard the case and had fixed 25 May 2018 for decision of the matter. In addition, the High Court also granted interim stay of enforcement of the Bills of demand until the date of decision.

The High Court subsequently postponed the date for decision on the matter from 25 May 2018 to 29 June 2018.

On 29 June 2018, the decision of the High Court was not to grant an application for judicial review to SMSB. On 2 July 2018, SMSB filed an appeal to the Court of Appeal against the High Court's decision of not granting an application for judicial review. Simultaneously, SMSB also filed a formal application to stay the effect and enforcement of the bills of demand raised on SMSB for import and excise duties.

In addition, SMSB will also file a Notice of Motion before the Court of Appeal to stay the effect and enforcement of the said notices of additional assessment pending the appeal on stay before the Court of Appeal.

On 12 December 2017, SMSB had also appealed to the Director-General of Customs 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 of Customs.

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, sales tax and/or GST are payable.

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23. Material Litigation/Contingent Liabilities (cont'd.)

The Company will make further announcement(s) if there is any material update on the above said matter.

24. Dividend Payable and Distributable

On 12 July 2018, the Company declared a first interim single tier ordinary dividend of 10.0 sen (first interim single tier ordinary dividend Q1FY2018: 6.0 sen amounting to RM15.22 million) per share in respect of the financial year ending 28 February 2019 amounting to RM25.36 million of which the book closure date is on 27 July 2018 and is payable on 16 August 2018.

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 31-May-18 RM'000	Ended 31-May-17 RM'000	Ended 31-May-18 RM'000	Ended 31-May-17 RM'000
Profit attributable to ordinary equity holders of the parent (RM'000)	7,380	11,426	7,380	11,426
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>2.91</u>	<u>4.50</u>	<u>2.91</u>	<u>4.50</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	Ended	Ended	Ended
	31-May-18	31-May-17	31-May-18	31-May-17
	RM'000	RM'000	RM'000	RM'000
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	44,153	58,091	44,153	58,091
Management fee paid/payable to HAP	277	458	277	458
Ad-space rental received/receivable from HAP	441	441	441	441
Reimbursement of costs from HAP	1,077	1,389	1,077	1,389

* 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 12 July 2018.