



**ATLAN HOLDINGS BHD  
ANNOUNCEMENT TO BURSA MALAYSIA  
FOR THE FIRST QUARTER ENDED  
31 MAY 2019**

**ATLAN HOLDINGS BHD***(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 31 MAY 2019**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	Ended 31-May-19 RM'000	Ended 31-May-18 RM'000	Ended 31-May-19 RM'000	Ended 31-May-18 RM'000
Revenue	9	198,163	170,532	198,163	170,532
Operating expenses		(181,711)	(155,891)	(181,711)	(155,891)
Other operating income		3,663	4,565	3,663	4,565
Net foreign exchange gain		2,629	2,288	2,629	2,288
Operating profit		22,744	21,494	22,744	21,494
Depreciation and amortisation		(5,153)	(3,945)	(5,153)	(3,945)
Finance costs		(2,452)	(1,006)	(2,452)	(1,006)
Share of results of an associate		(49)	23	(49)	23
Profit before taxation	9, 17	15,090	16,566	15,090	16,566
Taxation	18	(5,360)	(5,225)	(5,360)	(5,225)
Profit for the period		9,730	11,341	9,730	11,341
Attributable to:					
Equity holders of the parent		7,079	7,380	7,079	7,380
Non-controlling interests		2,651	3,961	2,651	3,961
		9,730	11,341	9,730	11,341
Earnings per share attributable to equity holders of the parent (sen)	25				
- Basic		2.79	2.91	2.79	2.91

*The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2019 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 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended 31-May-19 RM'000	Ended 31-May-18 RM'000	Ended 31-May-19 RM'000	Ended 31-May-18 RM'000
Profit for the period	9,730	11,341	9,730	11,341
Other comprehensive income:				
- Foreign currency translation	314	-	314	-
Total comprehensive income for the period	10,044	11,341	10,044	11,341
Total comprehensive income attributable to:				
Equity holders of the parent	7,275	7,380	7,275	7,380
Non-controlling interests	2,769	3,961	2,769	3,961
	10,044	11,341	10,044	11,341

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 28 February 2019 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 2019**

	Note	(Unaudited) As at 31-May-19 RM'000	(Audited) As at 28-Feb-19 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		133,696	134,323
Investment properties		31,495	31,913
Land use rights		21,309	21,421
Goodwill		27,408	27,408
Intangible assets		461	888
Investment in associates		599	647
Other investments		147	147
Prepayments		-	29,709
Deferred tax assets		4,402	4,507
Right-of-use assets		110,704	-
		<u>330,221</u>	<u>250,963</u>
<b>CURRENT ASSETS</b>			
Inventories		177,742	210,669
Biological assets		122	103
Trade and other receivables		126,520	132,284
Capitalised contract costs		-	3,771
Prepayments		3,678	13,505
Tax recoverable		5,090	5,151
Marketable securities		2	4
Cash and bank balances		322,263	349,780
		<u>635,417</u>	<u>715,267</u>
<b>TOTAL ASSETS</b>		<u>965,638</u>	<u>966,230</u>

**ATLAN HOLDINGS BHD***(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (UNAUDITED)  
AS AT 31 MAY 2019 (CONT'D.)**

	Note	(Unaudited) As at 31-May-19 RM'000	(Audited) As at 28-Feb-19 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		88,740	155,990
Contract liabilities		10,557	3,347
Derivative liabilities		86	99
Employee benefits		101	502
Dividends payable		-	40,119
Tax payable		1,413	1,429
Borrowings	20	45,677	36,240
Lease liabilities		1,794	-
		<u>148,368</u>	<u>237,726</u>
<b>NET CURRENT ASSETS</b>		<u>487,049</u>	<u>477,541</u>
<b>NON-CURRENT LIABILITIES</b>			
Derivative liabilities		515	515
Employee benefits		3,010	2,699
Deferred tax liabilities		8,390	7,326
Borrowings	20	32,853	32,444
Lease liabilities		78,760	-
		<u>123,528</u>	<u>42,984</u>
<b>TOTAL LIABILITIES</b>		<u>271,896</u>	<u>280,710</u>
<b>NET ASSETS</b>		<u>693,742</u>	<u>685,520</u>

**ATLAN HOLDINGS BHD***(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (UNAUDITED)  
AS AT 31 MAY 2019 (CONT'D.)**

	(Unaudited)	(Audited)
Note	As at 31-May-19 RM'000	As at 28-Feb-19 RM'000
<b>EQUITY AND LIABILITIES (CONT'D)</b>		
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	356,528	356,528
Currency translation reserve	(132)	(328)
Other reserve	(48,029)	(46,485)
Retained earnings	216,809	208,732
	<u>525,176</u>	<u>518,447</u>
Non-controlling interests	168,566	167,073
<b>TOTAL EQUITY</b>	<u>693,742</u>	<u>685,520</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>965,638</u>	<u>966,230</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.07</u>	<u>2.04</u>

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 28 February 2019 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 2019

	← 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
<b>At 1 March 2018</b>	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
<b>At 1 March 2019</b>	356,528	(328)	(46,485)	208,732	518,447	167,073	685,520
Profit for the period	-	-	-	7,079	7,079	2,651	9,730
Other comprehensive income	-	196	-	-	196	118	314
	-	196	-	7,079	7,275	2,769	10,044
<b>Transactions with owners:</b>							
Changes of equity interest in a subsidiary							
- Arising from accretion of equity interest in a subsidiary	-	-	(1,305)	998	(307)	(1,432)	(1,739)
- Transfer to reserve	-	-	(239)	-	(239)	156	(83)
At 31 May 2019	356,528	(132)	(48,029)	216,809	525,176	168,566	693,742

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 28 February 2019 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 2019**

	<b>3 MONTHS ENDED</b>	
	<b>31-May-19</b>	<b>31-May-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit before taxation	15,090	16,566
Adjustments for:		
Changes in fair value of marketable securities	32	13
Changes in fair value of biological assets	(19)	65
Amortisation of capitalised contract costs	3,771	-
Depreciation and amortisation	5,153	3,945
Gain on disposal of assets	(28)	-
Interest expense	2,452	1,006
Interest income	(4,069)	(3,260)
Inventories written off	398	29
Inventories written down	143	325
Property, plant and equipment written off	414	41
Reversal of inventories written down	-	(24)
Unrealised (gain)/loss on foreign exchange (net)	(2,719)	59
Share of results of an associate	49	(23)
Operating cash flows before changes in working capital	20,667	18,742
Changes in working capital	(41,765)	(12,354)
Cash generated from operations	(21,098)	6,388
Tax paid	(4,146)	(6,327)
Employee benefits paid	(90)	(48)
Net cash flows (used in)/generated from operating activities	(25,334)	13
<b>Investing activities</b>		
Acquisition of assets	(2,341)	(2,537)
Interest received	4,069	3,260
Repurchase of shares by a subsidiary	(1,740)	-
Proceeds from disposal of property, plant and equipment	29	13
Investment in debt securities	30,000	(30,000)
Net cash flows generated from/(used in) investing activities	30,017	(29,264)



**ATLAN HOLDINGS BHD***(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED)  
FOR THE PERIOD ENDED 31 MAY 2019 (CONT'D.)**

	<b>3 MONTHS ENDED</b>	
	<b>31-May-19</b>	<b>31-May-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financing activities</b>		
Dividends paid to non-controlling interests of subsidiaries	(14,754)	(9,308)
Dividends paid to ordinary shareholders of the Company	(25,365)	(25,365)
Lease payments	(3,209)	-
Interest paid	(2,452)	(1,006)
Net drawdown/(repayment) of borrowings	6,296	(7,624)
Net repayment of obligations under finance leases	(135)	(150)
Net cash flows used in financing activities	<u>(39,619)</u>	<u>(43,453)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(34,936)</b>	<b>(72,704)</b>
<b>Effect of foreign exchange translation</b>	<b>3,734</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>337,587</b>	<b>398,330</b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>306,385</u></b>	<b><u>325,626</u></b>
<b>Cash and cash equivalents at end of financial period comprise the following:</b>		
Cash and bank balances	322,263	337,862
Less: Pledged deposits	(12,193)	(11,901)
	<u>310,070</u>	<u>325,961</u>
Less: Bank overdraft	(3,685)	(335)
	<u>306,385</u>	<u>325,626</u>

**Reconciliation of liabilities arising from financing activities:**

	<b>Carrying amount as at 1 March 2019 RM'000</b>	<b>Cash flows RM'000</b>	<b>Non-cash changes Others RM'000</b>	<b>Carrying amount as at 31 May 2019 RM'000</b>
Term loans	56,190	15,905	-	72,095
Trade facilities	11,302	(9,609)	-	1,693
Obligations under finance leases	1,192	(135)	-	1,057
Dividend payable	40,119	(40,119)	-	-
Total liabilities from financing activities	<u>108,803</u>	<u>(33,958)</u>	<u>-</u>	<u>74,845</u>

*The Condensed Consolidated Cash Flows Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2019 and the accompanying notes attached to the interim financial statements.*

**ATLAN HOLDINGS BHD – 173250 W**  
**(Incorporated in Malaysia)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**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 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 28 February 2019.

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 2019, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2019:

<b><u>MFRSs, Amendments to MFRSs and IC Interpretation</u></b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**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 16 Leases

MFRS 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. MFRS 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use (“ROU”) asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the income statement.

The Group adopted MFRS 16 on 1 March 2019, using the modified retrospective approach, without restating prior years’ information. On adoption of MFRS 16, the Group recognised an amount of ROU assets and total lease liabilities of RM112.8 million and RM82.1 million, respectively, as at 1 March 2019. Subsequent to initial recognition, the Group will depreciate the ROU assets over the remaining useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The adoption of MFRS 16 resulted in an increase in total assets and total liabilities as well as Earnings before Interest, Tax and Depreciation.

**ATLAN HOLDINGS BHD – 173250 W**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**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:

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combination	1 January 2020
Amendment to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	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.

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 28 February 2019 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 was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 May 2019 other than on the adoption of MFRS 16 Leases as disclosed in Note 2(i) and in the condensed consolidated statement of financial position as at 31 May 2019.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**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**

Other than as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 May 2019.

During the first quarter ended 31 May 2019 and up to the date of this announcement, a subsidiary of the Company, Duty Free International Limited (“DFIL”) had repurchased 2,945,300 of its ordinary shares from the open market for a total cash consideration of approximately RM1,739,000 (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 74.89% as at 28 February 2019 to 75.07% as at the date of this announcement.

As at the date of this announcement, DFIL’s issued and paid-up share capital with voting rights comprises 1,205,500,393 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. The number of DFIL’s treasury shares as at the date of this announcement is 23,698,000.

**8. Dividends Paid and Distributed**

On 10 January 2019, the Company declared a second interim single tier ordinary dividend of 10.0 sen per share in respect of the financial year ended 28 February 2019 amounting to RM25.36 million which was paid on 13 March 2019.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**9. Segmental Information**

	Individual Quarter			Cumulative Quarter		
	Ended 31-May-19 RM'000	Ended 31-May-18 RM'000	Changes %	Ended 31-May-19 RM'000	Ended 31-May-18 RM'000	Changes %
<b>Segment Revenue</b>						
Duty free	135,317	117,153	15.5%	135,317	117,153	15.5%
Automotive	55,073	45,249	21.7%	55,073	45,249	21.7%
Property and hospitality	6,026	6,297	-4.3%	6,026	6,297	-4.3%
Investment holding	2,331	2,322	0.4%	2,331	2,322	0.4%
Others	1,733	1,836	-5.6%	1,733	1,836	-5.6%
	<u>200,480</u>	<u>172,857</u>	<u>16.0%</u>	<u>200,480</u>	<u>172,857</u>	<u>16.0%</u>
Eliminations	(2,317)	(2,325)	-0.3%	(2,317)	(2,325)	-0.3%
Group revenue	<u>198,163</u>	<u>170,532</u>	<u>16.2%</u>	<u>198,163</u>	<u>170,532</u>	<u>16.2%</u>
<b>Segment Results</b>						
Duty free	9,322	11,662	-20.1%	9,322	11,662	-20.1%
Automotive	5,740	3,936	45.8%	5,740	3,936	45.8%
Property and hospitality	712	940	-24.3%	712	940	-24.3%
Investment holding	1,427	1,511	-5.6%	1,427	1,511	-5.6%
Others	(2,111)	(1,483)	-42.3%	(2,111)	(1,483)	-42.3%
Profit before taxation	<u>15,090</u>	<u>16,566</u>	<u>-8.9%</u>	<u>15,090</u>	<u>16,566</u>	<u>-8.9%</u>

The Group comprises the following main business segments:

- (i) Duty free – trading of duty free goods, dutiable 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) The increase in revenue from Duty free segment in current quarter compared to the corresponding quarter in the previous financial year was mainly contributed from the newly acquired Brand Connect Group (“BCH”) as well as higher demand for certain products.
- (b) The revenue from the Automotive segment in current quarter was higher as compared to the corresponding quarter mainly due to higher orders received from certain customers.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**9. Segmental Information (cont'd.)**

**Segment Revenue (cont'd.)**

- (c) Slight decrease in revenue reported from Property and hospitality segment in the current quarter as compared to the corresponding quarter in the previous year as a result of lower occupancy rate and lower average rental 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. Revenue reported in current quarter was comparable to the corresponding quarter in the previous financial year of which the total revenue mainly relates to interest income.
- (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 current quarter as compared to the corresponding quarter in the previous year in spite of higher revenue attained as mentioned above. The drop was mainly due to higher payroll costs of RM1.7 million after including BCH's group payroll, coupled with higher professional fees and transportation costs of RM0.8 million and RM0.7 million respectively.
- (b) In the Automotive segment, higher profit was registered in current quarter as compared to the corresponding quarter in the previous year mainly due to higher revenue as mentioned above.
- (c) In the Property and hospitality segment, the profit for the current quarter in current financial year was comparable to the corresponding quarter in the previous financial year.
- (d) Investment holding segment reported a profit in current quarter and the corresponding quarter of previous financial year of which the favourable result was mainly derived from net gain in foreign exchange.
- (e) In the Others segment, higher loss was reported in current quarter as compared to the corresponding quarter of previous financial year mainly due to higher operating expenses.

**ATLAN HOLDINGS BHD – 173250 W**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**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 25 April 2019, the Board of the Company announced that the Company’s public shareholding spread as at 15 April 2019 were as follows:

Number of Public Shareholders: 1,023  
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) On 18 June 2019, the Board of the Company announced that the Company had entered into a Shares Sale Agreement to dispose of 3,016,000 ordinary shares representing 8.00% of equity interest in United Industries Holdings Sdn. Bhd. (“UIH”) (“Proposed Disposal”), a wholly-owned subsidiary of the Company, to Cremorne Capital Fund Management Limited (“Cremorne”) for a cash consideration of Ringgit Malaysia Eight Million (RM8,000,000.00). After the completion of the Proposed Disposal, the Company will hold 92% of equity interest in UIH whilst Cremorne will hold 8% of equity interest in UIH.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 31 May 2019.

**11. Changes in Composition of the Group**

Other than as disclosed in Note 7 above, there were no changes in the composition of the Group during the current quarter ended 31 May 2019.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 MAY 2019**

**12. Commitments**

The amount of commitments not provided for in the interim financial statements as at 31 May 2019 were as follows:

Capital commitments

**RM'000**

Purchase of property, plant and equipment:

Approved and contracted for

18,269

Approved but not contracted for

11,489

29,758

**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**

	<b>Current Quarter</b>	<b>Immediate</b>	
	<b>31-May-19</b>	<b>Preceding Quarter</b>	
	<b>RM'000</b>	<b>28-Feb-19</b>	<b>Changes</b>
		<b>RM'000</b>	<b>%</b>
Revenue	198,163	219,033	-9.5%
Operating profit	22,744	18,773	21.2%
Profit before interest and tax	17,542	14,733	19.1%
Profit before tax	15,090	13,616	10.8%
Profit after tax	9,730	10,043	-3.1%
Profit attributable to equity holders of the parent	7,275	5,338	36.3%

Revenue for the quarter under review was lower by RM20.9 million as compared to the preceding quarter ended 28 February 2019 of RM219.0 million. The decrease was mainly due to lower revenue reported by duty free segment due to decrease in demand for certain products.

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**14. Comment on Material Change in Profit Before Taxation Compared with Immediate Preceding Quarter (cont'd.)**

The profit before taxation for the quarter under review was higher at RM15.1 million as compared to the preceding quarter ended 28 February 2019 of RM13.6 million mainly due to a net gain in foreign exchange of RM2.6 million reported in the current quarter under review compared to a net loss in foreign exchange amounting to RM1.6 million in the preceding quarter ended 28 February 2019.

**15. Commentary on Prospects**

Given the prevailing economic outlook and cautious consumer spending, the business environment of which the Group operates is expected to remain soft and challenging. The Group continues to focus on expanding its market presence and increasing its efforts to strengthen operational efficiencies 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 29 February 2020.

**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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>31-May-19</b>	<b>31-May-18</b>	<b>31-May-19</b>	<b>31-May-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Changes in fair value of marketable securities	32	13	32	13
Changes in fair value of biological assets	(19)	65	(19)	65
Gain on disposal of property, plant and	(28)	-	(28)	-
Depreciation and amortisation	5,153	3,945	5,153	3,945
Interest expense	2,452	1,006	2,452	1,006
Interest income	(4,069)	(3,260)	(4,069)	(3,260)
Inventories written down	143	325	143	325
Inventories written off	398	29	398	29
Property, plant and equipment written off	414	41	414	41
Reversal of inventories written down	-	(24)	-	(24)
Realised foreign exchange loss/(gain) (net)	72	(2,347)	72	(2,347)
Unrealised foreign exchange (gain)/loss (net)	(2,719)	59	(2,719)	59

**18. Taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>31-May-19</b>	<b>31-May-18</b>	<b>31-May-19</b>	<b>31-May-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax				
- current period provision	4,130	4,749	4,130	4,749
- under provision in prior periods	5	3	5	3
Deferred taxation	1,225	473	1,225	473
	<u>5,360</u>	<u>5,225</u>	<u>5,360</u>	<u>5,225</u>

The higher effective tax rate in current quarter was mainly due to certain expenses being disallowed for tax purposes.

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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 for a consideration of RM27,990,000.

However, as at the date of this report, the conditions 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.

**20. Borrowings and Debt Securities**

	<b>As at 31-May-19 RM'000</b>	<b>As at 28-Feb-19 RM'000</b>
Short Term Borrowings - Secured		
- Overdraft	3,685	-
- Trade facilities	1,693	11,302
- Term loan	39,799	24,406
- Obligations under finance leases	500	532
	<u>45,677</u>	<u>36,240</u>
Long Term Borrowings - Secured		
- Term loan	32,296	31,784
- Obligations under finance leases	557	660
	<u>32,853</u>	<u>32,444</u>
<b>Total Group's borrowings</b>	<b>78,530</b>	<b>68,685</b>

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**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

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>
<b>At 31 May 2019</b>				
<b>Financial asset:</b>				
Marketable securities	2	-	-	2
<b>Financial liabilities:</b>				
Derivatives				
- Put/Call options on subsidiary shares	-	515	-	515
- Forward foreign exchange contracts	-	86	-	86
<b>Non-financial assets:</b>				
Biological assets	-	-	122	122
<b>At 28 February 2019</b>				
<b>Financial assets:</b>				
Marketable securities	4	-	-	4
<b>Financial liabilities:</b>				
Derivatives				
- Put/Call options on subsidiary shares	-	515	-	515
- Forward foreign exchange contracts	-	99	-	99
<b>Non-financial asset:</b>				
Biological assets	-	-	103	103

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**21. Fair Value Hierarchy (cont'd.)**

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.

**22. Derivative Financial Instruments**

	Notional Amount RM'000	Fair value RM'000	Assets RM'000	Liabilities RM'000
<b>At 31 May 2019</b>				
Put/Call options on subsidiary shares				
- More than 5 years	515	515	-	515
Forward foreign exchange contracts				
- Less than 1 year	3,129,691	86	-	86
<b>At 28 February 2019</b>				
Put/Call options on subsidiary shares				
- More than 5 years	515	515	-	515
Forward foreign exchange contracts				
- Less than 1 year	6,804,701	99	-	99

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 2019, the Group recognised a gain on forward foreign exchange contracts of RM13,000 arising from fair value changes of financial derivative. The fair value changes are attributable to changes in foreign exchange and forward rate.

The put/call options was in relation to the fair value of put/call options of the remaining 30% stake in the Brand Connect Holding Pte. Ltd..

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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.

On 28 August 2018, the High Court granted interim stay pending the disposal of the stay application, which was to be heard on 5 October 2018 before a new Judge. The hearing was postponed from 4 December 2018 to 17 January 2019, which was subsequently again postponed to 20 February 2019. On 20 February 2019, upon hearing the submission for both parties, the Court granted an interim stay to SMSB pending the disposal of its Court of Appeal hearing. Parties were to update the Court after the Court of Appeal hearing.

On 13 March 2019, the High Court was briefed on the status of the hearing of the Court of Appeal. As there was no tentative date fixed by the Court of Appeal for the decision, the High Court has then granted an interim stay until the disposal of the hearing.

In addition, SMSB also filed 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.

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

On 6 March 2019, the Court of Appeal conducted the hearing, whereby both SMSB and Customs submitted their respective legal arguments. The Court of Appeal then instructed parties to file additional supplementary submission on one novel point of law before 20 March 2019. SMSB has already submitted the said supplementary submission. The Court of Appeal will inform parties once they are ready to deliver a decision.

In respect of sales tax and GST, 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.

The Company, having obtained advice from its solicitor, is of the opinion that the payment of the Bills of Demand raised by the Customs is possible, but not probable, and accordingly no provision for any liability has been made in the financial statements.

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 2019, the Company declared a first interim single tier ordinary dividend of 5.0 sen (first interim single tier ordinary dividend Q1FY2019: 10.0 sen amounting to RM25.36 million) per share in respect of the financial year ending 29 February 2020 amounting to RM12.68 million of which the book closure date is on 31 July 2019 and is payable on 9 August 2019.



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**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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>31-May-19</b>	<b>31-May-18</b>	<b>31-May-19</b>	<b>31-May-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	7,079	7,380	7,079	7,380
Number of ordinary shares in issue ('000)	253,650	253,650	253,650	253,650
Basic earnings per share (sen)	2.79	2.91	2.79	2.91

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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-May-19 RM'000</b>	<b>Ended 31-May-18 RM'000</b>	<b>Ended 31-May-19 RM'000</b>	<b>Ended 31-May-18 RM'000</b>
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	29,956	44,153	29,956	44,153
Management fee paid/payable to HAP	162	277	162	277
Ad-space rental received/receivable from HAP	440	441	440	441
Reimbursement of costs from HAP (net)	<u>1,326</u>	<u>1,077</u>	<u>1,326</u>	<u>1,077</u>

\* The transactions were in pursuant to the agreements entered with HAP.

**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 2019.