



**ATLAN HOLDINGS BHD
ANNOUNCEMENT TO BURSA MALAYSIA
FOR THE THIRD QUARTER ENDED
30 NOVEMBER 2019**

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 30 NOVEMBER 2019**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Ended 30-Nov-19 RM'000	Ended 30-Nov-18 RM'000	Ended 30-Nov-19 RM'000	Ended 30-Nov-18 RM'000
Revenue	9	254,366	215,387	620,153	555,883
Operating expenses		(232,609)	(190,836)	(568,516)	(495,871)
Other operating income		2,883	3,328	9,804	11,157
Net foreign exchange (loss)/gain		(792)	1,387	2,845	6,591
Operating profit		23,848	29,266	64,286	77,760
Depreciation and amortisation		(5,862)	(3,803)	(16,907)	(11,482)
Finance costs		(2,416)	(980)	(7,340)	(3,008)
Share of results of an associate		(51)	(60)	(140)	(61)
Profit before taxation	9, 17	15,519	24,423	39,899	63,209
Taxation	18	(3,827)	(4,697)	(12,611)	(14,115)
Profit for the period		11,692	19,726	27,288	49,094
Attributable to:					
Equity holders of the parent		7,877	13,690	19,042	34,118
Non-controlling interests		3,815	6,036	8,246	14,976
		11,692	19,726	27,288	49,094
Earnings per share attributable to equity holders of the parent (sen)					
- Basic	25	3.11	5.40	7.51	13.45

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 30 NOVEMBER 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	Ended	Ended	Ended
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>11,692</u>	<u>19,726</u>	<u>27,288</u>	<u>49,094</u>
Other comprehensive income:				
- Foreign currency translation	<u>(21)</u>	<u>425</u>	<u>157</u>	<u>467</u>
Total comprehensive income for the period	<u>11,671</u>	<u>20,151</u>	<u>27,445</u>	<u>49,561</u>
Total comprehensive income attributable to:				
Equity holders of the parent	7,866	13,929	19,155	34,361
Non-controlling interests	<u>3,805</u>	<u>6,222</u>	<u>8,290</u>	<u>15,200</u>
	<u>11,671</u>	<u>20,151</u>	<u>27,445</u>	<u>49,561</u>

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 30 NOVEMBER 2019**

	(Unaudited) As at 30-Nov-19 RM'000	(Audited) As at 28-Feb-19 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	141,917	134,323
Investment properties	30,622	31,913
Land use rights	21,084	21,421
Goodwill	27,408	27,408
Intangible assets	383	888
Investment in associates	507	647
Other investments	135	147
Prepayments	-	29,709
Deferred tax assets	4,330	4,507
Right-of-use assets	111,094	-
	<u>337,480</u>	<u>250,963</u>
CURRENT ASSETS		
Inventories	187,079	210,669
Biological assets	97	103
Trade and other receivables	121,965	132,284
Capitalised contract costs	-	3,771
Prepayments	3,827	13,505
Tax recoverable	5,128	5,151
Marketable securities	2	4
Cash and bank balances	388,649	349,780
	<u>706,747</u>	<u>715,267</u>
TOTAL ASSETS	<u>1,044,227</u>	<u>966,230</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)
AS AT 30 NOVEMBER 2019 (CONT'D.)**

	Note	(Unaudited) As at 30-Nov-19 RM'000	(Audited) As at 28-Feb-19 RM'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		177,121	155,990
Contract liabilities		2,956	3,347
Derivative liabilities		-	99
Employee benefits		101	502
Dividends payable		-	40,119
Tax payable		1,013	1,429
Borrowings	20	46,373	36,240
Lease liabilities		1,950	-
		<u>229,513</u>	<u>237,726</u>
NET CURRENT ASSETS		<u>477,234</u>	<u>477,541</u>
NON-CURRENT LIABILITIES			
Derivative liabilities		515	515
Employee benefits		2,835	2,699
Deferred tax liabilities		8,680	7,326
Borrowings	20	32,159	32,444
Lease liabilities		85,047	-
		<u>129,236</u>	<u>42,984</u>
TOTAL LIABILITIES		<u>358,749</u>	<u>280,710</u>
NET ASSETS		<u>685,478</u>	<u>685,520</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)
AS AT 30 NOVEMBER 2019 (CONT'D.)**

	(Unaudited)	(Audited)
Note	As at 30-Nov-19 RM'000	As at 28-Feb-19 RM'000
EQUITY AND LIABILITIES (CONT'D.)		
EQUITY		
Equity attributable to owners of the parent		
Share capital	356,528	356,528
Currency translation reserve	(215)	(328)
Other reserve	(50,252)	(46,485)
Retained earnings	207,802	208,732
	<u>513,863</u>	<u>518,447</u>
Non-controlling interests	171,615	167,073
TOTAL EQUITY	<u>685,478</u>	<u>685,520</u>
TOTAL EQUITY AND LIABILITIES	<u>1,044,227</u>	<u>966,230</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.03</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 30 NOVEMBER 2019

	← Attributable to Owners of the Parent →				Non-controlling Interests ("NCI") RM'000	Total Equity RM'000	
	Share capital RM'000	Currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000			Total RM'000
At 1 March 2018	356,528	(214)	(39,455)	216,236	533,095	178,932	712,027
Profit for the period	-	-	-	34,118	34,118	14,976	49,094
Other comprehensive income	-	243	-	-	243	224	467
	-	243	-	34,118	34,361	15,200	49,561
Transactions with owners:							
Changes of equity interest in a subsidiary							
- arising from accretion of equity interest in a subsidiary	-	-	(4,187)	3,164	(1,023)	(4,582)	(5,605)
- capital contribution from NCI in subsidiaries	-	-	-	-	-	4,879	4,879
Dividends on ordinary shares	-	-	-	(25,365)	(25,365)	-	(25,365)
Dividends paid to NCI by subsidiary	-	-	-	-	-	(11,715)	(11,715)
At 30 November 2018	356,528	29	(43,642)	228,153	541,068	182,714	723,782
At 1 March 2019	356,528	(328)	(46,485)	208,732	518,447	167,073	685,520
Profit for the period	-	-	-	19,042	19,042	8,246	27,288
Other comprehensive income	-	113	-	-	113	44	157
	-	113	-	19,042	19,155	8,290	27,445
Transactions with owners:							
Changes of equity interest in a subsidiary							
- arising from accretion of equity interest in a subsidiary	-	-	(4,152)	3,546	(606)	(4,908)	(5,514)
- transfer to reserve	-	-	385	-	385	(468)	(83)
- disposal of equity shares of subsidiary to NCI without loss of control	-	-	-	1,847	1,847	6,153	8,000
Dividends on ordinary shares	-	-	-	(25,365)	(25,365)	-	(25,365)
Dividends paid to NCI by subsidiary	-	-	-	-	-	(4,525)	(4,525)
At 30 November 2019	356,528	(215)	(50,252)	207,802	513,863	171,615	685,478

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 30 NOVEMBER 2019**

	9 MONTHS ENDED	
	30-Nov-19 RM'000	30-Nov-18 RM'000
Operating activities		
Profit before taxation	39,899	63,209
Adjustments for:		
Changes in fair value of marketable securities	44	115
Changes in fair value of biological assets	6	93
Amortisation of capitalised contract costs	3,771	-
Depreciation and amortisation	16,907	11,482
Deposit forfeited	-	(3)
Gain on disposal of assets	(111)	(37)
Gain arising from changes in fair value of options	-	(1,017)
Interest expense	7,340	3,008
Interest income	(8,945)	(9,242)
Inventories written off	644	60
Inventories written down	556	1,120
Property, plant and equipment written off	809	65
Other investments written off	12	-
Reversal of impairment loss on receivables	-	(13)
Reversal of inventories written down	(135)	(55)
Reversal of impairment loss on assets	-	(13)
Unrealised gain on foreign exchange (net)	(2,948)	(6,460)
Share of results of an associate	140	33
Operating cash flows before changes in working capital	<u>57,989</u>	<u>62,345</u>
Changes in working capital	<u>33,418</u>	<u>(73,855)</u>
Cash generated from/(used in) operations	<u>91,407</u>	<u>(11,510)</u>
Tax paid	(11,473)	(16,835)
Employee benefits paid	<u>(265)</u>	<u>(228)</u>
Net cash flows generated from/(used in) operating activities	<u>79,669</u>	<u>(28,573)</u>
Investing activities		
Acquisition of assets	(17,105)	(7,732)
Interest received	8,945	9,242
Repurchase of shares by a subsidiary	(5,514)	(5,606)
Proceeds from disposal of property, plant and equipment	112	50
Liquidated/(Investment) in debt securities	30,000	(30,000)
Net cash inflow on acquisition of a subsidiary	-	1,663
Net cash flows generated from/(used in) investing activities	<u>16,438</u>	<u>(32,383)</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED 30 NOVEMBER 2019 (CONT'D.)**

	9 MONTHS ENDED	
	30-Nov-19	30-Nov-18
	RM'000	RM'000
Financing activities		
Increase in pledged fixed deposits	(218)	(161)
Dividends paid to non-controlling interests of subsidiaries	(19,279)	(21,023)
Dividends paid to ordinary shareholders of the Company	(50,730)	(50,730)
Payment of lease payments	(1,458)	-
Interest paid	(7,340)	(3,008)
Net drawdown/(repayment) of borrowings	7,741	(8,554)
Net repayment of obligations under finance leases	(406)	(423)
Capital contribution from non-controlling interest in a subsidiary	-	4,879
Proceed from disposal of equity shares of subsidiary to non-controlling interests	8,000	-
Net cash flows used in financing activities	<u>(63,690)</u>	<u>(79,020)</u>
Net increase/(decrease) in cash and cash equivalents	32,417	(139,976)
Effect of foreign exchange translation	3,721	-
Cash and cash equivalents at beginning of the period	337,587	398,330
Cash and cash equivalents at end of the period	<u>373,725</u>	<u>258,354</u>
Cash and cash equivalents at end of financial period comprise the following:		
Cash and bank balances	388,649	270,559
Less: Pledged deposits	(12,411)	(12,062)
	<u>376,238</u>	<u>258,497</u>
Less: Bank overdraft	(2,513)	(143)
	<u>373,725</u>	<u>258,354</u>

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 March 2019	Cash flows	Non-cash changes Others	Carrying amount as at 30 November 2019
	RM'000	RM'000	RM'000	RM'000
Term loans	56,190	14,648	-	70,838
Trade facilities	11,302	(6,907)	-	4,395
Obligations under finance leases	1,192	(406)	-	786
Dividend payable	40,119	(70,009)	29,890	-
Total liabilities from financing activities	<u>108,803</u>	<u>(62,674)</u>	<u>29,890</u>	<u>76,019</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
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 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:

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
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 30 NOVEMBER 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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 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:

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
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 30 November 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 30 November 2019.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 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 30 November 2019.

For the quarter ended 30 November 2019 and up to the date of this announcement, a subsidiary of the Company, Duty Free International Limited (“DFIL”) had repurchased 3,959,200 of its ordinary shares from the open market for a total cash consideration of approximately RM1,944,000 (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 75.28% as at 31 August 2019 to 75.53% 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 1,198,199,093 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 30,999,300.

8. Dividends Paid and Distributed

On 12 July 2019, the Company declared a first interim single tier ordinary dividend of 5.0 sen per share in respect of the financial year ending 29 February 2020 amounting to RM12.68 million which was paid on 9 August 2019.

On 10 October 2019, the Company declared a second interim single tier ordinary dividend of 5.0 sen per share in respect of the financial year ending 29 February 2020 amounting to RM12.68 million which was paid on 13 November 2019.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 2019**

9. Segmental Information

	Individual Quarter			Cumulative Quarter		
	Ended 30-Nov-19 RM'000	Ended 30-Nov-18 RM'000	Changes %	Ended 30-Nov-19 RM'000	Ended 30-Nov-18 RM'000	Changes %
Segment Revenue						
Duty free	197,038	156,728	25.7%	447,021	388,292	15.1%
Automotive	49,830	50,858	-2.0%	150,169	142,942	5.1%
Property and hospitality	5,945	6,283	-5.4%	18,175	19,565	-7.1%
Investment holding	16,030	2,363	578.4%	20,440	56,643	-63.9%
Others	1,734	1,832	-5.3%	5,200	5,499	-5.4%
	<u>270,577</u>	<u>218,064</u>	<u>24.1%</u>	<u>641,005</u>	<u>612,941</u>	<u>4.6%</u>
Eliminations	(16,211)	(2,677)	505.6%	(20,852)	(57,058)	-63.5%
Group revenue	<u>254,366</u>	<u>215,387</u>	<u>18.1%</u>	<u>620,153</u>	<u>555,883</u>	<u>11.6%</u>
Segment Results						
Duty free	12,640	16,769	-24.6%	28,434	41,520	-31.5%
Automotive	4,597	5,457	-15.8%	13,275	15,175	-12.5%
Property and hospitality	1,270	1,794	-29.2%	3,377	4,606	-26.7%
Investment holding	(1,213)	2,581	-147.0%	875	7,642	-88.6%
Others	(1,775)	(2,178)	18.5%	(6,062)	(5,734)	-5.7%
Profit before taxation	<u>15,519</u>	<u>24,423</u>	<u>-36.5%</u>	<u>39,899</u>	<u>63,209</u>	<u>-36.9%</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 and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous financial year was mainly contributed from Brand Connect Group (“BCH”) as well as increase in revenue from the trading of duty free goods and non-dutiable merchandise.
- (b) The revenue from the Automotive segment in current quarter was slightly lower as compared to the corresponding quarter mainly due to lower orders received from certain customers. Higher revenue reported in the cumulative quarter under review was mainly due to higher orders received from certain customers compared to the corresponding cumulative quarter in the previous year.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 2019**

9. Segmental Information (cont'd.)

Segment Revenue (cont'd.)

- (c) Lower revenue reported from Property and hospitality segment in the current quarter and cumulative quarter as compared to the corresponding quarter and cumulative 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. Higher revenue reported in current quarter mainly due to dividend received. Lower revenue in the cumulative quarter as compared to the corresponding periods in the previous financial year mainly due to lower dividend received.
- (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 and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous year in spite of higher revenue attained as mentioned above. The drop was mainly due to lower profit margin, absence of gain arising from changes in fair value of option, higher inventory written off, transportation cost and property, plant and equipment written off. The property, plant and equipment written off was mainly due to closure of certain outlets in Kuala Lumpur International Airport 2.
- (b) In the Automotive segment, the decrease in profit in current quarter under review and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous year was mainly due to higher labour cost and higher material consumption cost as a result of the weakened Ringgit Malaysia against the foreign currencies for imported material purchases.
- (c) In the Property and hospitality segment, the profit for the current quarter and cumulative quarter was lower as compared to the corresponding quarter and cumulative quarter in the previous financial year. The drop was mainly due to lower revenue as mentioned above coupled with higher operating expenditure.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 2019**

9. Segmental Information (cont'd.)

Segment Results (cont'd.)

- (d) Investment holding segment reported a loss in current quarter and lower profit in the cumulative quarter as compared to the corresponding period in the previous financial year. The decrease was mainly due to net loss in foreign exchange of RM0.8 million in current quarter as compared to RM1.4 million net foreign exchange gain in the corresponding quarter and lower net gain in foreign exchange of RM2.8 million in current cumulative quarter compared to RM6.6 million in corresponding cumulative quarter in the previous year.
- (e) In the Others segment, loss was reported in current quarter and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous financial year mainly due to operating expenses incurred.

10. Significant and Subsequent Events

On 28 November 2019, the Board of the Company announced that a subsidiary of the Company, Duty Free International Limited (“DFIL”) intended to undertake a capital reduction exercise pursuant to Sections 78A and 78C of the Companies Act, Chapter 50 of Singapore to return to the shareholders of DFIL (“Shareholders”) surplus capital in excess of DFIL’s immediate needs by way of a cash distribution of S\$0.035 for each ordinary share in the share capital of DFIL held by Shareholders.

The proposed Capital Reduction and Cash Distribution is subject to the approval of shareholders of DFIL at an Extraordinary General Meeting to be convened.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 30 November 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 30 November 2019.

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12. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 November 2019 were as follows:

Capital commitments

RM'000

Purchase of property, plant and equipment:	
Approved and contracted for	12,066
Approved but not contracted for	14,682
	26,748

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 30-Nov-19 RM'000	Immediate Preceding Quarter 31-Aug-19 RM'000	Changes %
Revenue	254,366	167,624	51.7%
Operating profit	23,848	17,694	34.8%
Profit before interest and tax	17,935	11,762	52.5%
Profit before tax	15,519	9,290	67.1%
Profit after tax	11,692	5,866	99.3%
Profit attributable to equity holders of the parent	7,877	4,087	92.7%

Revenue for the quarter under review was higher by RM86.7 million as compared to the preceding quarter ended 31 August 2019 of RM167.6 million. The increase was mainly due to higher revenue reported by duty free segment arising from higher demand for certain products.

The profit before taxation for the quarter under review was higher at RM15.5 million as compared to the preceding quarter ended 31 August 2019 of RM9.3 million which was in line with the higher revenue reported coupled with higher profit margin contributed from duty free and automotive segments.

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15. Commentary on Prospects

In view of the current economic condition vis-a-vis the volatility of foreign currencies coupled with the competitive business environment, the business environment of which the Group operates in is expected to remain challenging. The Group continues to focus to strengthen operational efficiencies together with close monitoring of the key cost drivers, in order to stay competitive and profitable in the remaining quarter 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.

17. Profit Before Taxation

Included in the profit before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Changes in fair value of marketable securities	18	58	44	115
Changes in fair value of biological assets	(24)	32	6	93
Gain arising from changes in fair value of options	-	(1,017)	-	(1,017)
Gain on disposal of property, plant and equipment	(43)	(1)	(111)	(37)
Depreciation and amortisation	5,862	3,803	16,907	11,482
Interest expense	2,416	980	7,340	3,008
Interest income	(2,992)	(2,878)	(8,945)	(9,242)
Inventories written down	12	764	556	1,120
Inventories written off	208	13	644	60
Property, plant and equipment written off	-	23	809	65
Other investments written off	-	-	12	-
Reversal of inventories written down	(135)	5	(135)	(55)
Reversal of impairment loss on assets	-	(6)	-	(13)
Reversal of impairment loss on receivables	-	(13)	-	(13)
Realised foreign exchange (gain)/loss (net)	(98)	1,126	103	(132)
Unrealised foreign exchange loss/(gain) (net)	890	(2,514)	(2,948)	(6,460)

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current period provision	4,557	5,127	11,960	14,280
- over provision in prior periods	(1,787)	(496)	(1,796)	(445)
Deferred taxation	197	66	1,587	280
Real property gains tax	860	-	860	-
	<u>3,827</u>	<u>4,697</u>	<u>12,611</u>	<u>14,115</u>

The higher effective tax rate in current quarter and cumulative quarter was mainly due to certain expenses being disallowed for tax purposes and recognition of real property gains tax.

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.

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19. Corporate Proposals (cont'd.)

- (c) On 19 July 2019, the Board of the Company announced that the Company is exploring the possibility of listing its subsidiary company, United Industries Holdings Sdn. Bhd. (“UIH”), on the Growth Enterprise Market 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

	As at 30-Nov-19 RM'000	As at 28-Feb-19 RM'000
Short Term Borrowings - Secured		
- Overdraft	2,513	-
- Trade facilities	4,395	11,302
- Term loan	39,068	24,406
- Obligations under finance leases	397	532
	<u>46,373</u>	<u>36,240</u>
Long Term Borrowings - Secured		
- Term loan	31,770	31,784
- Obligations under finance leases	389	660
	<u>32,159</u>	<u>32,444</u>
Total Group's borrowings	78,532	68,685

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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>
At 30 November 2019				
Financial asset:				
Marketable securities	2	-	-	2
Financial liabilities:				
Derivatives				
- Put/Call options on subsidiary shares	-	515	-	515
Non-financial assets:				
Biological assets	-	-	97	97
At 28 February 2019				
Financial assets:				
Marketable securities	4	-	-	4
Financial liabilities:				
Derivatives				
- Put/Call options on subsidiary shares	-	515	-	515
- Forward foreign exchange contracts	-	99	-	99
Non-financial asset:				
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
At 30 November 2019				
Put/Call options on subsidiary shares				
- More than 5 years	515	515	-	515
At 28 February 2019				
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 financial period ended 30 November 2019, the Group recognised a gain on forward foreign exchange contracts of RM99,000 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 which SMSB had complied. 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

For the financial year ending 29 February 2020, the total dividends of RM0.10 per ordinary share paid by the Company amounted to RM25.36 million (9-month period ended 30 November 2018: RM0.20 per ordinary share totalling RM50.72 million).

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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:

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent (RM'000)	7,877	13,690	19,042	34,118
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>3.11</u>	<u>5.40</u>	<u>7.51</u>	<u>13.45</u>

b. Diluted

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

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
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	111,806	91,411	171,400	175,880
Management fee paid/payable to HAP	607	619	607	661
Ad-space rental received/receivable from HAP	435	417	1,445	1,292
Reimbursement of costs from HAP (net)	<u>844</u>	<u>1,163</u>	<u>2,920</u>	<u>3,278</u>

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

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27. Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 January 2020.