ATLAN HOLDINGS BHD

ANNOUNCEMENT TO BURSA MALAYSIA FOR THE FOURTH QUARTER ENDED 29 FEBRUARY 2020

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 29 FEBRUARY 2020

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Ended	Ended	Ended	Ended
		29-Feb-20	28-Feb-19	29-Feb-20	28-Feb-19
		RM'000	RM'000	RM'000	RM'000
Revenue	9	215,112	219,033	835,265	774,916
Operating expenses		(204,768)	(200,140)	(773,248)	(697,554)
Other operating income		3,300	1,476	13,069	14,177
Net foreign exchange gain/(loss)		1,169	(1,589)	4,014	5,002
Operating profit		14,813	18,780	79,100	96,541
Depreciation and amortisation		(6,162)	(3,872)	(23,069)	(15,354)
Impairment of goodwill		(11,524)	-	(11,524)	-
Impairment of property, plant and equipment and right-of-use assets		(6,812)	(161)	(6,812)	(161)
Finance costs		(2,495)	(1,117)	(9,835)	(4,125)
Share of results of an associate		(59)	(14)	(199)	(74)
(Loss)/Profit before taxation	9, 17	(12,239)	13,616	27,661	76,827
Taxation	18	(5,060)	(3,573)	(17,671)	(17,688)
(Loss)/Profit for the period		(17,299)	10,043	9,990	59,139
Attributable to:					
Equity holders of the parent		(13,036)	5,776	6,007	39,896
Non-controlling interests		(4,263)	4,267	3,983	19,243
		(17,299)	10,043	9,990	59,139
(Loss)/Earnings per share attributable to equity holders of the parent (sen)	25				
- Basic		(5.14)	2.28	2.37	15.73

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 29 FEBRUARY 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	**Ended**	**Ended**	**Ended**
	29-Feb-20	**28-Feb-19**	**29-Feb-20**	**28-Feb-19**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit for the period	(17,299)	10,043	9,990	59,139
Other comprehensive income:				
- Remeasurement loss on defined benefit plans	(223)	-	(223)	-
- Foreign currency translation	922	(635)	1,079	(168)
Total comprehensive income for the period	(16,600)	9,408	10,846	58,971
Total comprehensive income attributable to:				
Equity holders of the parent	(12,623)	5,338	6,533	39,782
Non-controlling interests	(3,977)	4,070	4,313	19,189
	(16,600)	9,408	10,846	58,971

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 29 FEBRUARY 2020

	Note	(Unaudited) As at 29-Feb-20 RM'000	(Audited) As at 28-Feb-19 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		138,871	134,323
Investment properties		30,199	31,913
Land use rights		-	21,421
Goodwill		15,884	27,408
Intangible assets		339	888
Investment in associates		448	647
Other investments		135	147
Prepayments		-	29,709
Deferred tax assets		5,287	4,507
Right-of-use assets		130,811	-
		321,974	250,963
CURRENT ASSETS			
Inventories		170,565	210,669
Biological assets		26	103
Trade and other receivables		105,724	132,284
Capitalised contract costs		-	3,771
Prepayments		3,297	13,505
Tax recoverable		3,818	5,151
Derivative assets		48	-
Marketable securities		2	4
Cash and bank balances		373,198	349,780
		656,678	715,267
TOTAL ASSETS		978,652	966,230

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 29 FEBRUARY 2020 (CONT'D.)

	Note	(Unaudited) As at 29-Feb-20 RM'000	(Audited) As at 28-Feb-19 RM'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		118,001	155,990
Contract liabilities		8,876	3,347
Derivative liabilities		-	99
Employee benefits		774	502
Dividends payable		-	40,119
Tax payable		2,359	1,429
Borrowings	**20**	66,812	36,240
Lease liabilities		1,944	-
		198,766	237,726
NET CURRENT ASSETS		457,912	477,541
NON-CURRENT LIABILITIES			
Derivative liabilities		222	515
Employee benefits		2,455	2,699
Deferred tax liabilities		9,296	7,326
Borrowings	**20**	20,900	32,444
Lease liabilities		86,134	-
		119,007	42,984
TOTAL LIABILITIES		317,773	280,710
NET ASSETS		660,879	685,520

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 29 FEBRUARY 2020 (CONT'D.)

	Note	(Unaudited) As at 29-Feb-20 RM'000	(Audited) 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		407	(328)
Other reserve		(50,895)	(46,485)
Retained earnings		193,005	208,732
		499,045	518,447
Non-controlling interests		161,834	167,073
TOTAL EQUITY		660,879	685,520
TOTAL EQUITY AND LIABILITIES		978,652	966,230
Net assets per share attributable to owners of the parent (RM)		1.97	2.04

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 29 FEBRUARY 2020

	← 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	RM'000	RM'000
At 1 March 2018	356,528	(214)	(39,455)	216,236	533,095	178,932	712,027
Profit for the year	-	-	-	39,896	39,896	19,243	59,139
Other comprehensive income	-	(114)	-	-	(114)	(54)	(168)
	-	(114)	-	39,896	39,782	19,189	58,971
Transactions with owners:							
Changes of equity interest in subsidiaries							
- arising from accretion of equity interest in a subsidiary	-	-	(4,472)	3,330	(1,142)	(4,844)	(5,986)
- acquisition of a subsidiary	-	-	-	-	-	5,056	5,056
- Transfer to reserve	-	-	(2,558)	-	(2,558)	2,558	-
- Transfer to payables	-	-	-	-	-	(7,348)	(7,348)
Dividends on ordinary shares	-	-	-	(50,730)	(50,730)	-	(50,730)
Dividends paid to NCI by subsidiary	-	-	-	-	-	(26,470)	(26,470)
At 28 February 2019	356,528	(328)	(46,485)	208,732	518,447	167,073	685,520
At 1 March 2019	356,528	(328)	(46,485)	208,732	518,447	167,073	685,520
Profit for the year	-	-	-	6,007	6,007	3,983	9,990
Other comprehensive income	-	735	-	(209)	526	330	856
	-	735	-	5,798	6,533	4,313	10,846
Transactions with owners:							
Changes of equity interest in a subsidiary							
- arising from accretion of equity interest in a subsidiary	-	-	(4,152)	1,993	(2,159)	(11,355)	(13,514)
- transfer to reserve	-	-	(258)	-	(258)	175	(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 29 February 2020	356,528	407	(50,895)	193,005	499,045	161,834	660,879

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

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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 29 FEBRUARY 2020

	12 MONTHS ENDED	
	29-Feb-20	28-Feb-19
	RM'000	RM'000
Operating activities		
Profit before taxation	27,661	76,827
Adjustments for:		
Changes in fair value of marketable securities	8	69
Changes in fair value of biological assets	77	49
Amortisation of capitalised contract costs	3,771	-
Bad debts written off	173	-
Depreciation and amortisation	23,069	15,354
Gain on disposal of assets	(715)	(1,043)
Gain arising from changes in fair value of options	-	(1,017)
Interest expense	9,835	4,125
Interest income	(11,633)	(12,617)
Inventories written off	1,848	124
Inventories written down	7,696	3,184
Impairment loss on receivables	2,519	-
Impairment of property, plant and equipment and right-of-use assets	6,812	161
Impairment of goodwill	11,524	-
Loss on forward foreign exchange contracts	-	81
Property, plant and equipment written off	811	1,144
Other investments written off	11	-
Reversal of impairment loss on receivables	-	(127)
Reversal of inventories written down	(885)	(1,357)
Unrealised gain on foreign exchange (net)	(2,796)	(4,246)
Share of results of an associate	199	74
Operating cash flows before changes in working capital	79,984	80,785
Changes in working capital	2,761	(12,460)
Cash generated from operations	82,745	68,325
Tax paid	(14,151)	(18,802)
Employee benefits paid	(265)	(323)
Net cash flows generated from operating activities	68,329	49,200
Investing activities		
Acquisition of assets	(24,515)	(9,976)
Interest received	11,633	12,617
Repurchase of shares by a subsidiary	(5,515)	(5,986)
Proceeds from disposal of property, plant and equipment	1,339	3,714
Purchase of equity share of subsidiary from non-controlling interests	(8,000)	-
Purchase of other investment	-	(19)
Liquidated/(Investment) in debt securities	30,000	(30,000)
Net cash inflow on acquisition of a subsidiary	-	(3,760)
Net cash flows generated from/(used in) investing activities	4,942	(33,410)

ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 29 FEBRUARY 2020 (CONT'D.)

	12 MONTHS ENDED	
	29-Feb-20	**28-Feb-19**
	RM'000	**RM'000**
Financing activities		
Increase in pledged fixed deposits	(272)	(292)
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	(2,068)	-
Interest paid	(9,835)	(4,125)
Net drawdown/(repayment) of borrowings	18,562	(5,254)
Net repayment of obligations under finance leases	(534)	(523)
Proceed from disposal of equity shares of subsidiary to non-controlling interests	8,000	-
Net cash flows used in financing activities	(56,156)	(81,947)
Net increase/(decrease) in cash and cash equivalents	17,115	(66,157)
Effect of foreign exchange translation	5,031	5,414
Cash and cash equivalents at beginning of the period	337,587	398,330
Cash and cash equivalents at end of the period	359,733	337,587
Cash and cash equivalents at end of financial period comprise the following:		
Cash and bank balances	373,198	349,780
Less: Pledged deposits	(12,465)	(12,193)
	360,733	337,587
Less: Bank overdraft	(1,000)	-
	359,733	337,587

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 March 2019 RM'000	Cash flows RM'000	Non-cash changes Others RM'000	Carrying amount as at 29 February 2020 RM'000
Term loans	56,190	2,989	-	59,179
Trade facilities	11,302	15,573	-	26,875
Obligations under finance leases	1,192	(534)	-	658
Dividend payable	40,119	(70,009)	29,890	-
Total liabilities from financing activities	108,803	(51,981)	29,890	86,712

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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 RM139.9 million and RM81.8 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.

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
Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions	1 June 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2022
Amendments to Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 3 Business Combinations	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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

The Group's business operations were adversely affected by the unprecedented Covid-19 pandemic where the retail outlets in which the group operates in Malaysia were required to be closed temporarily since 18 March 2020 following the imposition of the nationwide Movement Control Order ("MCO") by the Malaysian Government to curb the outbreak of Covid-19 in Malaysia. (Further details are disclosed in Note 15 below.) Due to the current and projected significant adverse financial impact arising from the Covid-19 pandemic, the assets of the Group were re-assessed and re-measured. Consequently, certain property, plant and equipment and right-of-use assets, inventories and goodwill had to be impaired in the current quarter under review, which are as follows;

	Current Quarter 29-Feb-20 RM'000	Cumulative Quarter 29-Feb-20 RM'000
Impairment of goodwill	11,524	11,524
Impairment of property, plant and equipment and right-of-use assets	6,812	6,812
Inventories written down	7,140	7,696

Other than the above, there was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 29 February 2020 except for the adoption of MFRS 16 Leases as disclosed in Note 2(i) and in the condensed consolidated statement of financial position as at 29 February 2020.

6. Changes in Estimates

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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 29 February 2020.

On 18 February 2020, the Board of the Company announced that the Company had entered into a Shares Purchase Agreement to acquire of 3,016,000 ordinary shares representing 8.00% of equity interest in United Industries Holdings Sdn. Bhd. ("UIH") from Cremorne Capital Fund Management Limited ("Acquisition") for a cash consideration of Ringgit Malaysia Eight Million (RM8,000,000).

Subsequently, the Board of the Company had on 25 February 2020 announced that the Acquisition was completed.

Following the completion of the Acquisition, UIH is now 100% owned subsidiary of the Company.

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 ended 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 ended 29 February 2020 amounting to RM12.68 million which was paid on 13 November 2019.

On 28 April 2020, the Company declared a third interim single tier ordinary dividend of 10.0 sen per share in respect of the financial year ended 29 February 2020 amounting to RM25.36 million which was paid on 22 May 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

9. Segmental Information

	Individual Quarter			Cumulative Quarter		
	Ended 29-Feb-20 RM'000	Ended 28-Feb-19 RM'000	Changes %	Ended 29-Feb-20 RM'000	Ended 28-Feb-19 RM'000	Changes %
Segment Revenue						
Duty free	169,626	167,414	1.3%	616,647	555,706	11.0%
Automotive	38,432	43,494	-11.6%	188,600	186,436	1.2%
Property and hospitality	5,946	6,368	-6.6%	24,121	25,933	-7.0%
Investment holding	6,687	76,741	-91.3%	27,127	133,384	-79.7%
Others	2,191	1,740	25.9%	7,391	7,239	2.1%
	222,882	295,757	-24.6%	863,886	908,698	-4.9%
Eliminations	(7,770)	(76,724)	-89.9%	(28,621)	(133,782)	-78.6%
Group revenue	215,112	219,033	-1.8%	835,265	774,916	7.8%
Segment Results						
Duty free	(9,231)	17,157	-153.8%	19,202	58,677	-67.3%
Automotive	(157)	440	-135.7%	13,119	15,616	-16.0%
Property and hospitality	(1,565)	909	-272.2%	1,812	5,515	-67.1%
Investment holding	(321)	(1,573)	-79.6%	554	6,069	-90.9%
Others	(965)	(3,317)	70.9%	(7,026)	(9,050)	22.4%
(Loss)/Profit before taxation	(12,239)	13,616	-189.9%	27,661	76,827	-64.0%

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 slight 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 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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. Lower revenue reported in current quarter and 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 a loss in current quarter and lower profit in the 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 significant drop in profitability was mainly due to lower profit margin and the one off non-cash items such as impairment of goodwill of RM11.5 million coupled with impairment of property, plant and equipment and right-of-use assets amounting to RM3.7 million. In addition, the Duty free segment also made certain inventory write down of RM4.5 million and allowance for doubtful receivables of RM2.2 million.

(b) In the Automotive segment, loss was reported in current quarter under review and lower profit in the cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous year was mainly due to higher labour cost, inventories written down, inventories written off 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, loss was reported in the current quarter and lower profit in cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous financial year. The loss was mainly due to lower revenue achieved as mentioned above coupled with the provision of impairment of property, plant and equipment and right-of-use assets amounting to RM3.1 million.

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 periods in the previous financial year. Lower loss in current quarter was mainly due to net gain in foreign exchange of RM1.2 million as compared to RM1.6 million net foreign exchange loss in the previous year's corresponding quarter. Lower profit reported in current cumulative quarter compared to the corresponding cumulative quarter in the previous year mainly due to lower net gain in foreign exchange of RM1.0 million, absence of gain arising from changes in fair value of option amounting to RM1.0 million and higher operating expenses incurred.

(e) In the Others segment, lower losses reported in current quarter and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous financial year mainly due to lower operating expenses incurred.

10. Significant and Subsequent Events

(a) 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 (the "Capital Reduction") pursuant to Sections 78A and 78C of the Companies Act, Chapter 50 of Singapore (the "Companies Act") 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 ("Share") held by Shareholders (the "Cash Distribution").

At the extraordinary general meeting on 5 March 2020 ("EGM"), the Shareholders had approved the Capital Reduction and Cash Distribution. Further to the EGM, on 24 April 2020, DFIL announced that it has complied with the publicity requirements under Section 78C(1)(c), and the solvency requirements under Sections 78C(1)(b) and 78C(3) of the Companies Act, and that no application for the cancellation of the special resolution relating to the Capital Reduction and Cash Distribution has been made.

DFIL has accordingly lodged the statements from the Directors pursuant to Section 78E(2) of the Companies Act confirming the same, together with a notice containing the reduction information, with the Accounting and Corporate Regulatory Authority on 23 April 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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

The Capital Reduction took effect on 23 April 2020 and upon completion of the Capital Reduction on 23 April 2020, the issued and paid-up share capital of DFIL was approximately S$368,279,230.18. The Cash Distribution of S$0.035 per Share had been paid out to the Shareholders on 13 May 2020.

(b) On 4 March 2020, the Board of the Company announced that Brilliant Pixel Sdn. Bhd., Company Registration No. 201801045132 (294258-T) ("the Subsidiary") of DFIL, is dormant and has no intention to carry on its business or operation in the future, has on 4 March 2020 submitted its application to the Companies Commission of Malaysia to strike-off its name from the register of Companies Commission of Malaysia pursuant to Section 550 of the Companies Act, 2016 ("Striking Off").

(c) On 16 March 2020, the Board of the Company announced that DFIL has incorporated a wholly-owned subsidiary, namely Zon Duty Free Pte. Ltd. under the laws of Singapore ("Incorporation").

The principal activity of Zon Duty Free Pte. Ltd. is to carry out the business as wholesaler and distributor of duty free and non-dutiable merchandise. Zon Duty Free Pte. Ltd. is a private company limited by shares with a total issued and paid up capital of SGD1.00 comprising of one (1) ordinary share.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 29 February 2020.

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 29 February 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

12. Commitments

The amount of commitments not provided for in the interim financial statements as at 29 February 2020 were as follows:

Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	10,023
Approved but not contracted for	16,258
	26,281

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 29-Feb-20 RM'000	Immediate Preceding Quarter 30-Nov-19 RM'000	Changes %
Revenue	215,112	254,366	-15.4%
Operating profit	14,813	23,848	-37.9%
(Loss)/Profit before interest expenses and tax	(9,744)	17,935	-154.3%
(Loss)/Profit before tax	(12,239)	15,519	-178.9%
(Loss)/Profit after tax	(17,299)	11,692	-248.0%
(Loss)/Profit attributable to equity holders of the parent	(13,036)	7,877	-265.5%

Revenue for the quarter under review was lower by RM39.3 million as compared to the preceding quarter ended 30 November 2019 of RM254.4 million. The drop was mainly due to lower revenue reported by duty free segment arising from lower demand for certain products.

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

The Group incurred a loss before tax of RM12.2 million in this quarter under review as compared to the preceding quarter ended 30 November 2019 of RM15.5 million pre-tax profit was mainly due to the lower revenue reported with lower profit margin, one off non-cash items of impairment of goodwill amounting RM11.5 million and impairment of property, plant and equipment amounting RM5.4 million as well as inventories written down amounting to RM7.9 million and inventories written off amounting to RM1.8 million.

15. Commentary on Prospects

The Group's business operations have been adversely impacted by the unprecedented Covid-19 pandemic especially the duty free segment. Retail outlets in which the group operates in Malaysia were required to be closed temporarily since 18 March 2020 following the imposition of the nationwide Movement Control Order ("MCO") by the Malaysian Government to curb the outbreak of Covid-19 in Malaysia. All the outlets at the Malaysia-Thai border and airport outlets remained closed as at the date of this announcement. Two locations which are not located at the Malaysia-Thai border and airports, namely Langkawi Island outlet and Johor Bahru outlet had resumed business operations since Conditional Movement Control Order ("CMCO") period, effective 4 May 2020, however, have recorded very minimal sales. Even with the gradual easing from CMCO to Recovery Movement Control Order ("RMCO"), which was implemented since 10 June 2020, certain restrictions are still being imposed by authorities such as closure of international borders, overseas travel restrictions and compliance to the Standard Operating Procedures ("SOPs") that includes social distancing, number of people allowed in a gathering, etc, have impeded the Group's business operations significantly.

The foregoing have also adversely impacted the automotive sector in Malaysia. The Group's automotive factory operations were closed throughout the MCO period and only resumed operations in mid May 2020 at half capacity. The Group is unable to forecast with certainty, when its business operations will return to the level prior to the Covid-19 pandemic.

15. Commentary on Prospects (cont'd.)

Prior to the imposition of the global lockdown in March - April 2020, the Group's property and hospitality segment was already affected by lower sales as a result of cancellation of room sales primarily due to the growing concerns and uncertainties created by the Covid-19 pandemic. Going forward, the Group also expects that the occupancy rates and the room rates to remain low due to projected low tourist arrivals coupled with the general public still being wary of the Covid-19 infection despite the implementation of preventive SOPs. Accordingly, the hotel operations has been scheduled to cease by end June 2020 and the property will be converted to Small Office and Home Office (SOHO) and accommodation for long term tenants in order to minimize overheads and other incidental costs of operating a hotel set-up.

Further, in order to mitigate the adverse financial impact in the next twelve months, the Group has carried out cost cutting measures on the operating overheads and fixed costs across the Group which include, putting in place cost-containment measures such as reduction of casual labours, leave clearance, and deferral of all discretionary expenses and non-critical capital expenditures, and at the same time ensured the Covid-19 SOPs are being complied throughout the Group.

Other cost cutting measures included closure of non-profitable business units as well as significant reduction in human resource costs. Non-profitable operations such as outlets at certain airports, and certain tourists' destinations are expected to be fully closed down before the end of the second quarter of FY2021. Salary cut, reduction of monthly fixed allowance, no pay leave and downsizing of manpower are among the austerity measures being implemented by the Group since 1 April 2020.

The outlook for coming financial year is expected to be very challenging and highly uncertain due to the global economic crisis, travel restrictions, consumers' cautious spending and more importantly, the unpredictable duration of the global Covid-19 pandemic until a safe and effective vaccine is developed. Although there is no expectation of any disruption of supply to the Group's businesses, with all the aforesaid challenges, the Group has projected its financial performance for FY2021 to be severely impacted, in particular, the duty free industry (directly linked to the travel and tourism industries) which has been hard hit with the adverse impact from the Covid-19 pandemic.

The Group's main focus is now on strategic planning, resource allocation and further cost optimization as a preparation for challenges (which will negatively impact the Group) going forward. With the backing of the Group's strong balance sheet and low gearing, the Group will continue to stay viable albeit cautiously prudent. In addition, the Group will remain vigilant and responsive to market changes in order to minimise the negative financial impact of the pandemic on the Group's core operations.

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. (Loss)/Profit Before Taxation

Included in the profit before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended 29-Feb-20 RM'000	Ended 28-Feb-19 RM'000	Ended 29-Feb-20 RM'000	Ended 28-Feb-19 RM'000
Changes in fair value of marketable securities	(36)	(46)	8	69
Changes in fair value of biological assets	71	(45)	77	49
Gain arising from changes in fair value of options	-	-	-	(1,017)
Gain on disposal of property, plant and equipment	(604)	(1,004)	(715)	(1,043)
Depreciation and amortisation	6,162	3,872	23,069	15,354
Interest expense	2,495	1,117	9,835	4,125
Interest income	(2,688)	(3,375)	(11,633)	(12,617)
Inventories written down	7,140	2,064	7,696	3,184
Inventories written off	1,204	64	1,848	124
Impairment loss on receivables	2,519	-	2,519	-
Impairment of property, plant and equipment and right-of-use assets	6,812	161	6,812	161
Impairment of goodwill	11,524	-	11,524	-
Property, plant and equipment written off	2	1,079	811	1,144
Other investments written off	-	-	11	-
Reversal of inventories written down	(750)	(1,302)	(885)	(1,357)
Reversal of impairment loss on receivables	-	(114)	-	(127)
Realised foreign exchange gain (net)	(1,321)	(625)	(1,218)	(756)
Unrealised foreign exchange loss/(gain) (net)	152	2,214	(2,796)	(4,246)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	29-Feb-20	28-Feb-19	29-Feb-20	28-Feb-19
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current period provision	7,177	6,237	19,137	20,518
- under/(over) provision in prior periods	39	(350)	(1,757)	(795)
Deferred taxation	(2,157)	(2,314)	(570)	(2,035)
Real property gains tax	-	-	860	-
	5,060	3,573	17,671	17,688

Although the Group reported a loss in the current quarter under review, there was still a provision for income tax due to certain expenses being disallowed for tax purposes. The higher effective tax rate in cumulative quarter was also 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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 29-Feb-20 RM'000	As at 28-Feb-19 RM'000
Short Term Borrowings - Secured		
- Overdraft	1,000	-
- Trade facilities	26,875	11,302
- Term loan	38,585	24,406
- Obligations under finance leases	352	532
	66,812	36,240
Long Term Borrowings - Secured		
- Term loan	20,594	31,784
- Obligations under finance leases	306	660
	20,900	32,444
Total Group's borrowings	87,712	68,684

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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**	***Total RM'000***
At 29 February 2020				
Financial asset:				
Marketable securities	2	-	-	*2*
Derivatives				
- Forward foreign exchange contracts	-	48	-	*48*
Financial liabilities:				
Derivatives				
- Put/Call options on subsidiary shares	-	222	-	*222*
Non-financial assets:				
Biological assets	-	-	26	*26*
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*

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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 29 February 2020				
Forward foreign exchange contracts				
- Less than 1 year	1,878	48	48	-
Put/Call options on subsidiary shares				
- More than 5 years	222	222	-	222
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	6,805	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 29 February 2020, the Group recognised a gain on forward foreign exchange contracts of RM344,000 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..

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 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.

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.

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

On 18 June 2020, the Court of Appeal unanimously ruled in favour of SMSB's appeal against the decision of the High Court quashed the bills of demand issued by Customs for customs duties and excise duties dated 14 November 2017, amounting to RM15,400,962.14 and RM23,560,972.94 respectively.

Customs has 30 days from 18 June 2020 to appeal the Court of Appeal's decision to the Federal Court.

Further, in light of the Court of Appeal's decision, the High Court proceedings as well as the interim stay that was granted ceases to exist.

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 ended 29 February 2020, the total dividends of RM0.20 per ordinary share paid by the Company amounted to RM50.73 million (In respect of year ended 28 February 2019: RM0.20 per ordinary share totalling RM50.73 million).

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

25. Earnings Per Share

a. Basic

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

	Individual Quarter		**Cumulative Quarter**	
	Ended 29-Feb-20 RM'000	**Ended 28-Feb-19 RM'000**	**Ended 29-Feb-20 RM'000**	**Ended 28-Feb-19 RM'000**
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(13,036)	5,776	6,007	39,896
Number of ordinary shares in issue ('000)	253,650	253,650	253,650	253,650
Basic (loss)/earnings per share (sen)	(5.14)	2.28	2.37	15.73

b. Diluted

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2020

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
	29-Feb-20	28-Feb-19	29-Feb-20	28-Feb-19
	RM'000	RM'000	RM'000	RM'000
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	81,061	85,140	252,461	261,020
Management fee paid/payable to HAP	607	680	1,188	1,341
Ad-space rental received/receivable from HAP	437	507	1,879	1,799
Reimbursement of costs from HAP (net)	1,718	670	4,638	3,948

* 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 25 June 2020.