



**ATLAN HOLDINGS BHD
ANNOUNCEMENT TO BURSA MALAYSIA
FOR THE FIRST QUARTER ENDED
31 MAY 2021**

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 31 MAY 2021**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Ended 31-May-21 RM'000	Ended 31-May-20 RM'000	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000
Revenue	9	82,070	57,241	82,070	57,241
Operating expenses		(76,424)	(67,069)	(76,424)	(67,069)
Other operating income		2,834	3,221	2,834	3,221
Net foreign exchange gain		3,363	3,481	3,363	3,481
Operating profit/(loss)		11,843	(3,126)	11,843	(3,126)
Depreciation and amortisation		(4,896)	(5,444)	(4,896)	(5,444)
Finance costs		(1,974)	(2,394)	(1,974)	(2,394)
Share of results of an associate		(36)	(45)	(36)	(45)
Profit/(Loss) before taxation	9, 17	4,937	(11,009)	4,937	(11,009)
Taxation	18	(1,833)	(1,070)	(1,833)	(1,070)
Profit/(Loss) for the period		3,104	(12,079)	3,104	(12,079)
Attributable to:					
Equity holders of the parent		3,429	(8,726)	3,429	(8,726)
Non-controlling interests		(325)	(3,353)	(325)	(3,353)
		3,104	(12,079)	3,104	(12,079)
Earnings/(Loss) per share					
attributable to equity holders					
of the parent (sen)	25				
- Basic		1.35	(3.44)	1.35	(3.44)

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2021 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 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	Ended	Ended	Ended
	31-May-21	31-May-20	31-May-21	31-May-20
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	3,104	(12,079)	3,104	(12,079)
Other comprehensive income:				
- Foreign currency translation	128	534	128	534
Total comprehensive income for the period	3,232	(11,545)	3,232	(11,545)
Total comprehensive income attributable to:				
Equity holders of the parent	3,519	(8,493)	3,519	(8,493)
Non-controlling interests	(287)	(3,052)	(287)	(3,052)
	3,232	(11,545)	3,232	(11,545)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 28 February 2021 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 2021**

	(Unaudited)	(Audited)
	As at	As at
Note	31-May-21	28-Feb-21
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	137,141	136,294
Investment properties	28,031	28,458
Goodwill	5,818	5,818
Intangible assets	118	162
Investment in associates	318	355
Other investments	135	135
Prepayment	3,000	3,000
Deferred tax assets	5,481	5,545
Right-of-use assets	119,763	121,823
	<u>299,805</u>	<u>301,590</u>
CURRENT ASSETS		
Inventories	113,207	123,549
Biological assets	161	100
Capitalised contract costs	1,105	742
Trade and other receivables	82,604	87,194
Prepayments	3,280	3,559
Tax recoverable	7,818	6,616
Marketable securities	4	2
Cash and bank balances	289,434	273,859
	<u>497,613</u>	<u>495,621</u>
TOTAL ASSETS	<u>797,418</u>	<u>797,211</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2021 (CONT'D.)**

		(Unaudited)	(Audited)
	Note	As at	As at
		31-May-21	28-Feb-21
		RM'000	RM'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		87,862	96,319
Contract liabilities		285	210
Employee benefits		486	578
Tax payable		2,453	3,813
Provision for restoration costs		138	235
Borrowings	20	39,811	33,980
Lease liabilities		733	1,027
Derivative liabilities		-	61
		<u>131,768</u>	<u>136,223</u>
NET CURRENT ASSETS		<u>365,845</u>	<u>359,398</u>
NON-CURRENT LIABILITIES			
Derivative liabilities		222	222
Employee benefits		2,192	2,153
Deferred tax liabilities		10,010	9,802
Provision for restoration costs		672	672
Borrowings	20	10,000	10,215
Lease liabilities		91,148	89,750
		<u>114,244</u>	<u>112,814</u>
TOTAL LIABILITIES		<u>246,012</u>	<u>249,037</u>
NET ASSETS		<u>551,406</u>	<u>548,174</u>

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2021 (CONT'D.)**

	(Unaudited)	(Audited)
	As at	As at
Note	31-May-21	28-Feb-21
	RM'000	RM'000
EQUITY AND LIABILITIES (CONT'D.)		
EQUITY		
Equity attributable to owners of the parent		
Share capital	356,528	356,528
Currency translation reserve	(253)	(343)
Other reserve	(50,577)	(50,567)
Retained earnings	130,274	126,845
	<u>435,972</u>	<u>432,463</u>
Non-controlling interests	115,434	115,711
TOTAL EQUITY	<u>551,406</u>	<u>548,174</u>
TOTAL EQUITY AND LIABILITIES	<u>797,418</u>	<u>797,211</u>
Net assets per share attributable to owners of the parent (RM)	<u>1.72</u>	<u>1.70</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 28 February 2021 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 2021**

	← Attributable to Owners of the Parent →				Non-controlling Interests ("NCI")	Total Equity	
	Share capital RM'000	Currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000			Total RM'000
At 1 March 2020	356,528	407	(50,895)	193,005	499,045	161,834	660,879
Loss for the period	-	-	-	(8,726)	(8,726)	(3,353)	(12,079)
Other comprehensive income	-	233	-	-	233	301	534
	-	233	-	(8,726)	(8,493)	(3,052)	(11,545)
Transactions with owners:							
Capital reduction of a subsidiary	-	-	-	-	-	(31,446)	(31,446)
Effect of changes in shareholdings	-	-	(258)	-	(258)	1,152	894
Dividends on ordinary shares	-	-	-	(25,365)	(25,365)	-	(25,365)
At 31 May 2020	356,528	640	(51,153)	158,914	464,929	128,488	593,417
At 1 March 2021	356,528	(343)	(50,567)	126,845	432,463	115,711	548,174
Profit for the period	-	-	-	3,429	3,429	(325)	3,104
Other comprehensive income	-	90	-	-	90	38	128
	-	90	-	3,429	3,519	(287)	3,232
Transactions with owners:							
Transfer to reserves	-	-	(10)	-	(10)	10	-
At 31 May 2021	356,528	(253)	(50,577)	130,274	435,972	115,434	551,406

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 28 February 2021 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 2021**

	3 MONTHS ENDED	
	31-May-21	31-May-20
	RM'000	RM'000
Operating activities		
Profit/(Loss) before taxation	4,937	(11,009)
Adjustments for:		
Changes in fair value of marketable securities	90	60
Changes in fair value of biological assets	(62)	(47)
Depreciation and amortisation	4,896	5,444
Gain on disposal of property, plant and equipment	(351)	-
Interest expense	1,974	2,394
Interest income	(1,246)	(2,099)
Inventories written off	-	67
Inventories written down	21	95
Property, plant and equipment written off	-	81
Effect of lease concessions received	(21)	-
Reversal of inventories written down	(1,576)	-
Unrealised gain on foreign exchange (net)	(3,230)	(4,255)
Share of results of an associate	36	45
Operating cash flows before changes in working capital	5,470	(9,224)
Changes in working capital	7,729	21,532
Cash generated from operations	13,199	12,308
Tax paid	(4,123)	(4,767)
Employee benefits paid	(54)	-
Net cash flows generated from operating activities	9,023	7,541
Investing activities		
Acquisition of assets	(3,400)	(1,235)
Interest received	1,246	2,099
Proceeds from disposal of property, plant and equipment	351	7
Net cash flows (used in)/generated from investing activities	(1,802)	871

ATLAN HOLDINGS BHD*(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED 31 MAY 2021 (CONT'D.)**

	3 MONTHS ENDED	
	31-May-21	31-May-20
	RM'000	RM'000
Financing activities		
Increase in pledged fixed deposits	-	(53)
Capital repayment to non-controlling interests	-	(31,446)
Dividends paid to ordinary shareholders of the Company	-	(25,365)
Payment of lease payments	(329)	(456)
Interest paid	(444)	(2,394)
Net drawdown/(repayment) of borrowings	5,425	(12,789)
Hire purchase liabilities	(27)	(99)
Net cash flows generated from/(used in) financing activities	<u>4,624</u>	<u>(72,602)</u>
Net increase/(decrease) in cash and cash equivalents	11,843	(64,190)
Effect of foreign exchange translation	3,541	5,962
Cash and cash equivalents at beginning of the period	260,002	359,733
Cash and cash equivalents at end of the period	<u>275,386</u>	<u>301,505</u>
Cash and cash equivalents at end of financial period		
comprise the following:		
Cash and bank balances	289,434	314,023
Less: Pledged deposits	(12,786)	(12,518)
	<u>276,648</u>	<u>301,505</u>
Less: Bank overdraft	(1,262)	-
	<u>275,386</u>	<u>301,505</u>

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 March 2021 RM'000	Cash flows RM'000	Non-cash changes Others RM'000	Carrying amount as at 31 May 2021 RM'000
Term loans	27,645	(157)	-	27,488
Trade facilities	15,479	5,582	-	21,061
Lease liabilities				
- Hire purchase liabilities	225	(27)	-	198
- Other lease liabilities	90,552	(329)	1,460	91,683
Total liabilities from financing activities	<u>133,901</u>	<u>5,069</u>	<u>1,460</u>	<u>140,430</u>

The Condensed Consolidated Cash Flows Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2021 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 31 MAY 2021**

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 2021. 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 2021.

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 2021, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2021:

<u>MFRSs, Amendments to MFRSs and IC Interpretation</u>	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 – Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 16 Leases - Covid-19-Related Concessions beyond 30 June 2021	1 April 2021

The directors expect that the adoption of the above standards and amendments will have no material impact on the financial statements in the period of initial application.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MAY 2021**

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
Amendment to Annual Improvement 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 101 Presentation of Financial Statements – Classifications of Liabilities as Current or Non-current	1 January 2023
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sales 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 amendments 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 2021 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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MAY 2021**

5. Unusual Items Due to their Nature, Size or Incidence

Following the global outbreak of Covid-19 pandemic from the beginning of year 2020 and the imposition of the various phases of nationwide Movement Control Order (“MCO”), Conditional MCO (“CMCO”) and Recovery MCO (“RMCO”) by the Malaysian Government, the business environment in which the Group operated had been challenging. Consequently, similar to the previous quarters, the Group’s financial performance had been affected during the quarter under review.

Other than the above, there was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 May 2021.

6. Changes in Estimates

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

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 May 2021.

8. Dividends Paid and Distributed

For the current quarter ended 31 May 2021, there were no dividends paid and distributed.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2021

9. Segmental Information

	Individual Quarter			Cumulative Quarter		
	Ended	Ended	+/(-) %	Ended	Ended	+/(-) %
	31-May-21 RM'000	31-May-20 RM'000		31-May-21 RM'000	31-May-20 RM'000	
Segment Revenue						
Duty free	33,005	43,213	(23.6%)	33,005	43,213	(23.6%)
Automotive	45,577	9,530	378.2%	45,577	9,530	378.2%
Property and hospitality	3,528	3,784	(6.8%)	3,528	3,784	(6.8%)
Investment holding	540	1,287	(58.0%)	540	1,287	(58.0%)
Others	1,272	1,750	(27.3%)	1,272	1,750	(27.3%)
	<u>83,922</u>	<u>59,564</u>	<u>40.9%</u>	<u>83,922</u>	<u>59,564</u>	<u>40.9%</u>
Eliminations	(1,852)	(2,323)	(20.3%)	(1,852)	(2,323)	(20.3%)
Group revenue	<u>82,070</u>	<u>57,241</u>	<u>43.4%</u>	<u>82,070</u>	<u>57,241</u>	<u>43.4%</u>
Segment Results						
Duty free	(1,621)	(10,996)	(85.3%)	(1,621)	(10,996)	(85.3%)
Automotive	4,044	(2,883)	(240.3%)	4,044	(2,883)	(240.3%)
Property and hospitality	1,246	400	211.5%	1,246	400	211.5%
Investment holding	2,196	3,685	(40.4%)	2,196	3,685	(40.4%)
Others	(928)	(1,215)	(23.6%)	(928)	(1,215)	(23.6%)
Profit/(Loss) before taxation	<u>4,937</u>	<u>(11,009)</u>	<u>(144.8%)</u>	<u>4,937</u>	<u>(11,009)</u>	<u>(144.8%)</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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MAY 2021**

9. Segmental Information (cont'd.)

Segment Revenue

- (a) The Duty Free segment recorded revenue of RM33.0 million in 1Q FY2022, representing a decrease of 23.6% or RM10.2 million, over the revenue of RM43.2 million in 1Q FY2021. The decrease was mainly due to the non-operations of the majority of the Duty Free retail outlets in Malaysia for three months from 1 March 2021 to 31 May 2021 as compared to the corresponding quarter of the previous year, whereby the cessation of operations for the same retail outlets were from 18 March 2020 to 31 May 2020 following the imposition of the nationwide MCO, CMCO and RMCO by the Malaysian Government to curb the outbreak of Covid-19 pandemic. Similar to the previous quarters, in the current quarter under review, only certain outlets in the Group that were not at the Malaysia Thai border and the airports were in operations with low sales recorded due to subdued consumer demand. The outlets that were opened were operating with strict compliance to the Standard Operating Procedures (“SOPs”) guidelines issued by National Security Council.
- (b) The revenue from the Automotive segment in the current quarter under review was higher as compared to the corresponding quarter in the previous financial year was mainly due to the Automotive segment were in full operations during the three months under review. In the corresponding quarter in the previous year, the factories had ceased operations from 18 March 2020 following the imposition of MCO and only resumed operations at half capacity from mid May 2020 to end of June 2020. The factories resumed operations in full capacity from July 2020 onwards.
- (c) Drop in revenue from Property and hospitality segment in the current quarter as compared to the corresponding quarter in the previous financial year was mainly due to the cessation of the hotel operations with effect from 30 June 2020. Therefore, no revenue was contributed from hotel operation in the current quarter under review.
- (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 under review as compared to the corresponding quarter in the previous financial year was mainly due to no dividend income receivable from operating subsidiaries and lower 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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MAY 2021**

9. Segmental Information (cont'd.)

Segment Results

- (a) Duty free segment reported a lower loss before taxation in current quarter under review as compared to the corresponding quarter in the previous financial year. The improvement was mainly due to lower rental expenses of RM3.8 million, lower employee benefits expenses of RM3.2 million and lower inventories write down of RM1.6 million in the current quarter under review.
- (b) Automotive segment registered profit before tax of RM4.0 million in the current quarter under review, an improvement of RM6.9 million compared to the corresponding quarter in FY2021 largely due to profit derived from the higher revenue generated in the current quarter under review as compared to pre-tax loss incurred due to minimal revenue reported in 1QFY2021 due to the cessation of factories' operations for approximately two months duration in the previous year's corresponding quarter.
- (c) In the Property and hospitality segment, higher profit was registered in the current quarter despite lower revenue as mentioned above was mainly because there was no loss reported by the hotel segment in the current quarter under review as the hotel had ceased operations since 30 June 2020. In 1QFY2021, the hotel operation reported pre-tax loss of RM1.1 million.
- (d) Investment holding segment reported lower profit in current quarter under review as compared to the corresponding quarter in the previous financial year. The lower profit was mainly due to lower interest income and lower net gain in foreign exchange.
- (e) In the Others segment, lower losses reported in current quarter as compared to the corresponding quarter in the previous financial year mainly due to lower operating expenses incurred.

10. Significant and Subsequent Events

There were no material events during and subsequent to the current quarter ended 31 May 2021.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 May 2021.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MAY 2021**

12. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 May 2021 were as follows:

Capital commitments

RM'000

Purchase of property, plant and equipment:

Approved and contracted for

2,926

Approved but not contracted for

17,138

20,064

13. Performance Review

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

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

	Current Quarter	Immediate Preceding Quarter	+ / (-) %
	31-May-21 RM'000	28-Feb-21 RM'000	
Revenue	82,070	125,857	(34.8%)
Operating profit	11,843	9,020	31.3%
Profit/(Loss) before interest expenses and tax	6,911	(5,839)	(218.4%)
Profit/(Loss) before tax	4,937	(7,817)	(163.2%)
Profit/(Loss) after tax	3,104	(9,636)	(132.2%)
Profit/(Loss) attributable to equity holders of the parent	3,429	(6,588)	(152.0%)

Revenue for the quarter under review of RM82.1 million was lower as compared to the preceding quarter ended 28 February 2021 of RM125.9 million. The decrease in revenue was largely due to lower export sales reported by the Duty free segment in the current quarter under review.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MAY 2021**

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

The Group reported a profit before tax of RM4.9 million in the current quarter under review as compared to the preceding quarter ended 28 February 2021 pre-tax loss of RM7.8 million. The turnaround in profitability in the current quarter under review was largely due to the absence of impairment loss on goodwill and impairment of property, plant and equipment and right-of-use assets totaling RM9.4 million recorded in the preceding quarter.

15. Commentary on Prospects

The global outbreak of Covid-19 pandemic from the beginning of year 2020 coupled with the imposition of the MCO, CMCO, Full Movement Control Order (“FMCO”) and the most recent various phases of the National Recovery Plan (“NRP”) by the Malaysian Government had been especially tough and challenging for the Duty-Free and Automotive business segments.

The Group expects the Duty Free business environment to remain challenging in the coming months due to the uncertainties surrounding the timing of the re-opening of the borders and the cautious and muted consumer spending even when Malaysia eases into economy recovery mode. As for the Automotive segment, the factories’ operations were closed following the imposition of FMCO followed by Phase One of NRP from 1 June 2021 till to-date.

In view of the above factors and the immense challenges caused by the Covid-19 pandemic, the Group’s financial performance is expected to remain challenging for rest of the financial year ending 28 February 2022. The Group will continue to strategise, adapt and navigate through the challenging business environment and endeavor to take timely appropriate actions in order to minimise operating risks and optimise its resources. so as to ensure that its core businesses remain resilient in these uncertain times.

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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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2021

17. Profit/(Loss) Before Taxation

Included in the profit/(loss) before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000
Changes in fair value of marketable securities	90	60	90	60
Changes in fair value of biological assets	(62)	(47)	(62)	(47)
Gain on disposal of property, plant and equipment	(351)	-	(351)	-
Depreciation and amortisation	4,896	5,444	4,896	5,444
Interest expense	1,974	2,394	1,974	2,394
Interest income	(1,246)	(2,099)	(1,246)	(2,099)
Inventories written down	21	95	21	95
Inventories written off	-	67	-	67
Reversal of inventories written down	(1,576)	-	(1,576)	-
Property, plant and equipment written off	-	81	-	81
Realised foreign exchange (gain)/loss (net)	(133)	774	(133)	774
Unrealised foreign exchange gain (net)	(3,230)	(4,255)	(3,230)	(4,255)

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000
Income tax				
- current period provision	1,562	971	1,562	971
Deferred taxation	271	99	271	99
	<u>1,833</u>	<u>1,070</u>	<u>1,833</u>	<u>1,070</u>

The higher effective tax rate in the 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:

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.

20. Borrowings and Debt Securities

	As at 31-May-21 RM'000	As at 28-Feb-21 RM'000
Short Term Borrowings - Secured		
- Overdraft	1,262	1,071
- Trade facilities	21,061	15,479
- Term loan	17,488	17,430
	<u>39,811</u>	<u>33,980</u>
Long Term Borrowings - Secured		
- Term loan	10,000	10,215
	<u>10,000</u>	<u>10,215</u>
Total Group's borrowings	<u>49,811</u>	<u>44,195</u>

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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> RM'000
At 31 May 2021				
Financial asset:				
Marketable securities	4	-	-	4
Financial liabilities:				
Derivatives				
- Put/Call options on subsidiary shares	-	-	222	222
Non-financial assets:				
Biological assets	-	-	161	161
At 28 February 2021				
Financial assets:				
Marketable securities	2	-	-	2
Financial liabilities:				
Derivatives				
- Put/Call options on subsidiary shares	-	-	222	222
- Forward foreign exchange contracts	-	61	-	61
Non-financial asset:				
Biological assets	-	-	100	100

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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.

The carrying amounts of other categories of financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

22. Derivative Financial Instruments

	Notional Amount RM'000	Fair value RM'000	Assets RM'000	Liabilities RM'000
At 31 May 2021				
Put/Call options on subsidiary shares				
- More than 5 years	222	222	-	222
At 28 February 2021				
Forward foreign exchange contracts				
- Less than 1 year	3,428	61	-	61
Put/Call options on subsidiary shares				
- More than 5 years	222	222	-	222

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 31 May 2021, the Group recognised a gain on forward foreign exchange contracts of RM61,000 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 22% 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 from the Royal Malaysian Customs ("Customs"), 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 who alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.

On 29 June 2018, the High Court ruled against 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 6 March 2019, the Court of Appeal heard the appeal whereby both SMSB and the Customs submitted their respective legal arguments.

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

On 17 July 2020, the Customs applied to the Federal Court for leave to appeal against the Court of Appeal's decision. The Federal Court heard and dismissed the Customs' application on 11 January 2021 with costs.

Accordingly, the disputed bills of demand were set aside and SMSB had no obligation to pay the Customs the sum of RM41,594,986.86 as demanded by the Customs. In light of the Federal Court's ruling in favour of SMSB, an application was made to the Customs for the refund of the sales tax and GST paid amounting to RM2,326,451.78, which was previously paid by SMSB to the Customs. The Customs agreed to the refund on 27 April 2021 and the amount to be refunded of RM2,326,451.78 was received on 16 June 2021.

On 25 February 2021, the Royal Malaysian Customs ("Customs") initiated criminal proceedings pursuant to Section 65D and Section 138 of the Customs Act 1967 ("Customs Act") towards SMSB and its officers before the Magistrate Court. The Company has engaged solicitors to represent SMSB and its officers.

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

The criminal charges were made on the basis that SMSB and its officers had breached the conditions of the duty-free licence issued by Customs to SMSB under Section 65D of the Customs Act.

However, as previously announced, the legality of the conditions that were allegedly breached was challenged by SMSB through a judicial review application (civil proceeding) on 23 November 2017. On 18 June 2020, the conditions were unanimously held by the Court of Appeal to be ultra-vires of Section 65D of the Customs Act and that they ought to be quashed. On 11 January 2021, the Federal Court had dismissed Customs' appeal against the Court of Appeal's decision with costs. Customs had exhausted its rights to appeal and the conditions were conclusively quashed.

Thus, SMSB and its officers had pleaded not guilty and had claimed trial against these charges brought by Customs.

On 12 March 2021, a representation letter was sent to the Attorney General ("AG"), requesting the AG to discontinue criminal proceedings against SMSB and its officers. On 6 April 2021, the representation letter dated 12 March 2021 was rejected by the AG. The Deputy Public Prosecutor ("DPP") then proposed to amend the charges against SMSB and its officers, jointly.

On 8 April 2021, the DPP withdrew the proposed amended charges as the proposed amended charges were defective since the proposed amended charges could not be read to all SMSB's officers. One of SMSB's officers was not present in Court to hear the proposed amended charges against him.

The Magistrate Court fixed the next case management on 29 July 2021.

24. Dividend Payable and Distributable

The Company did not recommend the payment of any dividend in respect of the financial period ended 31 May 2021.

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25. Earnings/(Loss) 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	Ended	Ended	Ended
	31-May-21	31-May-20	31-May-21	31-May-20
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	3,429	(8,726)	3,429	(8,726)
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/(loss) per share (sen)	<u>1.35</u>	<u>(3.44)</u>	<u>1.35</u>	<u>(3.44)</u>

b. Diluted

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

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26. Significant Related Party Transactions

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

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

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000	Ended 31-May-21 RM'000	Ended 31-May-20 RM'000
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	4,931	24,044	4,931	24,044
Management fee paid/payable to HAP	158	-	158	-
Ad-space rental received/receivable from HAP	-	432	-	432
Reimbursement of costs from HAP (net)	214	1,399	214	1,399

The transactions disclosed above 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 15 July 2021.