



**ATLAN HOLDINGS BHD  
ANNOUNCEMENT TO BURSA MALAYSIA  
FOR THE QUARTER ENDED 31 AUGUST 2017**

# ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 AUGUST 2017

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	Ended 31-Aug-17 RM'000	Ended 31-Aug-16 RM'000	Ended 31-Aug-17 RM'000	Ended 31-Aug-16 RM'000
Revenue	9	199,359	199,626	416,664	431,396
Operating expenses		(177,576)	(174,414)	(377,043)	(380,914)
Other operating income		4,762	1,273	15,486	7,987
Operating profit		26,545	26,485	55,107	58,469
Depreciation and amortisation		(4,253)	(4,408)	(8,516)	(8,652)
Finance costs		(1,029)	(1,298)	(2,134)	(3,082)
Share of results of an associate		121	57	177	91
Profit before taxation	9, 17	21,384	20,836	44,634	46,826
Taxation	18	(6,692)	(6,818)	(13,086)	(12,490)
Profit for the period		14,692	14,018	31,548	34,336
Attributable to:					
Equity holders of the parent		9,644	9,587	21,070	25,268
Non-controlling interests		5,048	4,431	10,478	9,068
		14,692	14,018	31,548	34,336
Earnings per share attributable to equity holders of the parent (sen)					
- Basic	25	3.80	3.78	8.31	9.96

*The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2017 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 AUGUST 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Ended	Ended	Ended	Ended
	31-Aug-17	31-Aug-16	31-Aug-17	31-Aug-16
	RM'000	RM'000	RM'000	RM'000
Profit for the period, representing total comprehensive income for the period	<u>14,692</u>	<u>14,018</u>	<u>31,548</u>	<u>34,336</u>
Total comprehensive income attributable to:				
Equity holders of the parent	9,644	9,587	21,070	25,268
Non-controlling interests	<u>5,048</u>	<u>4,431</u>	<u>10,478</u>	<u>9,068</u>
	<u>14,692</u>	<u>14,018</u>	<u>31,548</u>	<u>34,336</u>

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 28 February 2017 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 AUGUST 2017

	Note	(Unaudited) As at 31-Aug-17 RM'000	(Audited) As at 28-Feb-17 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		144,039	145,817
Investment properties		37,550	38,739
Land use rights		22,096	22,321
Goodwill		27,408	27,408
Investment in associates		740	563
Other investments		129	130
Prepayments		44,380	49,270
Deferred tax assets		865	1,734
		<u>277,207</u>	<u>285,982</u>
<b>CURRENT ASSETS</b>			
Inventories		191,025	243,703
Biological assets		102	187
Trade and other receivables		96,988	92,850
Prepayments		13,583	12,329
Tax recoverable		7,896	7,830
Marketable securities		8	11
Derivative assets		-	3
Cash and bank balances		311,249	303,151
		<u>620,851</u>	<u>660,064</u>
<b>TOTAL ASSETS</b>		<u>898,058</u>	<u>946,046</u>

**ATLAN HOLDINGS BHD***(Company Number: 173250-W)**(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (UNAUDITED)  
AS AT 31 AUGUST 2017 (CONT'D.)**

		<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>Note</b>	<b>As at 31-Aug-17 RM'000</b>	<b>As at 28-Feb-17 RM'000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		102,344	143,209
Derivative liabilities		1,455	9,006
Provisions		14,557	14,557
Employee benefits		3	22
Dividends payable		-	40,485
Tax payable		4,785	4,351
Borrowings	<b>21</b>	16,742	19,557
		<u>139,886</u>	<u>231,187</u>
<b>NET CURRENT ASSETS</b>		<u>480,965</u>	<u>428,877</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		6,492	6,225
Deferred tax liabilities		6,297	7,223
Borrowings	<b>21</b>	52,903	52,631
		<u>65,692</u>	<u>66,079</u>
<b>TOTAL LIABILITIES</b>		<u>205,578</u>	<u>297,266</u>
<b>NET ASSETS</b>		<u>692,480</u>	<u>648,780</u>

# ATLAN HOLDINGS BHD

(Company Number: 173250-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 AUGUST 2017 (CONT'D.)

	Note	(Unaudited) As at 31-Aug-17 RM'000	(Audited) As at 28-Feb-17 RM'000
<b>EQUITY AND LIABILITIES (CONT'D)</b>			
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		356,528	356,528
Currency translation reserve		(214)	(214)
Other reserve		(37,535)	(32,059)
Retained earnings	19	181,982	156,061
		<u>500,761</u>	<u>480,316</u>
Non-controlling interests		191,719	168,464
<b>TOTAL EQUITY</b>		<u>692,480</u>	<u>648,780</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>898,058</u>	<u>946,046</u>
Net assets per share attributable to owners of the parent (RM)		<u>1.97</u>	<u>1.89</u>

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 28 February 2017 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 AUGUST 2017

	← Attributable to Owners of the Parent →				Non-controlling Interests ("NCI")	Total Equity	
	Share capital RM'000	Currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000			Total RM'000
<b>At 1 March 2016, as previously stated</b>	356,528	(214)	(32,560)	73,278	397,032	91,267	488,299
Effects of adoption of amendments to MFRS 116 and MFRS 141	-	-	-	(2,008)	(2,008)	(432)	(2,440)
<b>At 1 March 2016, as restated</b>	356,528	(214)	(32,560)	71,270	395,024	90,835	485,859
Total comprehensive income for the period	-	-	-	25,268	25,268	9,068	34,336
<b>Transactions with owners:</b>							
Changes of equity interest in a subsidiary							
- arising from dilution of equity interest in a subsidiary	-	-	501	27,281	27,782	65,009	92,791
- arising from part disposal of equity interest in a subsidiary	-	-	-	59,057	59,057	15,616	74,673
Dividends on ordinary shares	-	-	-	(31,706)	(31,706)	-	(31,706)
Dividends paid to NCI by subsidiary	-	1	-	-	1	(9,039)	(9,038)
<b>At 31 August 2016</b>	356,528	(213)	(32,059)	151,170	475,426	171,489	646,915
<b>At 1 March 2017</b>	356,528	(214)	(32,059)	156,061	480,316	168,464	648,780
Total comprehensive income for the period	-	-	-	21,070	21,070	10,478	31,548
<b>Transactions with owners:</b>							
Changes of equity interest in a subsidiary							
- arising from (accretion)/dilution of equity interest in a subsidiary	-	-	(5,476)	20,070	14,594	17,816	32,410
Dividends on ordinary shares	-	-	-	(15,219)	(15,219)	-	(15,219)
Dividends paid to NCI by subsidiary	-	-	-	-	-	(5,039)	(5,039)
<b>At 31 August 2017</b>	356,528	(214)	(37,535)	181,982	500,761	191,719	692,480

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 28 February 2017 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 AUGUST 2017****6 MONTHS ENDED****31-Aug-17  
RM'000****31-Aug-16  
RM'000****Operating activities**

Profit before taxation	44,634	46,826
Adjustments for:		
Changes in fair value of marketable securities	(5)	(25)
Changes in fair value of biological assets	85	102
Depreciation and amortisation	8,516	8,652
Employee benefits	366	267
Gain on disposal of assets	(52)	(491)
Gain arising from changes in fair value of options	(7,548)	-
Interest expense	2,134	3,082
Interest income	(3,873)	(2,786)
Inventories written off	78	43
Inventories written down	519	247
Property, plant and equipment written off	5	13
Reversal of impairment loss on receivables	(234)	-
Reversal of inventories written down	(310)	(268)
Unrealised loss/(gain) on foreign exchange (net)	6,225	(1,427)
Share of results of an associate	(177)	(91)
Operating cash flows before changes in working capital	50,363	54,144
Changes in working capital	5,063	541
Cash generated from operations	55,426	54,685
Tax paid	(12,773)	(11,270)
Employee benefits paid	(119)	-
Net cash flows generated from operating activities	42,534	43,415

**Investing activities**

Acquisition of assets	(4,471)	(7,478)
Interest received	3,873	2,786
Repurchase of shares by a subsidiary	(7,401)	-
Proceeds from disposal of property, plant and equipment	5	1,409
Proceeds from issuance of new ordinary shares by subsidiary	39,811	87,824
Proceeds from placements of treasury shares of subsidiary	-	4,967
Proceeds from non-controlling interests partial divestment	-	87,711
Net cash flows generated from investing activities	31,817	177,219



# ATLAN HOLDINGS BHD

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## CONDENSED CONSOLIDATED CASH FLOWS STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 31 AUGUST 2017 (CONT'D.)

### 6 MONTHS ENDED

31-Aug-17  
RM'000

31-Aug-16  
RM'000

#### Financing activities

Increase in pledged fixed deposits	1,900	(139)
Dividends paid to non-controlling interests of subsidiaries	(20,137)	(9,039)
Dividends paid to ordinary shareholders of the Company	(40,584)	(31,706)
Interest paid	(2,134)	(3,082)
Repayment of borrowings	(3,510)	(21,405)
Net repayment of obligations under finance leases	(576)	(416)
Net cash flows used in financing activities	<u>(65,041)</u>	<u>(65,787)</u>

#### Net increase in cash and cash equivalents

Net increase in cash and cash equivalents	9,310	154,847
Cash and cash equivalents at beginning of the period	<u>289,473</u>	<u>70,724</u>
Cash and cash equivalents at end of the period	<u>298,783</u>	<u>225,571</u>

#### Cash and cash equivalents at end of financial period

##### comprise the following:

Cash and bank balances	311,249	239,598
Less: Pledged deposits	<u>(11,778)</u>	<u>(13,600)</u>
	299,471	225,998
Bank overdraft	<u>(688)</u>	<u>(427)</u>
	<u>298,783</u>	<u>225,571</u>

*The Condensed Consolidated Cash Flows Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2017 and the accompanying notes attached to the interim financial statements.*

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 AUGUST 2017**

**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 2017. 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 2017.

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 2017, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2017:

- Amendments to MFRS 107: Disclosures Initiatives
- Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses
- Annual Improvements to MFRSs 2014 – 2016 (Amendments to MFRS 12: Disclosure of Interests in Other Entities)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
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**2. Summary of Significant Accounting Policies (cont'd.)**

**(ii) Standards Issued But Not Yet Effective**

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2014 – 2016	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Investment in Associates and Joint Ventures	1 January 2018
Amendments to MFRS: 4 Insurance Contracts: Applying MFRS 9 Financial Instruments	1 January 2018
Amendments to MFRS 140: Transfer of Investment Property	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share based Payment Transactions	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, other than for MFRS 15 Revenue from Contracts with Customers, MFRS 9 Financial Instruments and MFRS 16 Leases. The Group is in the process of assessing the financial implications of MFRS 15 Revenue from Contracts with Customers, MFRS 9 Financial Instruments and MFRS 16 Leases.

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

The auditors' report on the financial statements for the year ended 28 February 2017 was not qualified.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 31 AUGUST 2017**

**4. Comments About Seasonal or Cyclical Factors**

The business operations of the Group have not been materially affected by any seasonal or cyclical factors during the financial quarter under review.

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

Except for the gain arising from changes in fair value of options amounting to RM1.6 million, there was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 August 2017.

**6. Changes in Estimates**

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

**7. Debt and Equity Securities**

Other than as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 August 2017.

For the quarter ended 31 August 2017, a subsidiary of the Company, Duty Free International Limited (“DFIL”) had repurchased 7,520,000 of its ordinary shares from the open market for a total cash consideration of RM7,401,000 (including transaction cost). Subsequent to 31 August 2017 and up to the date of this announcement, DFIL had further repurchased a total of 2,933,900 of its ordinary shares from the open market for a total consideration of RM2,584,000 (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 73.67% as at 31 May 2017 to 74.12% as at 31 August 2017. As at the date of this announcement, the Company’s holding in DFIL has increased further to 74.30% arising from the aforesaid share buyback post 31 August 2017.

As at the date of this announcement, DFIL’s issued and paid-up share capital comprises 1,218,046,493 ordinary shares, excluding treasury shares and DFIL has 491,400,042 outstanding convertible warrants each with exercise price of S\$0.43 expiring 13 May 2022. DFIL’s treasury shares as at the date of this announcement amounted to 11,151,900 with carrying value of RM10.5 million.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
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**8. Dividends Paid and Distributed**

On 13 July 2017, the Company declared a first interim single tier ordinary dividend of 6.0 sen per share in respect of the financial year ending 28 February 2018 amounting to RM15.22 million which was paid on 23 August 2017.

**9. Segmental Information**

	Individual Quarter			Cumulative Quarter		
	Ended 31-Aug-17 RM'000	Ended 31-Aug-16 RM'000	Changes %	Ended 31-Aug-17 RM'000	Ended 31-Aug-16 RM'000	Changes %
<b>Segment Revenue</b>						
Duty free	148,308	156,869	-5.5%	315,280	349,106	-9.7%
Automotive	43,246	34,951	23.7%	86,111	67,036	28.5%
Property and hospitality	7,105	7,573	-6.2%	13,982	15,003	-6.8%
Investment holding	28,457	93,423	-69.5%	29,721	94,148	-68.4%
Others	1,891	1,848	2.3%	3,752	3,678	2.0%
	<u>229,007</u>	<u>294,664</u>	<u>-22.3%</u>	<u>448,846</u>	<u>528,971</u>	<u>-15.1%</u>
Eliminations	(29,648)	(95,038)	-68.8%	(32,182)	(97,575)	-67.0%
Group revenue	<u>199,359</u>	<u>199,626</u>	<u>-0.1%</u>	<u>416,664</u>	<u>431,396</u>	<u>-3.4%</u>
<b>Segment Results</b>						
Duty free	20,515	21,794	-5.9%	43,167	47,978	-10.0%
Automotive	1,632	1,437	13.6%	3,556	3,473	2.4%
Property and hospitality	1,813	2,087	-13.1%	3,722	3,742	-0.5%
Investment holding	519	(1,358)	138.2%	(848)	(2,835)	70.1%
Others	(3,095)	(3,124)	0.9%	(4,963)	(5,532)	10.3%
Profit before taxation	<u>21,384</u>	<u>20,836</u>	<u>2.6%</u>	<u>44,634</u>	<u>46,826</u>	<u>-4.7%</u>

The Group comprises the following main business segments:

- (i) Duty free – trading of duty free goods and non-dutiable merchandise;
- (ii) Automotive – manufacturing and marketing of automotive parts;
- (iii) Property and hospitality – property development, property management and hotel operations;
- (iv) Investment holding; and
- (v) Others – provision of corporate services, dormant and inactive companies.

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

**Segment Revenue**

- (a) Duty free segment recorded a drop in revenue in current quarter and cumulative quarter compared to the corresponding quarter and cumulative quarter in the previous financial year. The drop was largely due to lower demand from customers following the imposition of Goods and Services Tax at the border outlets and duty free zones with effect from 1 January 2017.
- (b) The revenue in Automotive segment in current quarter and cumulative quarter was higher than corresponding quarter and cumulative quarter in the previous year mainly due to higher orders received from its customers.
- (c) Lower revenue reported from Property and hospitality segment in the current quarter and cumulative quarter compared to the corresponding quarter and cumulative quarter in the previous year as a result of lower occupancy rate.
- (d) The revenue in 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 recorded in current quarter and cumulative quarter as compared to the corresponding periods of the previous financial year mainly due to lower dividend received.
- (e) The revenue in 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 mainly due to lower revenue as mentioned above coupled with higher management fee incurred. However, the decrease was partially offset by savings in transportation costs.
- (b) In the Automotive segment, higher profit was registered in current quarter and cumulative quarter as compared to the corresponding quarter and cumulative quarter in the previous year. The favourable result was mainly attributed to higher revenue achieved as mentioned above.
- (c) In the Property and hospitality segment, the profit for the current quarter was lower than the corresponding quarter in the previous year mainly due to lower revenue recorded in the current quarter under review. Profit for the cumulative quarter in current year was comparable to cumulative quarter in the previous financial year.

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

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

- (d) Investment holding segment reported a gain in current quarter as compared to a loss recorded in the corresponding quarter in previous financial year mainly due to the recognition of gain arising from changes in fair value of options amounted to RM1.6 million in current quarter under review. Lower loss incurred in the cumulative quarter current year mainly due to the net effect from the recognition of gain arising from changes in fair value of options of RM7.5 million against the net loss in foreign exchange of RM5.6 million.
- (e) In the Others segment, the losses in the current quarter and cumulative quarter was lower than corresponding quarter and cumulative quarter in the previous financial year mainly due to lower operating expenses.

**10. Significant and Subsequent Events**

- a. With reference to the earlier announcement made by the Company on 29 July 2015 in relation to the approval granted by Bursa Malaysia Securities Berhad (“Bursa Securities”) to the Company on a lower public shareholding spread of 20.81% for the purpose of compliance with Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities.

The Board of the Company had on 8 July 2016 announced that the Company has been notified by its substantial shareholders, Berjaya Corporation Berhad and Tan Sri Dato’ Seri Vincent Tan Chee Yioun in relation to the change of their substantial interests held in AHB. As a result of the said change, the Public Shareholding Spread of the Company has decreased to 20.33%.

Further to the announcement, on 13 July 2017, the Board of the Company announced that the Company’s public shareholding spread as at 30 June 2017 were as follows:

Number of Public Shareholders: 1,018  
Percentage of public shareholding: 20.33%

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

- b. On 19 July 2017, the Board of the Company announced that following the application made to the Companies Commission of Malaysia (“CCM”) for striking off its dormant wholly-owned subsidiary, Naluri Corporation Sdn. Bhd. (Company no. 76466-X) (“NCSB”) pursuant to Section 308 of the Companies Act, 1965 (“Act”), NCSB had received a letter dated 17 July 2017 from CCM confirming NCSB has been dissolved on 20 March 2017 pursuant to Section 308 of the Act.

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

The striking-off of NCSB has no material effect on the earnings or net assets of the Group for the financial year ending 28 February 2018.

- c. On 6 October 2017, the Board of the Company announced that the Company's subsidiary, Duty Free International Limited ("DFIL") has on 6 October 2017 made an announcement that its subsidiary, DFZ Capital Berhad had received a notice from the Companies Commission of Malaysia confirming that DFZ Capital Berhad had been converted from a public company limited by shares to a private company limited by shares.

Consequently, DFZ Capital Berhad's name has changed to DFZ Capital Sdn. Bhd. with effect from 6 October 2017.

Other than as disclosed above, there were no other material events during and subsequent to the current quarter ended 31 August 2017.

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

Other than as disclosed in Note 7 and Note 10(b), there were no changes in the composition of the Group during the current quarter ended 31 August 2017.

**12. Commitments**

The amount of commitments not provided for in the interim financial statements as at 31 August 2017 were as follows:

(a) Capital commitments

	<b>RM'000</b>
Purchase of property, plant and equipment:	
Approved and contracted for	1,093
Approved but not contracted for	2,905
	<u>3,998</u>

(b) Non-cancellable operating lease commitments

	<b>RM'000</b>
Rental payable	<u>165,500</u>



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
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**13. Performance Review**

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

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

	<b>Current Quarter 31-Aug-17 RM'000</b>	<b>Immediate Preceding Quarter 31-May-17 RM'000</b>	<b>Changes %</b>
Revenue	199,359	217,305	-8.3%
Operating Profit	26,545	28,563	-7.1%
Profit before interest and tax	22,413	24,355	-8.0%
Profit before tax	21,384	23,250	-8.0%
Profit after tax	14,692	16,856	-12.8%
Profit attributable to equity holders of the parent	9,644	11,426	-15.6%

The profit before taxation for the quarter under review was lower at RM21.4 million as compared to the preceding quarter ended 31 May 2017 of RM23.3 million mainly due to lower revenue recorded in the current quarter compared to the immediate preceding quarter.

**15. Commentary on Prospects**

In view of the prevailing economic conditions, the business environment in which the Group operates is expected to remain challenging. The Group will continue its efforts to strengthen operational efficiencies and cost control measures in order to remain competitive and profitable in the remaining quarters of the financial year ending 28 February 2018.

**16. Profit Forecast or Profit Guarantee**

There is no profit forecast and profit guarantee provided by the Company and as such, this disclosure requirement is not applicable.

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**17. Profit Before Taxation**

Included in the profit before taxation are the following items:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-Aug-17 RM'000</b>	<b>Ended 31-Aug-16 RM'000</b>	<b>Ended 31-Aug-17 RM'000</b>	<b>Ended 31-Aug-16 RM'000</b>
Changes in fair value of marketable securities	65	2	(5)	(25)
Changes in fair value of biological assets	44	(79)	85	102
Gain arising from changes in fair value of options	(1,552)	-	(7,548)	-
Gain on disposal of property, plant and equipment	(47)	(491)	(52)	(491)
Depreciation and amortisation	4,253	4,408	8,516	8,652
Interest expense	1,029	1,298	2,134	3,082
Interest income	(2,036)	(1,573)	(3,873)	(2,786)
Inventories written down	282	10	519	247
Inventories written off	19	23	78	43
Property, plant and equipment written off	2	12	5	13
Reversal of inventories written down	(152)	(150)	(310)	(268)
Reversal of impairment loss on receivables	-	-	(234)	-
Foreign exchange (gain)/loss (net)	(379)	69	5,568	(1,452)

**18. Taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-Aug-17 RM'000</b>	<b>Ended 31-Aug-16 RM'000</b>	<b>Ended 31-Aug-17 RM'000</b>	<b>Ended 31-Aug-16 RM'000</b>
Income tax				
- current period provision	6,732	6,696	13,205	13,803
- over provision in prior periods	-	(12)	(62)	(1,612)
Deferred taxation	(40)	134	(57)	299
	<u>6,692</u>	<u>6,818</u>	<u>13,086</u>	<u>12,490</u>

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

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**19. Retained Earnings**

	<b>As at 31-Aug-17 RM'000</b>	<b>As at 28-Feb-17 RM'000</b>
Total retained earnings		
- Realised	390,946	387,457
- Unrealised	(28,487)	(36,092)
Total share of results from an associate		
- Realised	302	126
	362,761	351,491
Consolidation adjustments	(180,779)	(195,430)
Total retained earnings as per Consolidated Statement of Financial Position	181,982	156,061

**20. Corporate Proposals**

The status of corporate proposals announced but not completed as at the date of issue of this interim financial report are as follows:

- (a) On 10 April 2012, the Board of the Company announced that the Company's subsidiary, Kelana Megah Sdn Bhd ("KMSB") has entered into a sale and purchase agreement with Berjaya Waterfront Sdn Bhd ("BWSB"), a subsidiary of Berjaya Assets Berhad, to dispose of a parcel of land bearing lot number PTB 20379 for a consideration of RM27,990,000.

However, as at the date of this report, the condition precedent as stipulated have not been fulfilled. The Company will continue to keep shareholders informed of any new developments.

- (b) On 15 July 2015 and 20 July 2015, the Company announced that the Company's subsidiary which is listed on the Singapore Exchange Securities Trading Limited, Duty Free International Limited ("DFIL"), is seeking dual primary listing on the main board of the Stock Exchange of Hong Kong Limited.

As at the date of this report, the above mentioned corporate exercise is pending completion.

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**20. Corporate Proposals (cont'd.)**

- (c) On 17 March 2016, the Board of the Company announced that a subsidiary of the Company, Duty Free International Limited (“DFIL”) has entered into a Sales and Purchase Agreement (“SPA”) to dispose of 10% equity interest plus one share (“First Tranche Sale Shares”) in DFZ Capital Berhad (“DFZ”), a wholly owned group subsidiary, to Heinemann Asia Pacific Pte. Ltd. (“HAP”) for a consideration of EUR19,700,000, with further options to dispose a maximum of 15% equity interest in DFZ by DFIL (“Proposed Disposal”).

Under the terms of the SPA, DFIL has also granted the following call option to HAP (“Call Options”) for a nominal consideration of EUR1.00 each:

- i. In the 18-month period beginning on the date of completion of the sale of the First Tranche Sale Shares (“Completion”), the option to require DFIL to sell HAP a second Tranche of shares in DFZ ( the “Second Tranche Sale Shares”) (“Second Tranche Call Option”), and
- ii. In the 12-month period beginning on the date of expiry of the Second Tranche Call Option period, the option to require DFIL to sell to HAP a third tranche of shares in DFZ ( the “Third Tranche Sale Shares”) (“Third Tranche Call Option”).

(collectively, the “ Proposed Disposals”)

The aggregate number of shares in DFZ which may be acquired by HAP under the Call Options shall not exceed 15% of the issued and paid-up share capital of DFZ as at the date of the SPA. Each Call Option may only be exercised once. The Third Tranche Call Option will remain valid and binding notwithstanding the Second Tranche Call Option not being exercised.

Upon the completion of Proposed Disposals (assuming all the Call Options are fully exercised), 75% minus one share of the issued and paid-up share capital of DFZ will be held by DFIL while the remaining 25% plus one share will be held by HAP.

The Proposed Disposals were approved by the Shareholders of DFIL at the Extraordinary General Meeting (“EGM”) on 30 May 2016. Consequently, the sale and purchase of the First Tranche Sale Shares was completed on 1 June 2016.

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**20. Corporate Proposals (cont'd.)**

In relation thereto, the following agreements had been entered in connection with the Proposed Disposals mentioned above:

- (i) a shareholders' agreement between HAP, DFIL and DFZ, for the purposes of regulating the relationship between HAP and DFI as shareholders;
- (ii) a management agreement between HAP and DFZ, pursuant to which HAP shall be appointed to provide management services to DFZ; and
- (iii) a supply and distribution agreement between HAP, DFZ and its subsidiaries, pursuant to which HAP shall be granted extensive rights for the purchase, and exclusive supply of, certain product categories.

**21. Borrowings and Debt Securities**

	<b>As at 31-Aug-17 RM'000</b>	<b>As at 28-Feb-17 RM'000</b>
Short Term Borrowings - Secured		
- Overdraft	688	-
- Trade facilities	10,121	13,726
- Term loan	5,237	5,000
- Obligations under finance leases	696	831
	<u>16,742</u>	<u>19,557</u>
Long Term Borrowings - Secured		
- Term loan	51,121	51,263
- Obligations under finance leases	1,782	1,368
	<u>52,903</u>	<u>52,631</u>
<b>Total Group's borrowings</b>	<b>69,645</b>	<b>72,188</b>

**22. 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

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

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

As at the reporting date, the Group held the following assets/liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	<i>Total</i> <i>RM'000</i>
<b>At 31 August 2017</b>				
<b>Financial asset:</b>				
Marketable securities	8	-	-	8
<b>Financial liability:</b>				
Derivatives				
- Call option on subsidiary shares	-	-	1,455	1,455
<b>Non-financial asset:</b>				
Biological assets	-	-	102	102
<b>At 28 February 2017</b>				
<b>Financial assets:</b>				
Marketable securities	11	-	-	11
Derivatives				
- Forward foreign exchange contracts	-	3	-	3
<b>Financial liability:</b>				
Derivatives				
- Call option on subsidiary shares	-	-	9,006	9,006
<b>Non-financial asset:</b>				
Biological assets	-	-	187	187

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset/liability that subsequently resulted in a different classification of that asset/liability.

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**23. Changes in Material Litigation**

There were no material litigation matters involving the Company and/or its subsidiaries as at the date of this report.

**24. Dividend Payable and Distributable**

On 12 October 2017, the Company declared a second interim single tier ordinary dividend of 5.0 sen per share in respect of the financial year ending 28 February 2018 amounting to RM12.68 million of which the book closure date is on 1 November 2017 and is payable on 15 November 2017. For the financial year ending 28 February 2018, the total dividends of RM0.11 per ordinary share paid and payable till to date by the Company amounted to RM27.90 million (6-month period ended 31 August 2016: RM0.125 per ordinary share totalling RM31.71 million).

**25. Earnings Per Share**

a. Basic

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>31-Aug-17</b>	<b>31-Aug-16</b>	<b>31-Aug-17</b>	<b>31-Aug-16</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	9,644	9,587	21,070	25,268
Number of ordinary shares in issue ('000)	253,650	253,650	253,650	253,650
Basic earnings per share (sen)	3.80	3.78	8.31	9.96

b. Diluted

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

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**26. Significant Related Party Transactions**

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

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-Aug-17 RM'000</b>	<b>Ended 31-Aug-16 RM'000</b>	<b>Ended 31-Aug-17 RM'000</b>	<b>Ended 31-Aug-16 RM'000</b>
Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	44,844	20,178	102,935	27,156
Management fee paid/payable to HAP	624	276	1,082	276
Ad-space rental received/receivable from HAP	755	-	1,196	-
Reimbursement of costs from HAP	855	2	2,244	2

\* The transactions were in pursuant to the agreements as disclosed in Note 20(c).

**27. Authorisation for Issue**

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 October 2017.