

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

**Part A – Explanatory Notes Pursuant to FRS 134**

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The interim financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 29 February 2008. 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 29 February 2008.

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 29 February 2008 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 March 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sup>2004</sup> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

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The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application.

The Group has not early adopted FRS 139 Financial Instruments: Recognition and Measurement which will be effective for the financial period beginning on or after 1 January 2010. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 139.

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

The auditors' report on the financial statements for the year ended 29 February 2008 was not qualified.

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

The Group's results for the current quarter ended 31 August 2008 were not materially affected by seasonal or cyclical impacts.

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 August 2008.

**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 August 2008.

**8. Dividends Paid**

No dividend has been paid since the end of previous financial year end.

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**9. Segmental Information**

	Individual Quarter		Cumulative Quarter	
	Ended 31-Aug-08 RM'000	Ended 31-Aug-07 RM'000	Ended 31-Aug-08 RM'000	Ended 31-Aug-07 RM'000
<b>Segment Revenue</b>				
Investments	9,417	2,468	11,331	2,718
Hotel and property	41,095	-	73,305	-
Duty free	114,017	16,253	215,941	37,230
Manufacturing	30,215	12,530	57,084	24,076
	<u>194,744</u>	<u>31,251</u>	<u>357,661</u>	<u>64,024</u>
Eliminations	<u>(31,944)</u>	<u>(2,468)</u>	<u>(36,571)</u>	<u>(2,718)</u>
Group revenue	<u>162,800</u>	<u>28,783</u>	<u>321,090</u>	<u>61,306</u>
<b>Segment Results</b>				
Investments	20,731	(931)	13,561	(1,573)
Hotel and property	1,378	-	2,729	-
Duty free	16,815	1,340	32,834	2,801
Manufacturing	264	450	588	958
Others	<u>(2,014)</u>	<u>(12)</u>	<u>(2,101)</u>	<u>(31)</u>
Profit before taxation	<u>37,174</u>	<u>847</u>	<u>47,611</u>	<u>2,155</u>

**10. Carrying Amount of Revalued Assets**

Property, plant and equipment are stated at valuation/cost less accumulated depreciation and impairment losses.

**11. Significant and Subsequent Events**

- (i) On 28 November 2006, Aseambankers Malaysia Berhad (“Aseambankers”) announced that the Board of Directors (“Board”) of the Company had proposed the acquisition of the entire business undertakings of Naluri Corporation Berhad (“Naluri”) including all its assets and liabilities and all the holdings in all its subsidiaries and associated companies for a total purchase consideration of approximately RM435.432 million (or equivalent to RM0.75 per ordinary share of RM1.00 each in Naluri) to be satisfied entirely by cash (“Proposed Acquisition”).

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**Part A – Explanatory Notes Pursuant to FRS 134**

Pursuant to the above, Aseambankers further announced on 5 January 2007, that the Company had entered into a conditional subscription agreement (“Subscription Agreement”) with Darul Metro Sdn Bhd (“DMSB”), a RM2.00 wholly-owned subsidiary of Naluri, to subscribe for 1,000,000 ordinary shares of RM1.00 each in DMSB.

On the same date, Aseambankers, on behalf of the Board of Naluri, also announced that Naluri had entered into a conditional sale of business agreement (“Business Agreement”) with DMSB for the proposed disposal of its business to DMSB for a total sales consideration of RM435.432 million payable in cash.

The Proposed Acquisition was approved by the shareholders at the Extraordinary General Meeting (“EGM”) on 2 March 2007 and the Ministry of International Trade and Industry (“MITI”) on 28 March 2007.

On 3 August 2007, the Securities Commission (“SC”) approved the Proposed Acquisition subject to, amongst others, the following conditions:

- (a) The directors of DFZ Capital Berhad (“DFZ”) should submit their declaration letters to the SC, pursuant to the requirement of the Format and Content of Application under the Policies and Guidelines on Issue/Offer of Securities;
- (b) Aseambankers and the Company should inform the SC with regard to the MITI’s decision on the compliance status of the Bumiputra equity condition imposed on the licensed manufacturing companies to be disposed of by Naluri to the Company;
- (c) Aseambankers and the Company should inform the SC upon completion of the Proposed Acquisition.

Following the completion of the above Proposed Acquisition, Naluri had proposed to undertake a proposed capital repayment to return at least RM0.75 per Naluri Share to all its shareholders (“Proposed Capital Repayment”).

On 31 March 2008, the Company entered into an agreement with DMSB to extend the cut-off date for the fulfillment of the conditions precedent of the Subscription Agreement for a further period of 6 months from 5 April 2008, as the parties require more time to fulfill the said conditions.

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**Part A – Explanatory Notes Pursuant to FRS 134**

On the same date, Aseambankers, on behalf of the Board of Naluri, also announced that Naluri had entered into an agreement with DMSB to extend the cut-off date for the fulfillment of the conditions precedent of the Business Agreement for a further period of 6 months from 5 April 2008, as the parties require more time to fulfill the said conditions.

On 24 June 2008, Aseambankers, on behalf of the Board of the Company announced that MITI had vide its letter dated 19 June 2008 (which was received by Aseambankers on 24 June 2008), approved the extension of time for two years from 28 March 2008 to 27 March 2010 for the licensed manufacturing companies to increase the Bumiputera equity shareholdings to 30%.

On 3 July 2008, Aseambankers, on behalf of the Board of the Company announced that Naluri and DMSB had entered into a supplementary agreement to vary certain terms and conditions of the Business Agreement in relation to the Proposed Acquisition. Aseambankers also announced that all conditions precedent to both the Business Agreement and the Subscription Agreement have been fulfilled and the completion of the Proposed Acquisition took place on 3 July 2008.

In relation thereto, the Company had on 3 July 2008 subscribed for 1,000,000 DMSB Shares pursuant to the Proposed Subscription which results in DMSB becoming a 99.99% owned subsidiary of the Company.

On 31 July 2008, Aseambankers, on behalf of the Board of the Company announced that SC had vide its letter dated 30 July 2008, approved the extension of time of one year from 3 August 2008 to 2 August 2009 for Naluri to complete the Proposed Capital Repayment.

- (ii) On 10 October 2008, the Board of the Company announced that it had entered into a conditional share sale agreement (“Agreement”) with Persepsi Gemilang Sdn Bhd (“PGSB”) for the disposal of the Company’s entire equity interests in Atlan Engineering Sdn Bhd and Atlan Industries Sendirian Berhad for a total cash consideration of RM11,477,382 to PGSB (“Proposed Disposal”).

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 31 August 2008.

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

There were no changes in the composition of the Group during the current quarter ended 31 August 2008, except for the change in effective equity interest in the following subsidiaries, pursuant to the completion of the Proposed Acquisition, as disclosed in Note 11 (i):

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**Part A – Explanatory Notes Pursuant to FRS 134**

Name of Company	Effective equity interest after completion of Proposed Acquisition %
DFZ Capital Berhad group of companies	72.9
Naluri Properties Sdn Bhd	100
United Industries Holdings Sdn Bhd group of companies	100
Blossom Time Sdn Bhd	100
Tenggara Senandung Sdn Bhd	100
Atlan Management Sdn Bhd (formerly known as MHS Shipping Management Sendirian Berhad)	100
Atlan Capital Sdn Bhd (formerly known as MHS Capital Sdn Bhd)	100
Atlan Assets Sdn Bhd (formerly known as MHS Airline Management Sendirian Berhad) group of companies	100
Atlan Development Sdn Bhd (formerly known as MHS Shipping Line Sendirian Berhad)	100
Belia Karisma Sdn Bhd	100
Trifiniti Networks Sdn Bhd	100
MHS Land Sdn Bhd group of companies	100
Ocean Pride Sdn Bhd	100
Darul Metro Sdn Bhd	100
Zon Hospitality Services Sdn Bhd	100
Tegapasti Sdn Bhd	100
RZ Equities Sdn Bhd	100
International Aviation Consultants Sdn Bhd	100
Timeless Image Sdn Bhd	100
Naluri Properties Pte Ltd	100
Scandinavian Avionics (Malaysia) Sdn Bhd	25

**13. Changes in Contingent Liabilities and Contingent Assets**

As at 31 August 2008, the amount of corporate guarantees by the Company for banking facilities to certain subsidiaries and an associate increased from RM47,218,000 as at 29 February 2008 (last annual balance sheet) to RM165,973,000.

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**Part A – Explanatory Notes Pursuant to FRS 134**

**14. Commitments**

The amount of commitments not provided for in the interim financial statements as at 31 August 2008 were as follows:

a) Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	<u>3,013</u>

b) Non-cancellable operating lease commitments

	RM'000
Rental payable	<u>7,355</u>

**15. Retained Earnings**

Prior to year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (“single tier system”). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balances to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilize the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

-END OF SECTION A-

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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia**

**16. Performance Review**

The Group's revenue for the current quarter ended 31 August 2008 has increased to RM162.8 million as compared to RM28.8 million in the corresponding period in previous year. The significant increase is mainly due to the inclusion of the results of Naluri and its subsidiaries with effect from March 2008.

In the current quarter, the Group generated a profit before taxation of RM37.2 million as compared to RM0.8 million in the corresponding period in the previous year. The significant increase is mainly due to the inclusion of the results of Naluri and its subsidiaries.

**17. Comment on Material Change in Profit Before Taxation**

The Group generated a profit before taxation of RM37.2 million in the current quarter as compared to RM10.4 million in the previous quarter mainly due to a legal suit settlement in the current quarter, as disclosed in Notes 26 (ix) and (x).

**18. Commentary on Prospects**

Barring unforeseen circumstances, the enlarged Atlan Group is expected to continue to perform positively.

**19. Profit Forecast or Profit Guarantee**

The disclosure requirements for explanatory notes for the profit forecast and profit guarantee is not applicable.

**20. Taxation**

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	31-Aug-08	31-Aug-07	31-Aug-08	31-Aug-07
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income tax				
- current period provision	3,990	372	10,942	785
- over provision in prior periods	(322)	-	(701)	-
Deferred taxation	(159)	(9)	(206)	(17)
	<u>3,509</u>	<u>363</u>	<u>10,035</u>	<u>768</u>



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Provision for taxation for the current quarter and financial period to date is calculated based on the taxable profit attributable from certain profit making subsidiaries.

**21. Sale of Unquoted Investments and Properties**

There were no sale of unquoted investments and properties during the current quarter ended 31 August 2008.

**22. Quoted Securities**

There is no purchase or disposal of quoted shares during the current quarter ended 31 August 2008.

Investment in quoted securities:

	<b>As at 31-Aug-08 RM'000</b>
At cost/book value	25,272
At market value	<u>27,376</u>

**23. Corporate Proposals**

The status of corporate proposals announced but not completed as at 30 October 2008 are as follows:

- (i) On 28 November 2006, Aseambankers announced that the Board of the Company had proposed the acquisition of the entire business undertakings of Naluri including all its assets and liabilities and all the holdings in all its subsidiaries and associated companies for a total purchase consideration of approximately RM435.432 million (or equivalent to RM0.75 per ordinary share of RM1.00 each in Naluri) to be satisfied entirely by cash (“Proposed Acquisition”).

Pursuant to the above, Aseambankers further announced on 5 January 2007, that the Company had entered into a conditional subscription agreement (“Subscription Agreement”) with DMSB, a RM2.00 wholly-owned subsidiary of Naluri, to subscribe for 1,000,000 ordinary shares of RM1.00 each in DMSB.

On the same date, Aseambankers, on behalf of the Board of Naluri, also announced that Naluri had entered into a conditional sale of business agreement (“Business Agreement”) with DMSB for the proposed disposal of its business to DMSB for a total sales consideration of RM435.432 million payable in cash.

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The Proposed Acquisition was approved by the shareholders at the EGM on 2 March 2007 and MITI on 28 March 2007.

On 3 August 2007, SC approved the Proposed Acquisition subject to, amongst others, the following conditions:

- (a) The directors of DFZ should submit their declaration letters to the SC, pursuant to the requirement of the Format and Content of Application under the Policies and Guidelines on Issue/Offer of Securities;
- (b) Aseambankers and the Company should inform the SC with regard to the MITI's decision on the compliance status of the Bumiputra equity condition imposed on the licensed manufacturing companies to be disposed of by Naluri to the Company;
- (c) Aseambankers and the Company should inform the SC upon completion of the Proposed Acquisition.

Following the completion of the above Proposed Acquisition, Naluri had proposed to undertake a proposed capital repayment to return at least RM0.75 per Naluri Share to all its shareholders ("Proposed Capital Repayment").

On 31 March 2008, the Company entered into an agreement with DMSB to extend the cut-off date for the fulfillment of the conditions precedent of the Subscription Agreement for a further period of 6 months from 5 April 2008, as the parties require more time to fulfill the said conditions.

On the same date, Aseambankers, on behalf of the Board of Naluri, also announced that Naluri had entered into an agreement with DMSB to extend the cut-off date for the fulfillment of the conditions precedent of the Business Agreement for a further period of 6 months from 5 April 2008, as the parties require more time to fulfill the said conditions.

On 24 June 2008, Aseambankers, on behalf of the Board of the Company announced that MITI had vide its letter dated 19 June 2008 (which was received by Aseambankers on 24 June 2008), approved the extension of time for two years from 28 March 2008 to 27 March 2010 for the licensed manufacturing companies to increase the Bumiputera equity shareholdings to 30%.

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On 3 July 2008, Aseambankers, on behalf of the Board of the Company announced that Naluri and DMSB had entered into a supplementary agreement to vary certain terms and conditions of the Business Agreement in relation to the Proposed Acquisition. Aseambankers also announced that all conditions precedent to both the Business Agreement and the Subscription Agreement have been fulfilled and the completion of the Proposed Acquisition took place on 3 July 2008.

In relation thereto, the Company had on 3 July 2008 subscribed for 1,000,000 DMSB Shares pursuant to the Proposed Subscription which results in DMSB becoming a 99.99% owned subsidiary of the Company.

On 31 July 2008, Aseambankers, on behalf of the Board of the Company announced that SC had vide its letter dated 30 July 2008, approved the extension of time of one year from 3 August 2008 to 2 August 2009 for Naluri to complete the Proposed Capital Repayment.

- (ii) The SC had vide its letter dated 28 March 2008 approved an extension of time to the Group for another twelve (12) months to 6 April 2009 for complying with the condition to rectify the structure/building extension which has been built but not yet approved and subsequently to obtain the certificate of fitness for occupation (“CF”) based on the ‘as-built plans’ for landed property at Lot 4999 and 5000, Mukim Kapar, Daerah Klang, Selangor. The Group is still in the midst of obtaining the CFs for these properties.

In the same approval letter, SC had also granted a waiver from complying with the condition to rectify the structure/building extension which has been built but not yet approved and subsequently obtain the CF based on the ‘as-built plans’ for property at Lot 4995, Mukim Kapar, Daerah Klang, Selangor.

- (iii) On 10 October 2008, the Board of the Company announced that it had entered into a conditional share sale agreement (“Agreement”) with Persepsi Gemilang Sdn Bhd (“PGSB”) for the disposal of the Company’s entire equity interests in Atlan Engineering Sdn Bhd and Atlan Industries Sendirian Berhad for a total cash consideration of RM11,477,382 to PGSB (“Proposed Disposal”).

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**24. Borrowings and Debt Securities**

As at 31 August 2008, the Group's borrowings were as follows:

	As at 31-Aug-08 RM'000
<b>Long Term Borrowings:</b>	
Secured	<u>241,432</u>
<b>Short Term Borrowings:</b>	
Secured	
- Overdraft	3,278
- Others	<u>47,861</u>
	<u>51,139</u>

**25. Off Balance Sheet Financial Instruments**

During and at the end of the current quarter, the Group and the Company did not have any financial instruments, which may have off-balance sheet risk.

**26. Changes in Material Litigation**

(i) Originating Summons by Shaidan Bin Shafie

A shareholder of the Company, Shahidan bin Shafie, had brought an action against the Company and APSB seeking inter alia that the proposals relating to the Naluri shares acquisition, funding structure and bond issue be declared void on grounds that the proposals were in breach of Section 67(1) of the Companies Act, 1965 and seeking an injunction to restrain the Company and APSB from proceeding with the proposals. The Plaintiff's case was dismissed with cost on 26 April 2004. The Bill of Costs application fixed for hearing on 2 March 2007 has been adjourned to a date to be fixed by the Court of Appeal.

The Plaintiff appealed against the decision. The Court of Appeal allowed the Appeal and the Plaintiff was given leave to amend the Originating Summons ("OS") to include a declaration that it is ultra vires for APSB to enter into and carrying out the agreement dated 11 August 2003 by virtue of Section 64 of the Companies Act, 1965.

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The hearing for the amended OS, and the Company's and APSB's applications to the High Court to strike out the amended OS which came up for hearing on 23 June 2008 and 4 September 2008, have been adjourned to 17 February 2009 for continued hearing.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(ii) Writ of Summons and Statement of Claim by Shahidan Bin Shafie

A shareholder of Naluri, Shahidan bin Shafie, had brought an action against the Company and APSB seeking an order that the Company and APSB jointly and severally make a mandatory take-over offer to all the shareholders of Naluri except Pengurusan Danaharta Nasional Berhad, Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd at an offer price of RM1.98 per ordinary share and for damages to be assessed, interest and cost. The Company and APSB had applied to the High Court for the suit to be struck off but were unsuccessful.

The Plaintiff had also filed an application to amend the Writ of Summons and Statement of Claim, which was allowed by the Senior Assistant Registrar on 17 January 2006.

The Company's and APSB's appeal against the decision of the Registrar to allow the Plaintiff's application to amend the Statement of Claim was allowed with costs. The Plaintiff has filed an appeal against the decision of the Judge and on 7 July 2008, the Court of Appeal allowed the Plaintiff's appeal to amend the Statement of Claim.

The Plaintiff's application to adduce further evidence is now fixed for hearing on 4 September 2009. AHB's and APSB's respective appeals in relation to their striking out application have been fixed for further mention on 4 September 2009 pending the disposal of the Plaintiff's application to adduce further evidence.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(iii) Writ of Summons and Statement of Claim by Hazman Bin Ahmad

A shareholder of Naluri, Hazman bin Ahmad ("Hazman"), had brought an action against the Company, APSB and 7 others for, inter alia, the following orders:

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- (a) that the Company and/or APSB be compelled to make the mandatory general offer to purchase the share of Hazman and to offer to purchase the shares of all the shareholders of Naluri at a purchase price of RM1.98 per share ;
- (b) that the shares held directly and indirectly by Tan Sri Dato' Tajuddin Ramli amounting to approximately 309,648,000 representing 44.84% of the paid-up share capital of Naluri, shall not be registered in the name of the Company and/or APSB or any of their nominees and that the Company/APSB shall not be entitled to appoint any members of the Board of Naluri until implementation of the mandatory take over bid;
- (c) that all the defendants other than Naluri jointly and severally pay Hazman and/or Naluri, damages for conspiracy;
- (d) that all the defendants other than Naluri jointly and severally pay Hazman and/or Naluri, damages for misrepresentation;
- (e) that all the defendants other than Naluri jointly and severally pay Hazman and/or Naluri, interest on damages assessed in the Statement of Claim at such rate for such period as determined by the Court;
- (f) a declaration that the appointment of the Special Administrators (“SAs”) is invalid and a consequential order that all transactions entered into by the SAs purportedly for and on behalf of Naluri are null and void;
- (g) that all the defendants other than Naluri jointly and severally pay Hazman the costs of and occasioned by this action.
- (h) such further and other orders as the Court deem fit.

Naluri has also been named as a nominal defendant in the suit but the Plaintiff does not seek any order against Naluri.

The Company and APSB have applied to the Court to strike out the suit.

The Plaintiff's application for case management and show cause which were fixed for mention on 9 January 2008 was fixed for hearing on 29 August 2008. The show cause was then fixed for decision on 12 September 2008, whereupon the High Court struck out the Plaintiff's suit. Accordingly, the Company's application for striking out which was fixed for further mention on 17 September 2008 has been vacated.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

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(iv) Petition by Adenan Bin Ismail

A shareholder of Naluri, Adenan bin Ismail had brought an action against the Company, APSB, Naluri, DFZ and 6 others seeking, inter alia,:

(a) the following orders:

(i) that the Company and/or APSB be:-

- compelled to make a mandatory general offer to purchase the shares of Naluri;
- restrained and an injunction be granted restraining the Company and/or APSB:
  - from appointing any director to the Board of Naluri or exercising the voting rights attached to the voting shares of Naluri which have been acquired from Danaharta until the provisions of the Malaysian Code on Take-Overs and Mergers 1998 (“Code”) have been complied with;
  - in the event that the Company and/or APSB have appointed any directors to the Board of Naluri, the Company and/or APSB be restrained and an injunction be granted compelling the Company and/or APSB to ensure that the said directors do not hold themselves out and/or act as directors of Naluri until the provisions of the Code have been complied with;
  - from registering the shares of Naluri acquired from Danaharta in the name of APSB or any of its nominees until the provisions of the Code have been complied with;
  - from charging, selling and/or dealing with shares of Naluri acquired from Danaharta until the provisions of the Code have been complied with;

(ii) that any resolutions passed by the shareholders and/or directors of Naluri approving the related party transactions (“RPTs”) as set out in the petition be cancelled;

(iii) that the Listing Requirements in relation to the RPTs as set out in the petition be complied with by all respondent except Naluri;

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- (iv) that DFZ pays to Naluri the monies paid to the financial institutions who received monies pursuant to the RPTs as set out on the petition;
  - (v) that Naluri be paid by all respondents damages resulting from the oppressive acts as set out in the petition;
  - (vi) that all respondents except Naluri, jointly and severally pay the Plaintiff costs; and
- (b) declarations that the transactions as set out in the petition are RPTs and that the respondents named therein are obliged to abstain from voting at Naluri's Shareholders' meeting.

On 17 June 2005, the High Court of Kuala Lumpur dismissed the Petitioner's application for injunction with costs and also allowed with costs the application by the Company, APSB, Naluri and DFZ respectively to strike out the petition.

The Court of Appeal had yet to fix a date for the Petitioner's appeal to the Court of Appeal against the High Court decision in dismissing the Petitioner's application for injunction with cost and allowing the applications by the Company, APSB, Naluri and DFZ respectively to strike out the petition.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008.

(v) Counter Claim by Tan Sri Dato' Tajudin Ramli

The Company, APSB and Naluri respectively have been served each with a copy of a Defence and Counterclaim dated 29 June 2006 (and Amended Defence and Counterclaim dated 13 July 2006) by Tan Sri Dato' Tajudin Ramli's ("TSDTR") solicitors making the Company, APSB and Naluri parties to the legal proceedings commenced by Pengurusan Danaharta Nasional Berhad, Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd (hereinafter collectively referred to as "Danaharta") against TSDTR in the High Court of Malaya.

TSDTR is seeking from the Company, APSB, Naluri, Danaharta, Commerce International Merchant Bankers Berhad ("CIMB"), Mohamad Raslan Abdul Rahman ("Raslan"), Ooi Woon Chee ("Ooi"), Gan Ah Tee ("Gan") (hereinafter collectively referred to as "SAs") and Multi Esprit Sdn Bhd ("MESB") jointly and/or severally the following relief in the Counterclaim:

- (i) a Declaration that the consideration or object of the Agreement dated 11 August 2003 between Danaharta and APSB is illegal and therefore void;



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- (ii) a Declaration that Danaharta, CIMB, Raslan, Ooi, Gan, Naluri, the Company, APSB and/or MESB have acted ultra vires their respective powers by causing APSB to enter into the Agreement dated 11 August 2003 between Danaharta and APSB;
- (iii) a Declaration that Danaharta, CIMB, Raslan, Ooi, Gan, Naluri, the Company and APSB have acted in bad faith and ultra vires their respective powers by causing Naluri to enter into the Naluri Scheme (including the Capital Repayment and the Naluri Acquisitions) and accordingly that the Capital Repayment and the Naluri Acquisitions are illegal and/or against public policy under S. 24 of the Contracts Act, 1950 and therefore void;
- (iv) a Declaration that all transactions (including but not limited to Capital Repayment, the Naluri Acquisitions and any agreement to borrow monies and issue new shares and securities) proposed or entered into by Danaharta, CIMB, Raslan, Ooi, Gan, Naluri, the Company, APSB and/or MESB in relation to the Agreement dated 11 August 2003 between Danaharta and APSB are part of a scheme to commit or perpetuate an illegal act and are therefore void;
- (v) such consequential Orders as may be necessary and just to restore all persons to their positions prior to the execution and/or purported completion of the aforesaid illegal transactions and agreements;
- (vi) such consequential Orders and directions as may be required to give effect to the Orders prayed for before;
- (vii) general damages to be assessed;
- (viii) an Account of all dividends and/or other payments received by APSB arising out of or in relation to the Naluri Shares;
- (ix) an Order that APSB forthwith pays all sums adjudged to be paid to TSDTR under prayer (viii).

Further and/or in the alternative, TSDTR is also seeking from Danaharta, CIMB, Raslan, Ooi, Gan, the Company, APSB, Dato' Seri Adam Sani Abdullah ("DSASA"), Dato' Ong Kim Hoay ("DOKH"), Dato' Khalid Bin Mohamad Jiwa ("DKBMJ") and/or Dato' Ong Kar Beau ("DOKB") jointly and/or severally the following relief in the Counterclaim:

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- (i) an Order that Danaharta, CIMB, Raslan, Ooi, Gan, the Company, APSB, DSASA, DOKH, DKBMJ and/or DOKB jointly and severally do make a Mandatory Take-Over Offer to all shareholders of Naluri at an offer price of RM1.98 per ordinary share in accordance with the terms of the Securities Commission Act, 1993 and the Take-over Code;
- (ii) an Order that Danaharta, CIMB, Raslan, Ooi, Gan, the Company, APSB, DSASA, DOKH, DKBMJ and/or DOKB jointly and severally pay TDSTR the sum of RM613,103,040 pursuant to the Mandatory Takeover being the sum that should have been paid to TSDTR;
- (iii) damages to be assessed.

Further and in addition, TSDTR is also seeking, *inter alia*, from all the 24 Defendants to the Counterclaim the following relief:

- (i) the sum of RM7,214,909,224;
- (ii) damages for conspiracy to be assessed;
- (iii) a Declaration that the purported Vesting, pursuant to the Vesting Certificates, namely No. 1998-00174-DM(1/2) dated 15 December 1998, 1999-00183-DA(1/2) dated 29 April 1995 and 1999-00502-DU dated 7 May 1999 (“the Vesting Certificates”) and all other securities held by Danaharta derived from TSDTR are illegal and ultra vires that the Pengurusan Danaharta Nasional Berhad Act 1998 (“Danaharta Act”) and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;
- (iv) a Declaration that the Settlement Agreement dated 8 October 2001 is illegal and ultra vires the Danaharta Act, and/or the Federal Constitution and is void and unenforceable pursuant to S.24 of the Contracts Act, 1950 *inter alia* as being against Public Policy;
- (v) a Declaration that all acts and deeds carried out and all agreements executed by Danaharta and the SAs or any other person or persons, pursuant to or predicated on the purported vestings pursuant to the Vesting Certificates and/or Settlement Agreement aforesaid are illegal void and unenforceable;

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- (vi) an Order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta and the SAs and any other person or persons pursuant to or predicated on the purported vestings pursuant to the Vesting Certificates be and are hereby declared null and void and set aside and that all persons be ordered and directed to return and restore all assets and monies received by them pursuant to any such contract, agreement, transfer, conveyance, dealing, payment, act or deed whatsoever;
- (vii) all necessary and fit Orders and directions as may be required to give full effect to the aforesaid Declarations and Orders;
- (viii) damages to be assessed;
- (ix) aggravated and exemplary damages to be assessed;
- (x) interest at the rate of 8% per annum on all sums adjudged to be paid by the respective Defendants to the Counterclaim to TSDTR from the date such loss and damage was incurred to the date of full payment; and
- (xi) costs.

The Company's, APSB's and Naluri's respective applications to strike out the action have been called up for hearing on the 22 January 2008. The said applications to strike out which were subsequently called up for hearing on 2 April 2008 have been fixed for further mention on 15 January 2009.

The Company's, APSB's and Naluri's respective solicitors had been served with a copy of Summons in Chambers (Mareva Injunction) dated 19 January 2007 together with an Affidavit (No. 1) in support of the Mareva Injunction affirmed by TSDTR. TSDTR is seeking the following relief:

- (i) an order that Naluri, whether by itself, its subsidiaries, servants, agents or otherwise, howsoever, be restrained from completing the Proposed Business Transfer or any similar or other proposal for the disposal of the Business of Naluri and Proposed Capital Repayment or any similar or other proposal for the return of a substantial amount of capital to the shareholders of Naluri.
- (ii) that the costs of the application be paid forthwith by Naluri to TSDTR;
- (iii) such further and/or other relief as the Honourable Court may think fit and just to grant in the circumstances of the case.

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However, TSDTR has not claimed any relief against the Company and APSB.

The ad interim order restraining Naluri from completing the Proposed Business Transfer and the Proposed Capital Repayment granted by the High Court on 24 May 2007 was stayed by the Court of Appeal on 4 July 2007. The application for Mareva Injunction which was fixed for continued hearing on 28 November 2007 and 21 February 2008 respectively had been fixed for decision on 11 April 2008. The Court then adjourned the decision to 14 April 2008. On 14 April 2008, the Court granted an order in terms of TSDTR's application for Mareva Injunction as aforesaid. The Company, APSB and Naluri then appealed to the Court of Appeal against the said Court's order. On 28 April 2008, the Court of Appeal allowed the appeal by the Company, APSB and Naluri, and set aside the Court's order which granted order in terms of TSDTR's application for Mareva Injunction. TSDTR has applied (to the Federal Court) for leave to appeal against the said Court of Appeal's decision and this application for leave which came up for hearing on 11 August 2008 and 22 September 2008 has been fixed for hearing on 19 January 2009.

The Company, APSB and Naluri had also been served a copy of Summons In Chambers (Application to re-amend Amended Defence and Counterclaim) dated 25 January 2007 together with an Affidavit in support of the said application to re-amend affirmed by TSDTR by TSDTR's solicitors, wherein TSDTR is seeking the Court's leave to amend the Amended Defence and Counterclaim dated 13 July 2006 to include 14 other defendants to TSDTR's counterclaim. This application to re-amend which came up for hearing on 21 July 2008 has been adjourned to 20 October 2008 for decision. On 20 October 2008, the Court allowed the said application to re-amend with costs.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(vi) Writ of Summons and Statement of Claim by Tan Sri Dato' Tajudin Ramli

The Company and Naluri had on 24 April 2007 been served with a Writ of Summons (together with a Statement of Claim) by TSDTR's solicitors.

TSDTR is *inter alia* seeking jointly and/or severally against the Company, Naluri and the 11 other defendants to the legal proceedings, the following relief pursuant to the Writ of Summons (together with the Statement of Claim):

- (i) a declaration that the resolutions purportedly passed and approvals given at the EGM of Naluri dated 8 March 2007 pursuant to Naluri's Circular to Shareholders dated 12 February 2007 are void and of no effect;

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- (ii) an order that Naluri by itself, its servants and agents be restrained from acting on or putting into effect any resolutions purportedly passed at the aforesaid EGM;
- (iii) an order that the Company and Naluri by themselves, their servants and agents be restrained from proceeding with and/or completing the proposed disposal of the Business of Naluri and the Proposed Capital Reduction by Naluri purportedly approved at the aforesaid EGM or any like or similar proposals;
- (iv) general damages to be assessed;
- (v) aggravated and exemplary damages to be assessed;
- (vi) damages for conspiracy to be assessed;
- (vii) damages for misrepresentation to be assessed;
- (viii) damages for breach of statutory duty to be assessed;
- (ix) all necessary and fit orders and directions as may be required to give effect to the aforesaid declarations and orders and/or as the Honourable Court thinks fit;
- (x) interest;
- (xi) costs;
- (xii) such further and/or other relief as the Honourable Court deems fit and just to grant in the circumstances.

The Company and Naluri have applied to strike out the aforesaid legal proceedings. The applications to strike out which came up for mention on 3 September 2008 has been fixed for hearing on 22 September 2009.

On 24 April 2007, Naluri was also served a Summons in Chambers (as supported by TSDTR's affidavit dated 13 April 2007), wherein TSDTR *inter alia* seeks jointly and/or severally against Naluri and 9 other defendants to the legal proceedings, the following relief:

- (i) an order that pending the final disposal of the trial of the matter, Naluri and the 9 other defendants whether by themselves, their subsidiaries, servants, agents or otherwise, howsoever, be restrained from acting on or putting into effect any resolutions passed at the aforesaid EGM or any like or similar, resolutions purportedly passed at any meeting of Naluri;

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- (ii) an order that pending the final disposal of the trial of the matter, Naluri and the 9 other defendants whether by themselves, their subsidiaries, servants, agents or otherwise, howsoever, be restrained from proceeding with and/or completing the disposal of the Business of Naluri and the Proposed Capital Reduction approved at the aforesaid EGM or any like or similar proposals;
- (iii) that the costs of the application pursuant to the Summons in Chambers be forthwith paid by Naluri and the 9 other defendants to TSDTR;
- (iv) such further and/or other relief as the Honourable Court may think fit and just to grant in the circumstances of the case.

The Summons in Chambers was fixed for hearing on 22 August 2007 and further adjourned to 21 February 2008 and 11 April 2008 respectively for further mention. The Court has subsequently fixed this Summons in Chambers for hearing on 9 January 2009.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(vii) Writ of Summons and Statement of Claim by Adenan bin Ismail

APSB and the Company had been served on 22 October 2008 and 24 October 2008 respectively with a sealed copy of the Writ of Summons dated 16 September 2008 together with its related Statement of Claim by Adenan bin Ismail, a shareholder of Naluri.

The Plaintiff is seeking the orders described below following the completion of the corporate exercises or proposals by the Company and/or APSB in connection with APSB's purchase of shares of Naluri pursuant to a conditional sale and purchase agreement with Danaharta dated 11 August 2003:

- (i) That the Company, APSB and all 6<sup>th</sup> to 8<sup>th</sup> defendants named in the Writ of Summons and Statement of Claim are persons acting in concert for the purposes of gaining control of Naluri;
- (ii) That the defendants have acquired control of Naluri as at 2 March 2005 or such other date as the Court determines;

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- (iii) That the Company and/or APSB are bound to make a take-over offer to all existing shareholders of Naluri to acquire their shares at RM1.98 per share as at 2 March 2005 or on such other date as the Court determines the Company and APSB obtained control of Naluri;
- (iv) That the Securities Commission shall direct the Company and/or APSB to make a take-over offer to all existing shareholders of Naluri to acquire their shares at RM1.98 per share as at 2 March 2005 or on such other date as the Court determines the Company and APSB obtained control of Naluri under the Securities Commission Act 1993;
- (v) That the Proposals and Acquisitions (as referred to in the Statement of Claim) are illegal and/or void if the Company and/or APSB does not make a take-over offer to Naluri's existing shareholders as at 2 March 2005 or on such other date as the Court determines the Company and APSB obtained control of Naluri;
- (vi) costs, and such other relief as the Court deems fit.

APSB and the Company have engaged legal counsels to contest the Plaintiff's claims.

(viii) Writ of Summons and Statement of Claim by Adenan bin Ismail

Naluri and the Company have been served on 23 October 2008 and 24 October 2008 respectively with a sealed copy of the Writ of Summons and Statement of Claim both dated 19 September 2008 by Adenan bin Ismail, a shareholder of Naluri. The Plaintiff is purportedly bringing this suit for the benefit of Naluri.

The Plaintiff is seeking the following reliefs:

- (i) as against the 2<sup>nd</sup> to the 10<sup>th</sup> defendants named in the Writ of Summons and Statement of Claim:
  - (a) a declaration that the 2<sup>nd</sup> to the 10<sup>th</sup> defendants have breached their fiduciary duties to Naluri by causing or effecting the sale of Naluri's assets and liabilities and all its holdings in its subsidiaries and associated companies ("Naluri's Assets") for approximately RM435.432 million to the Company through DMSB;
  - (b) a declaration that the 2<sup>nd</sup> to the 10<sup>th</sup> defendants have acted in breach of trust against Naluri by causing or effecting the sale of Naluri's Assets for approximately RM435.432 million to the Company through DMSB;

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- (ii) as against the Company and DMSB:
  - (a) a declaration that the Company and DMSB are jointly and severally liable to account to Naluri for the difference between the actual value of Naluri's Assets described in the Business Agreement dated 5 January 2007 between Naluri and DMSB ("Business Agreement") and the sum actually paid by the Company or such other sum as the Court thinks fit;
  - (b) a declaration that the Company and DMSB are liable to account to Naluri for all benefits gained or derived as a result of the Company's use of Naluri's Assets described in the Business Agreement;
- (iii) as against all defendants (except Naluri):
  - (a) rescission of the Business Agreement and the Subscription Agreement dated 5 January 2007 between the Company and DMSB;
  - (b) all losses and damages to be assessed;
  - (c) interest and costs, and such other relief or order as the Court deems fit and proper.

Naluri and the Company have engaged legal counsels to contest the Plaintiff's claims.

(ix) Third party proceedings by Perbadanan Kemajuan Negeri, Negeri Sembilan ("PKNNS")

Two suits have been filed against PKNNS by 157 landowners, and PKNNS has in turn issued third party notices to MHS Land Sdn Bhd ("MHSL") seeking indemnities from MHSL against the landowners' claims. The landowners' claims comprise:

- (i) 89 landowners seeking specific performance against PKNNS under their respective Sale and Purchase Agreements.
- (ii) 68 landowners seeking declaration that the Sale and Purchase Agreements between them and PKNNS are terminated, entitling them to forfeit the deposits paid. The landowners had also claimed for damages for breach of their respective Sale and Purchase Agreements.

The aforesaid landowners' claims which had been fixed for trial on 11 March 2008 and 15 July 2008 respectively, have been adjourned to 6 November 2008 for mention.



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On 9 November 2006, MHSL and PKNNS have agreed to seek an adjournment of the suit against PKNNS pending a settlement to be implemented within 12 months from 9 November 2006 as full and final settlement, release and discharge of all those claims and demands made by PKNNS against MHSL pursuant to the suit. The parties have subsequently agreed to extend the time period to implement the said settlement to 8 December 2008. The parties have completed the said settlement and PKNNS has undertaken to withdraw its Third Party action against MHSL.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(x) Writ of Summons and Statement of Claim by MHSL against PKNNS

MHSL is claiming against PKNNS for the return of the amount of RM55,781,082 paid to PKNNS by MHSL being 10% deposit payment to the Felda Sendayan settlers for the purchase of the Felda Sendayan land.

On 9 November 2006, MHSL and PKNNS have agreed to seek an adjournment of the suit against PKNNS pending a settlement to be implemented within 12 months from 9 November 2006 as full and final settlement, release and discharge of all those claims and demands made by MHSL against PKNNS pursuant to the suit. The parties have subsequently agreed to extend the time period to implement the said settlement to 8 December 2008. The Court has fixed the matter for mention on 26 June 2008 pending completion of the said settlement. On 26 June 2008, the Court had granted an adjournment and fixed the matter for final case management on 24 September 2008. The parties have completed the said settlement and MHSL has withdrawn the suit against PKNNS on 24 September 2008.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(xi) Arbitration proceedings by Seloga Jaya Sdn Bhd (“Seloga Jaya”)

Seloga Jaya has brought arbitration proceedings against Naluri pursuant to the termination of the appointment of Seloga Jaya as main contractors on 19 April 1995. Seloga Jaya is claiming a sum of approximately RM8,428,444 in quantified damages, RM32,930,771 in special damages for the loss of profits and other damages to be decided by the arbitrator upon the award being made.

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On 10 March 2008, Naluri was informed by its solicitors that the arbitrator had delivered an interim award on 3 March 2008 which held against Naluri with regards to the issue of “whether the termination was wrongful”. Nevertheless, the arbitration with regards to quantum of the claims has not been proceeded with.

Naluri has applied to the High Court to set aside the said interim award or in the alternative, to have the interim award remitted to the arbitrator for reconsideration. This application has been fixed for hearing on 6 January 2009.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(xii) Notice of Breach and Arbitration proceedings by the Ministry of Finance and Treasury of the Republic of Maldives – Air Maldives Limited

In April 2001, the Ministry of Finance and Treasury of the Republic of Maldives issued a Notice of Breach to Naluri for alleged breaches of its contractual obligations under the Shareholders’ Agreement dated 1 October 1994, which includes the payment of USD69.2 million to settle the liabilities of the joint venture company, Air Maldives Limited. Further thereto, on 16 April 2007, Naluri had been served with a Notice of Arbitration by the solicitors acting for the Government of the Republic of Maldives wherein the Government of the Republic of Maldives has sought the following remedies against Naluri:

- (i) damages, and/or
- (ii) compensation; and/or
- (iii) specific performance; and/or
- (iv) interest; and
- (v) other approvals relief or remedies, whether under or in equity, law, statute or otherwise arising out of or in connection with the dispute; and
- (vi) costs.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008.

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(xiii) Writ of Summons and Statement of Claim filed by former employees of Naluri pursuant to an Employees' Share Option Scheme ("ESOS")

Former employees of Naluri are claiming for the rescission of the ESOS agreement, the release of their loan obligations with Bank Islam Malaysia Berhad of approximately RM6.8 million with interest and for Naluri to refund approximately RM1.4 million, being the monies paid by the former employees of Naluri to subscribe to the ESOS.

The Court has adjourned the matter to a date to be fixed for case management to enable Naluri to file an application to amend the Statement of Defence and Counter Claim and for the Plaintiffs to file the revised Analysis of Pleadings. Subsequent thereto, on 14 September 2006 and 9 November 2006, the Court directed the relevant parties to file Written Submission(s) on Islamic Banking Law principles for the Court's consideration and to apply the same to their respective cases. The Court was expected to deliver its decision on the parties' Written Submission(s) on Islamic Banking Law on 8 December 2006. However, the solicitors for Naluri have subsequently been informed that the Court will inform all parties once the Court's decision is ready. Subsequently, the Court had on 4 September 2008 fixed the suit for mention on 6 November 2008.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(xiv) Writ of Summons and Statement of Claim by Malaysian Airline System Berhad

Naluri has been served with a copy of the Writ of Summons and Statement of Claim both dated 26 May 2006 by the solicitors of Malaysian Airline System Berhad ("MASB"), MAS Golden Holidays Sdn Bhd ("MGH") and MAS Hotels & Boutiques Sdn Bhd ("MHB") (hereinafter collectively referred to as "MAS"). MAS is seeking, inter alia, for the following:

- (i) a declaration that Naluri is liable to account to MASB and/or MGH as a constructive trustee on the ground of dishonest assistance in the breach of fiduciary duties and/or obligations by TSDTR and/or knowing receipt of monies paid in breach of TSDTR's fiduciary duties and/or obligations and an order that he pays those sums found due on the taking of the account to MASB and/or MGH;
- (ii) a declaration that Naluri holds any commission, payment or profit received in respect of the dishonest assistance given to TSDTR on trust for MASB and/or MGH and is liable to account to MASB and/or MGH for the same and an order that they pay those sums found due on the taking of the account to MASB and/or MGH;

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- (iii) damages for dishonest assistance and/or knowing receipt;
- (iv) damages for conspiracy; and/or
- (v) damages for unlawful interference in the business of MASB and/or MGH.

Naluri has filed the Defence on 18 August 2006. Apart from filing a Reply to Naluri's said Defence, the Plaintiff has not taken any further steps on the suit against Naluri.

Naluri has also applied to strike out the Suit. This application which was called up for hearing on 3 April 2008 has been fixed for decision on 12 June 2008. The Court subsequently adjourned the decision to 15 September 2008 for clarification, whereupon the High Court dismissed Naluri's application to strike out with costs in the cause. Naluri has filed an appeal to the Court of Appeal to appeal against the said High Court's dismissal.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(xv) Winding up Petition by Shahidan bin Shafie

Shahidan bin Shafie, being a shareholder of Naluri (which has 26,661 shareholders as at 4 March 2008), has commenced winding up proceedings against Naluri and served upon Naluri a sealed copy of the Winding Up Petition dated 29 February 2008 ("Petition") and a copy of the Affidavit Verifying Petition by the Petitioner on 3 March 2008.

The Petitioner is seeking to wind up Naluri pursuant to section 218(1)(f) and section 218(1)(i) of the Companies Act, 1965.

Pursuant to the Petition, the Petitioner is seeking the following reliefs:

- (i) that Naluri be wound up by the Court under the provisions of the Companies Act, 1965;
- (ii) that the Official Receiver may be appointed Provisional Liquidator of Naluri;
- (iii) that the costs of the Petition be paid out of the assets of Naluri; and
- (iv) that such other order as shall be made as in the premises shall be just.

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The Petitioner has also applied for the appointment of the Official Receiver (or such other person(s) as the Court may order) as the provisional liquidator of Naluri until the making of the winding up order pursuant to the Petition or until further order. This application which came up for hearing on 1 April 2008 has been adjourned to 18 April 2008 for hearing. On 24 April 2008 and in view of the Court allowing Naluri's application to strike out the Petition as described below, the Court dismissed the Petitioner's application for the appointment of provisional liquidator.

Naluri had applied to the High Court (under separate Summons in Chambers, both dated 13 March 2008) for the following reliefs:

- (i) that the Petition be struck out, or alternatively, that all proceedings under the Petition be stayed.
- (ii) that the Petitioner and/or its solicitors be restrained by way of an injunction from giving any notice of the Petition to any third party, and pending disposal of the application for such relief or until further order by the High Court, that the Petition and all proceedings therein including but not limited to advertisement and gazetting of the Petition be stayed.

Both aforesaid Summons in Chambers which came up for hearing on 18 March 2008, 24 March 2008 and 18 April 2008 respectively. The Court had directed that the advertisement and gazetting of the Petition be deferred pending the disposal of the applications contained in both aforesaid Summons in Chambers. On 24 April 2008, the Court allowed Naluri's application to strike out with costs against the Petitioner.

Naluri has also applied to the High Court for the following orders in connection with the Conditional Take-Over Offer dated 31 January 2008 by the Company and APSB for the acquisition of all the remaining 359,610,598 ordinary shares of RM1.00 each in Naluri ("Naluri Shares") or such number of Naluri Shares not already owned by AHB and/or APSB for a cash consideration of RM0.75 per Naluri Share:

- (i) that any transfer of Naluri Shares and alteration in the status of the members of Naluri, including but not limited to the acquisition of Naluri Shares by the Company and/or APSB pursuant to the aforesaid Conditional Take-Over Offer, be validated pursuant to section 223 of the Companies Act, 1965.
- (ii) that all transfer of Naluri Shares and alteration in the status of the members of Naluri made or effected between the date of the presentation of the aforesaid Petition and the date of the Court's decision on the Petition shall not be void by virtue of section 223 of the Companies Act, 1965 in the event of an order for the winding up is made against the Company.

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This application came up for hearing on 1 April 2008 and 18 April 2008. On 24 April 2008, the Court made an order to validate all transfer of Naluri Shares made since the commencement of the Petition. The Petitioner has filed an appeal to the Court of Appeal against the Court's decision in allowing Naluri's aforesaid application. The Court of Appeal has fixed the Petitioner's appeal for hearing on 16 March 2009.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(xvi) Writ of Summons and Statement of Claim by Zainal Azman Bin Md. Zain ("ZAMZ")

On 8 August 1995, Zainal Azman bin Md. Zain ("ZAMZ"), the administrator of the estate of Wan Zainab Binti M.A. Bakar ("Wan Zainab"), commenced legal proceedings against DFZ and six (6) of its Directors at that point in time, in the Penang High Court for the alleged:

- (a) fraudulent and non-payment transfer of 36,666 units of shares in DFZ (M) Sdn Bhd ("DFZM") to DFZ for the amount of RM36,666 which belonged to his mother, Wan Zainab;
- (b) fraudulent and underpayment of transfer of 5,000 units of shares in DFZM to DFZ which is valued at RM3.50 each totaling RM17,500 which also belonged to his mother, Wan Zainab; and
- (c) breach of trust by failing to give a full and frank disclosure of the said transfers of shares.

ZAMZ is claiming for the sum of RM13,901,268 being the value of the shares, general, aggravated and exemplary damages of RM30,000 together with interest and costs.

After hearing the submission from counsels for the respective parties the Court had on 31 January 2007 decided that ZAMZ has failed to prove its case and accordingly dismissed the action with costs. ZAMZ has filed an appeal against the decision of the Judge. No date has been fixed for the appeal.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008.

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(xvii) Writ of Summons and Statement of Claim by DFZ against Eden Enterprises (M) Berhad (“EEB”) and Zil Enterprise Sdn Bhd (“ZIL”)

DFZ is claiming RM3,043,537 from EEB for the outstanding amounts due to DFZ and its subsidiaries through various and/or inter-companies loans while EEB and its subsidiaries were subsidiaries of DFZ. DFZ is also seeking specific relief from ZIL and EEB to fulfil their obligations, including the release of the relevant corporate guarantee amounting to RM13,803,278 that had been undertaken prior to the renunciation of DFZ’s entitlement to the rights issue and special issue of EEB’s shares.

DFZ’s Appeal to the Judge in Chambers against the Senior Assistant Registrar’s decision in allowing EEB’s application for amendment to the Statement of Defence and the addition of a counter-claim against DFZ which was fixed for hearing on 22 March 2007, have been adjourned to 30 January 2008. No new date has been fixed for case management pending the completion of the hearing of the aforesaid Appeal by DFZ. This Appeal by DFZ which came up for hearing on 30 January 2008 has been adjourned to a date to be fixed by the Court. The Court has subsequently fixed this Appeal by DFZ for mention on 6 November 2008.

The banks which had provided the banking facilities secured by the corporate guarantee amounting to RM13,803,278 have confirmed that the facilities have been fully paid off. DFZ has filed the relevant forms with the Companies Commission of Malaysia to perfect the discharge of the corporate guarantee. DFZ’s Counsel has applied to the Court to amend the Writ of Summons and Statement of Claim to exclude, inter alia, DFZ’s claim that ZIL specifically performs its undertaking to release DFZ from DFZ’s corporate guarantee amounting to RM13,803,278. This application to amend which came up for hearing on 6 May 2008 has been adjourned to a date to be fixed by the Court. The Court has subsequently fixed this application to amend for mention on 6 November 2008.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

(xviii) Writ of Summons and Statement of Claim by Eden Enterprises (M) Berhad

EEB commenced legal proceedings against DFZ Duty Free (Langkawi) Sdn Bhd (“DDFL”) as the first defendant, Chuan Hooi Huat and Wong Soo Teong, Terry, as the second and third defendants respectively, for tort of conspiracy in respect of a long-term lease of twenty-eight (28) years entered into between EEB and DDFL concerning a duty free outlet and staff living quarters in Langkawi.

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EEB has on 4 August 2005 applied to the High Court seeking for a mandatory injunction compelling DDFL to quit, vacate and deliver the aforesaid duty free outlet and staff living quarters in Langkawi. On 6 December 2005, the learned High Court Judge dismissed EEB's application for a mandatory injunction. EEB has subsequently appealed to the Court of Appeal on the said decision and the matter is currently still pending the fixing of an appeal date by the Court of Appeal.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008.

(xix) Arbitration proceedings by Mancon Berhad (“MB”) on behalf of Nilai Barisan Sdn Bhd (“NBSB”)

An arbitration proceeding was initiated by MB on behalf of NBSB against Kelana Megah Sdn Bhd (“KMSB”) to review the interim certificates issued by KMSB's architect regarding its Contract as nominated sub contractor for the supply, delivery, installation, testing and commissioning of air conditioning and mechanical ventilation works for the construction of the Johor Bahru Duty Free Complex (“JBDFC”). The amount in dispute is approximately RM2,467,776. KMSB counter-claimed that the amount claimed by NBSB is excessive, inaccurate and inconsistent with the rates agreed. Furthermore, KMSB counter-claimed that it incurred damages due to NBSB's defective works and it is estimated that the cost and expense to rectify the defective and/or incomplete works will be approximately RM1,908,898.

The arbitration is currently put in abeyance in view of the fact that NBSB has been wound up on 8 August 2000. KMSB's solicitors had on 21 January 2002 informed the Arbitrator of the status. On 9 June 2006, KMSB's solicitors had written to the Arbitrator requesting him to bring the matter to a close as NBSB has been wound up. To date KMSB has not received any response from the Arbitrator.

On 5 March 2007, 9 June 2007 and 10 August 2007, KMSB's solicitor wrote to the Arbitrator seeking finality to the arbitration proceedings and requested that he take steps to bring the matter to a close. They have not received any response from the Arbitrator to the abovementioned letters. KMSB's solicitors had also written to the liquidator of NBSB requesting that he decides if NBSB wishes to continue with the arbitration or to withdraw the claims against KMSB. KMSB has not received the liquidator's confirmation if NBSB wishes to continue with or withdraw the claims.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008.



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(xx) Writ of Summons and Statement of Claim by LH Technology Sdn. Bhd. (“LHT”)

LHT commenced legal proceedings against KMSB claiming a sum of RM1,025,855 on behalf of Mancon Berhad whereby KMSB has provided an undertaking to pay LHT. LHT is the nominated sub-contractor of Mancon Berhad which is the main contractor appointed to carry out the design, supply and installation of curtain walling, frameless glass panel, shopfront, balustrading, aluminum and glazing works for the JBDFC.

LHT has filed a Notice of Appeal against the High Court's decision to set aside the summary judgement against KMSB. The appeal is now pending the fixing of a hearing date before the Court of Appeal. Meanwhile, the Court of Appeal had, after the case management of LHT's appeal on 22 January 2008, 11 March 2008 and 15 April 2008, fixed LHT's appeal for hearing on 28 July 2008 to decide if LHT's appeal should be dismissed. On 28 July 2008, LHT's appeal was dismissed with no order as to costs. KMSB's solicitors has informed the High Court of the said dismissal and requested that a mention date be fixed by the High Court.

As at 29 October 2008, there were no changes in the above suit, since the last annual balance sheet date of 29 February 2008, except as disclosed above.

**27. Dividend Payable**

An interim tax exempt ordinary share dividend of 5% amounting to RM11.5 million has been declared on 26 September 2008 in respect of the financial year ending 28 February 2009. The dividend was paid on 24 October 2008 to depositors registered in the Records of Depositors of the ordinary shares at the close of business on 15 October 2008.

**28. 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.

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The basic earnings per share was calculated as follows:

	Individual Quarter		Cumulative Quarter	
	Ended 31-Aug-08 RM'000	Ended 31-Aug-07 RM'000	Ended 31-Aug-08 RM'000	Ended 31-Aug-07 RM'000
Profit attributable to ordinary equity holders of the parent	33,723	484	40,913	1,387
Adjustment for the dividends on ICPS (equity component)	-	(11)	-	(23)
Adjusted profit attributable to ordinary equity holders of the parent	<u>33,723</u>	<u>473</u>	<u>40,913</u>	<u>1,364</u>
Weighted average number of ordinary shares in issue ('000)	<u>230,725</u>	<u>192,748</u>	<u>230,642</u>	<u>192,642</u>
Basic earnings per share (sen)	<u>14.62</u>	<u>0.25</u>	<u>17.74</u>	<u>0.71</u>

(b) Diluted

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the enlarged weighted average number of ordinary shares after adjusting for the dilutive effect on the unconverted ESOS and ICPS. However, as at 31 August 2008, there is no unconverted ESOS and ICPS, while the rights warrants are considered to be anti-dilutive. Thus, there is no diluted earning per share for the current period.

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The adjusted weighted average number of ordinary shares was calculated as follows:

	Individual Quarter		Cumulative Quarter	
	Ended 31-Aug-08 RM'000	Ended 31-Aug-07 RM'000	Ended 31-Aug-08 RM'000	Ended 31-Aug-07 RM'000
Profit attributable to ordinary equity holders of the parent	33,723	484	40,913	1,387
Adjustment for the dividends on ICPS (equity component)	-	(11)	-	(23)
Adjusted profit attributable to ordinary equity holders of the parent	<u>33,723</u>	<u>473</u>	<u>40,913</u>	<u>1,364</u>
Weighted average number of ordinary shares in issue ('000)	230,725	192,748	230,642	192,642
Adjustment for the unconverted ESOS ('000)	-	1,080	-	900
Weighted average number of ordinary shares in issue ('000)	<u>230,725</u>	<u>193,828</u>	<u>230,642</u>	<u>193,542</u>
Diluted earnings per share (sen)	<u>14.62</u>	<u>0.24</u>	<u>17.74</u>	<u>0.70</u>

**29. Authorisation for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 30 October 2008.