

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 2010**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 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 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 28 February 2010. 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 2010.

2. Summary of Significant Accounting Policies

i) Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 28 February 2010, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations by the Group with effect from 1 March 2010:

FRS 7: Financial Instruments: Disclosures

FRS 8: Operating Segments

FRS 101: Presentation of Financial Statements (revised)

FRS 123: Borrowing Costs

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

Improvements to FRS issued in 2009

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRSs are, however, not applicable to the Group.

Adoption of the above standards and interpretations did not have significant impact on the financial performance or position of the Group except for those discussed below:

(a) FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as two linked statements.

(b) FRS 139: Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments. A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial Assets

i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

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ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

iv) Available for sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument or financial liabilities) that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Derivatives

Prior to adoption of FRS 139, the Group's derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the profit or loss.

Impairment of trade receivables

Prior to 1 March 2010, allowance for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 March 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and this standard did not have any significant impact on the financial position and results of the Group.

(c) FRS 8: Operating Segments

FRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's chief operating decision maker, the Group's Board of Directors, relies on internal reports that are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.

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ii) Standards Issued But Not Yet Effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132 Financial Instruments: Presentation, relating to Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3 (revised)	Business Combinations
FRS 127 (amended)	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Improvements to FRSs issued in 2010	
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Technical Release 3	Guidance on Disclosures of Transition to IFRSs

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement

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Effective for financial periods beginning on or after 1 January 2012

FRS 124	Related Party Disclosures
Amendment to IC Interpretation 15	Agreements for the Construction of Real Estate

The other new FRSs, revised FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group upon initial application.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 28 February 2010 was not qualified.

4. Comments About Seasonal or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 30 November 2010.

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 30 November 2010, except for the repurchase of its 15,800 ordinary shares of RM1.00 each at an average price of RM3.20 per share. The total cash consideration paid was approximately RM51,000. The shares were bought with internally generated funds and are currently held as treasury shares. As at 30 November 2010, the number of treasury shares held by the Company is 1,648,649.

As at 30 November 2010, the number of ordinary shares issued and fully paid up is 253,650,458 and the number of treasury shares held by the Company is 1,648,649 shares. Accordingly, the number of outstanding shares in issue after deducting treasury shares held is 252,001,809 ordinary shares of RM1 each.

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8. Dividends Paid and Distributed

- (a) On 9 March 2010, the Company paid a fourth interim single tier ordinary share dividend of 6% in respect of the financial year ended 28 February 2010 amounting to RM13.8 million (2009: Nil).
- (b) On 18 June 2010, the Company paid a first interim ordinary share dividend of 5% (single tier) in respect of the financial year ending 28 February 2011 amounting to RM12.0 million (2010: 5% tax exempt).

On 18 June 2010, the Company has distributed 12,000,474 treasury shares to its shareholders as share dividends on the basis of one (1) share dividend for every existing twenty (20) ordinary shares of RM1.00 each (2010: Nil) in respect of the financial year ending 28 February 2011.

- (c) On 18 October 2010, the Company paid a second interim ordinary share dividend of 5% (single tier) in respect of the financial year ending 28 February 2011 amounting to RM12.6 million (2010: 1% tax exempt).

9. Segmental Information

	Individual Quarter		Cumulative Quarter	
	Ended 30-Nov-10 RM'000	Ended 30-Nov-09 RM'000	Ended 30-Nov-10 RM'000	Ended 30-Nov-09 RM'000
Continuing Operations				
Segment Revenue				
Investments	32,634	16,621	50,110	51,437
Hotel and property	22,436	24,165	73,507	88,334
Duty free	139,383	139,693	372,075	355,446
Manufacturing	29,531	29,663	106,624	83,693
Others	2,308	2,689	7,064	8,082
	<u>226,292</u>	<u>212,831</u>	<u>609,380</u>	<u>586,992</u>
Eliminations	(38,665)	(30,196)	(70,228)	(85,752)
Group revenue	<u>187,627</u>	<u>182,635</u>	<u>539,152</u>	<u>501,240</u>

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	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	30-Nov-10	30-Nov-09	30-Nov-10	30-Nov-09
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Segment Results				
Investments	(76)	226	(371)	506
Hotel and property	1,455	4,568	5,493	11,610
Duty free	27,018	22,706	64,981	58,779
Manufacturing	998	47	13,681	1,154
Others	(9,611)	(6,424)	(4,846)	12,468
Profit before taxation	<u>19,784</u>	<u>21,123</u>	<u>78,938</u>	<u>84,517</u>

10. Valuations of Property, Plant and Equipment

There are no changes to the valuations of the property, plant and equipment since the audited financial statements for the year ended 28 February 2010.

11. Significant and Subsequent Events

- (i) On 28 November 2006, Maybank Investment Bank Berhad (“Maybank-IB”) 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”).

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 July 2008, Maybank-IB, on behalf of the Board of the Company announced that the completion of the Proposed Acquisition had taken place on the said date.

Upon the completion of the Acquisition, Naluri had proceeded, on 3 March 2010, to file a Petition to the High Court to confirm the Proposed Capital Repayment in order to give effect to the Special Resolution of Naluri passed at the EGM held on 8 March 2007, pursuant to Section 64 of the Companies Act 1965 (“Petition”). An application for dispensation of inquiry as to creditors had also been filed on 8 March 2010 (“Application”). The Court had on 19 March 2010 granted order in terms of the Application.

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The Court has now fixed the petition for Proposed Capital Repayment for mention on 24 March 2011.

On 18 August 2010, Maybank-IB, on behalf of the Board of the Company announced that SC had vide its letter dated 17 August 2010, approved the extension of time of one year from 3 August 2010 to 2 August 2011 for Naluri to complete the Proposed Capital Repayment.

- (ii) On 16 October 2009, Affin Investment Bank Berhad (“Affin Investment”) announced that the Company had entered into a conditional Share Sale Agreement with DFZ to dispose all its shares in Tenggara Senandung Sdn Bhd for a cash consideration of RM22,000,000 and all its shares in Binamold Sdn Bhd (“BMSB”) for a cash consideration of RM2,800,763 and assumption by DFZ of inter-company debt due and owing by BMSB to the Company amounting to RM5,199,237 as at 31 August 2009. The disposals were fully completed on 7 April 2010.
- (iii) On 16 October 2009, Affin Investment announced that the Company had entered into a conditional Share Sale Agreement with Orchard Boulevard Sdn Bhd (“OBSB”), a wholly owned subsidiary of DFZ, to acquire of all the shares in Radiant Ranch Sdn Bhd (“RRSB”) for a cash consideration of RM14,932,656 and assumption by the Company of inter-company debt due and owing by RRSB to DFZ and/or its group of companies amounting to RM12,067,344 as at 31 August 2009. The acquisition was fully completed on 7 April 2010.
- (iv) On 28 June 2010, Affin Investment, on behalf of the Board of the Company, announced that the Company had entered into two conditional sale and purchase agreements (“SPAs”) with Esmart Holdings Limited (“Esmart”) for the following:
- proposed acquisition by Esmart of 156,861,702 ordinary shares of RM1.00 each in DFZ Capital Berhad (“DFZ Shares”) or 74.71% equity interest representing the Company’s entire equity interest therein for a disposal consideration of RM470,585,106 or equivalently RM3.00 per DFZ Share to be satisfied by the issuance of 12,702,123,773 new ordinary shares in Esmart (“Esmart Shares”) at the issue price of SGD0.015765 per Esmart Share and 1,270,212,377 free warrants on the basis of one free warrant for every 10 Esmart Shares (“Proposed Injection of DFZ”); and
 - proposed acquisition by Esmart of 1,000,002 ordinary shares of RM1.00 each in Darul Metro Sdn Bhd (“Darul Metro Shares”) representing the Company’s entire equity interest therein for a disposal consideration of RM200,000,000 or equivalently RM200.00 per Darul Metro Share to be satisfied by the issuance of 5,398,438,502 new Esmart Shares at the issue price of SGD0.015765 per Esmart Share and 539,843,850 free warrants on the basis of one free warrant for every 10 Esmart Shares (“Proposed Injection of Darul Metro”).

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The aggregate consideration of RM670,585,106 which is equivalent to SGD285,355,364 at the agreed exchange rate of RM2.35 to SGD1.00.

The Proposed Injection of DFZ and Proposed Injection of Darul Metro form the basis for the Proposal as the Proposed Injection of DFZ and Proposed Injection of Darul Metro will result in a reverse take-over of Esmart by the Company which will ultimately control DFZ Capital Berhad and Darul Metro Sdn Bhd via Esmart.

On 1 October 2010, Affin Investment, on behalf of the Board of the Company, announced that Bank Negara Malaysia had, vide its letter dated 23 September 2010, approved for the Company to undertake an investment overseas involving the subscription of Consideration Shares and Consideration Warrants to be issued by Esmart pursuant to the Proposal subject to the Company obtaining the approvals and complying with the conditions imposed by the relevant authorities in Malaysia.

On 15 December 2010, the Company announced that the shareholders of the Company had at the Extraordinary General Meeting (“EGM”) approved the ordinary resolution for the Proposed Injections and Proposed Offer.

On 28 December 2010, Affin Investment, on behalf of the Board of the Company, announced that the two conditional SPAs dated 28 June 2010 entered between the Company and Esmart pursuant to the Reverse Take Over had become unconditional on the said date.

Further, pursuant to the requirements of Part III of the Malaysian Code on Take-Overs and Mergers, 2010 (“Code”), Esmart has an obligation to undertake an unconditional take-over offer (“Offer”) to acquire all the remaining 53,102,127 DFZ Shares that are not already held by Esmart and its parties acting in concert (“PACs”) (“Offer Shares”) representing approximately 25.29% of the issued and paid-up share capital of DFZ. Accordingly, the Company, being a person having an interest in the Offer pursuant to the SPAs, is the ultimate offeror for purposes of the Offer.

In relation to the Offer, on 28 December 2010, Esmart has, through Affin Investment, served a Notice of Mandatory Take-over Offer dated 28 December 2010 (“Notice”) notifying the Board of Directors of DFZ of Esmart’s obligation to extend a mandatory take-over offer for all the remaining ordinary shares of RM1.00 each in DFZ not already owned by Esmart.

On 7 January 2011, Affin Investment announced that the two conditional SPAs entered into between the Company and Esmart on 28 June 2010 pursuant to the Reverse Take Over have been completed (“Completion”). Accordingly, upon Completion, DFZ is a 74.71%-owned subsidiary company of Esmart and Darul Metro is a wholly-owned subsidiary company of Esmart. Atlan, in turn, is the controlling shareholder of Esmart.

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The Offer Document in respect of the Offer were despatched to the shareholders of DFZ on 18 January 2011. The first Closing Date for the Offer is expected to be on 8 February 2011.

- (v) On 8 September 2010, the Board of Directors of DFZ announced that its wholly-owned subsidiary, Cergasjaya Sdn Bhd (“Vendor”) had entered into a Conditional Sale and Purchase Agreement (“SPA”) to dispose the freehold land measuring approximately 2,324,746 square feet to Commerce Trade International Sdn Bhd (“the Purchaser”) for a total cash consideration of RM8,601,600, subject to and upon the terms in the SPA. The disposal was completed on 11 January 2011.

During the current quarter under review, the net book value of the freehold land RM3,440,000 was reclassified as assets held for disposal.

- (vi) On 19 November 2010, the Company announced that Blossom Time Sdn Bhd (“BTSB”) and Radiant Ranch Sdn Bhd (“RRSB”), both wholly-owned subsidiaries of the Company, have entered into two separate conditional Sale and Purchase Agreements (“SPAs”) with Utara Malaya Realty Sdn Bhd (“URSB”) for the proposed disposal of the following lands for a total cash consideration of RM145 million:
- (a) Six pieces of freehold land owned by BTSB for a sale consideration of RM104,419,957.40, measuring approximately 43.95 acres, located at Mukim 17, North-East District of Pulau Pinang, Pulau Pinang (“BTSB Land”); and
- (b) One piece of freehold land owned by RRSB for a sale consideration of RM40,580,042.60, measuring approximately 17.08 acres, located at Mukim 17, North-East District of Pulau Pinang, Pulau Pinang (“RRSB Land”).

On 23 November 2010, the Company announced that BTSB and RRSB have entered into two separate Novation Agreements with Uptrend Housing Development Sdn Bhd (“Uptrend”) to novate the rights and obligations of URSB under BTSB SPA and RRSB SPA, respectively to Uptrend, subject to the terms and conditions contained in the Novation Agreements.

The above proposed disposal has not been completed as at the date of this report and is expected to be completed before the end of first quarter of financial year 2012.

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 30 November 2010.

12. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 November 2010.

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13. Contingent Liabilities and Contingent Assets

The contingent liabilities of the Company are as follows:

	Company 19-Jan-11 RM'000
Corporate guarantees extended in support of banking and other financing facilities granted to certain subsidiaries:	
- Secured	<u>112,500</u>

14. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 November 2010 were as follows:

a) Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	6,323
Approved but not contracted for	<u>115</u>
	<u>6,438</u>

b) Non-cancellable operating lease commitments

	RM'000
Rental payable	<u>6,084</u>

15. Discontinued Operations

On 10 October 2008, the Company had entered into a conditional share sale agreement with Persepsi Gemilang Sdn Bhd (“PGSB”) for the disposal of the Company’s entire equity interests in Atlan Engineering Sdn Bhd (“AESB”) and Atlan Industries Sendirian Berhad (“AISB”) for a total cash consideration of RM11,477,382 to PGSB. The disposal was completed on 26 March 2009. Resulting from this, AESB and AISB had been classified as a disposal group held for sale up to the completion date of 26 March 2009.

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16. Performance Review

The Group's revenue for the current quarter ended 30 November 2010 has increased to RM187.6 million as compared to RM182.6 million in the corresponding quarter in previous year, while the revenue for the year-to-date was RM539.2 million which was RM37.9 million higher than in the corresponding period previous year. The increase is mainly due to the improved performance in the duty free and manufacturing segments.

In the current quarter, the Group generated a profit before taxation of RM19.8 million as compared to RM21.1 million in the corresponding quarter in the previous year, and the profit before taxation for year-to-date was RM78.9 million as compared to RM84.5 million in the corresponding period previous year. The higher profit in the corresponding quarter and period in the previous year was mainly due to reversal of provisions no longer required.

17. Comment on Material Change in Profit Before Taxation

The Group generated a lower profit before taxation of RM19.8 million in the current quarter as compared to RM24.9 million in the previous quarter mainly due to reversal of provisions no longer required in that previous quarter.

18. Commentary on Prospects

Barring unforeseen circumstances, the 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 30-Nov-10 RM'000	Ended 30-Nov-09 RM'000	Ended 30-Nov-10 RM'000	Ended 30-Nov-09 RM'000
Income tax:				
- current period provision	6,253	4,291	14,325	12,241
- (over)/under provision in prior periods	(151)	(829)	550	(829)
Deferred taxation	(54)	182	(45)	333
	<u>6,048</u>	<u>3,644</u>	<u>14,830</u>	<u>11,745</u>

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.

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21. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties during the current quarter ended 31 August 2010.

22. Quoted Securities

Investment in quoted securities:

	As at 30-Nov-10 RM'000
At cost/book value	3,840
At market value	<u>3,943</u>

23. Corporate Proposals

The status of corporate proposals announced but not completed as at 25 January 2011 are as follows:

- (i) On 28 November 2006, Maybank-IB 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”).

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 July 2008, Maybank-IB, on behalf of the Board of the Company announced that the completion of the Proposed Acquisition had taken place on the said date.

Upon the completion of the Acquisition, Naluri had proceeded, on 3 March 2010, to file a Petition to the High Court to confirm the Proposed Capital Repayment in order to give effect to the Special Resolution of Naluri passed at the EGM held on 8 March 2007, pursuant to Section 64 of the Companies Act 1965 (“Petition”). An application for dispensation of inquiry as to creditors had also been filed on 8 March 2010 (“Application”). The Court had on 19 March 2010 granted order in terms of the Application.

The Court has now fixed the petition for Proposed Capital Repayment for mention on 24 March 2011.

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On 18 August 2010, Maybank-IB, on behalf of the Board of the Company announced that SC had vide its letter dated 17 August 2010, approved the extension of time of one year from 3 August 2010 to 2 August 2011 for Naluri to complete the Proposed Capital Repayment.

- (ii) The SC had vide its letter dated 14 April 2009 approved an extension of time to the Group for twenty-four (24) months to 6 April 2011 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.
- (iii) On 28 June 2010, Affin Investment, on behalf of the Board of the Company, announced that the Company had entered into two conditional sale and purchase agreements (“SPA”) with Esmart Holdings Limited (“Esmart”) for the following:
- proposed acquisition by Esmart of 156,861,702 ordinary shares of RM1.00 each in DFZ Capital Berhad (“DFZ Shares”) or 74.71% equity interest representing the Company’s entire equity interest therein for a disposal consideration of RM470,585,106 or equivalently RM3.00 per DFZ Share to be satisfied by the issuance of 12,702,123,773 new ordinary shares in Esmart (“Esmart Shares”) at the issue price of SGD0.015765 per Esmart Share and 1,270,212,377 free warrants on the basis of one free warrant for every 10 Esmart Shares (“Proposed Injection of DFZ”); and
 - proposed acquisition by Esmart of 1,000,002 ordinary shares of RM1.00 each in Darul Metro Sdn Bhd (“Darul Metro Shares”) representing the Company’s entire equity interest therein for a disposal consideration of RM200,000,000 or equivalently RM200.00 per Darul Metro Share to be satisfied by the issuance of 5,398,438,502 new Esmart Shares at the issue price of SGD0.015765 per Esmart Share and 539,843,850 free warrants on the basis of one free warrant for every 10 Esmart Shares (“Proposed Injection of Darul Metro”).

The aggregate consideration of RM670,585,106 which is equivalent to SGD285,355,364 at the agreed exchange rate of RM2.35 to SGD1.00.

The Proposed Injection of DFZ and Proposed Injection of Darul Metro form the basis for the Proposal as the Proposed Injection of DFZ and Proposed Injection of Darul Metro will result in a reverse take-over of Esmart by the Company which will ultimately control DFZ Capital Berhad and Darul Metro Sdn Bhd via Esmart.

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On 1 October 2010, Affin Investment, on behalf of the Board of the Company, announced that Bank Negara Malaysia had, vide its letter dated 23 September 2010, approved for the Company to undertake an investment overseas involving the subscription of Consideration Shares and Consideration Warrants to be issued by Esmart pursuant to the Proposal subject to the Company obtaining the approvals and complying with the conditions imposed by the relevant authorities in Malaysia.

On 15 December 2010, the Company announced that the shareholders of the Company had at the Extraordinary General Meeting (“EGM”) approved the ordinary resolution for the Proposed Injections and Proposed Offer.

On 28 December 2010, Affin Investment, on behalf of the Board of the Company, announced that the two conditional SPAs dated 28 June 2010 entered between the Company and Esmart pursuant to the Reverse Take Over had become unconditional on the said date.

Further, pursuant to the requirements of Part III of the Malaysian Code on Take-Overs and Mergers, 2010 (“Code”), Esmart has an obligation to undertake an unconditional take-over offer (“Offer”) to acquire all the remaining 53,102,127 DFZ Shares that are not already held by Esmart and its parties acting in concert (“PACs”) (“Offer Shares”) representing approximately 25.29% of the issued and paid-up share capital of DFZ. Accordingly, the Company, being a person having an interest in the Offer pursuant to the SPAs, is the ultimate offeror for purposes of the Offer.

In relation to the Offer, on 28 December 2010, Esmart has, through Affin Investment, served a Notice of Mandatory Take-over Offer dated 28 December 2010 (“Notice”) notifying the Board of Directors of DFZ of Esmart’s obligation to extend a mandatory take-over offer for all the remaining ordinary shares of RM1.00 each in DFZ not already owned by Esmart.

On 7 January 2011, Affin Investment announced that the two conditional SPAs entered into between the Company and Esmart on 28 June 2010 pursuant to the Reverse Take Over have been completed (“Completion”). Accordingly, upon Completion, DFZ is a 74.71%-owned subsidiary company of Esmart and Darul Metro is a wholly-owned subsidiary company of Esmart. Atlan, in turn, is the controlling shareholder of Esmart.

The Offer Document in respect of the Offer were despatched to the shareholders of DFZ on 18 January 2011. The first Closing Date for the Offer is expected to be on 8 February 2011.

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- (iv) On 19 November 2010, the Company announced that Blossom Time Sdn Bhd (“BTSB”) and Radiant Ranch Sdn Bhd (“RRSB”), both wholly-owned subsidiaries of the Company, have entered into two separate conditional Sale and Purchase Agreements (“SPAs”) with Utara Malaya Realty Sdn Bhd (“URSB”) for the proposed disposal of the following lands for a total cash consideration of RM145 million:
- (a) Six pieces of freehold land owned by BTSB for a sale consideration of RM104,419,957.40, measuring approximately 43.95 acres, located at Mukim 17, North-East District of Pulau Pinang, Pulau Pinang (“BTSB Land”); and
 - (b) One piece of freehold land owned by RRSB for a sale consideration of RM40,580,042.60, measuring approximately 17.08 acres, located at Mukim 17, North-East District of Pulau Pinang, Pulau Pinang (“RRSB Land”).

On 23 November 2010, the Company announced that BTSB and RRSB have entered into two separate Novation Agreements with Uptrend Housing Development Sdn Bhd (“Uptrend”) to novate the rights and obligations of URSB under BTSB SPA and RRSB SPA, respectively to Uptrend, subject to the terms and conditions contained in the Novation Agreements.

24. Borrowings and Debt Securities

As at 30 November 2010, the Group’s borrowings were as follows:

	RM'000
Long Term Borrowings - Secured	
- Medium Term Papers	24,000
- Syndicated Term Loan	218,000
- Others	32,660
	<u>274,660</u>
Short Term Borrowings - Secured	
- Overdraft	1,792
- Commercial Papers	50,000
- Others	19,179
	<u>70,971</u>

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25. Financial Instruments

(a) Contract value and fair value of derivatives as of 30 November 2010

There were no derivative financial instruments for the current quarter ended 30 November 2010.

(b) Gain/(loss) arising from fair value changes of financial liabilities/financial assets

The fair value changes of forward contract liabilities/assets had resulted in a gain of RM906,000 for the current quarter and a gain of RM2,241,000 for the 9 months period ended 30 November 2010.

There is no change in the significant policy for mitigating or controlling the interest rate risk, credit risk, liquidity risk and foreign currency risk for the Group nor the related accounting policies except those changes which have been disclosed under Note 2(i) (Changes in accounting policies) of this quarterly report. Other related information associated with the financial instruments is consistent with the disclosures in the audited financial statements for the financial year ended 28 February 2010.

Reason and Basis in arriving at fair value changes

Forward foreign exchange contract:

The gain or loss from the fair value changes of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the statement of financial position date applied to a contract of similar quantum and maturity profile.

26. Changes in Material Litigation

Apart from those mentioned below, there are no other changes to the status of material litigation matters involving Atlan Holdings Bhd (“AHB”) and/or its subsidiaries as at 25 January 2011:

(i) Originating Summons by Shahidan Bin Shafie (“Shahidan”)

Shahidan, a shareholder of AHB, had commenced legal proceedings at the High Court against AHB and Atlan Properties Sdn Bhd (“APSB”) on 2 April 2004, seeking *inter alia* that the proposals by AHB relating to the acquisition of shares of Naluri Corporation Berhad (“Naluri”) and the funding structure and bond issuance related thereto, be declared void, and that AHB and APSB be restrained from proceeding with the proposals.

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Upon the application by AHB and APSB to strike out the suit, the High Court dismissed the suit with costs on 26 April 2004. Shahidan appealed to the Court of Appeal against the dismissal. The Court of Appeal allowed Shahidan's appeal and granted leave to Shahidan to amend the Originating Summons. The suit was thereafter remitted back to the High Court to effect the amendments to the Originating Summons and to hear the amended Originating Summons.

AHB and APSB have applied to the High Court to strike out the amended Originating Summons. These applications to strike out came up for hearing on 11 June 2009 and for decision on 31 July 2009. On 31 July 2009, the High Court allowed these applications to strike out, and accordingly, dismissed the suit.

On 13 August 2009, Shahidan filed a notice of appeal to the Court of Appeal against the High Court's dismissal of the suit. The Court of Appeal has not fixed any date for this appeal.

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

Shahidan, a shareholder of Naluri, had commenced legal proceedings at the High Court against AHB and APSB on 26 May 2004, seeking *inter alia* an order that AHB and APSB jointly and severally make a mandatory take-over offer to all shareholders of Naluri (except Pengurusan Danaharta Nasional Berhad, Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd (collectively "Danaharta")) at an offer price of RM1.98 per ordinary share of Naluri, and for damages be assessed.

AHB and APSB had applied to strike out the suit but these applications were dismissed by the Senior Assistant Registrar of the High Court on 8 September 2004. AHB and APSB have appealed to the High Court Judge against the Senior Assistant Registrar's dismissal of the striking out applications. These appeals against the dismissal of the striking out application were dismissed by the High Court Judge on 11 March 2010 with costs in cause ("Dismissal"). A further appeal against the Dismissal had been filed to the Court of Appeal by APSB on 29 March 2010 and AHB on 8 April 2010, respectively. Shahidan had written to the High Court Judge on 2 September 2010 for an adjournment of the trial fixed on 11 to 13 October 2010. The Court has now fixed 24 March 2011 for mention.

Shahidan had also applied to the High Court *via* an interlocutory application to adduce further evidence at the hearing of AHB's and APSB's aforesaid appeal to the High Court Judge. On 1 October 2009, the High Court allowed this application with costs in the said appeal.

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(iii) Claim by Tan Sri Dato' Tajudin Ramli ("TSDTR")

By way of a Defence and Counterclaim dated 29 June 2006, AHB, APSB and Naluri have been made a party to the legal proceedings commenced by Danaharta against TSDTR in the High Court. DFZ was subsequently made a party to the legal proceedings by way of a Re-Amended Defence and Counterclaim dated 30 October 2008.

TSDTR is seeking from AHB, APSB, Naluri, DFZ and 8 other defendants, jointly and/or severally, *inter alia*:-

- (i) various declarations to declare void the Agreement dated 11 August 2003 between Danaharta and APSB in relation to the sale and purchase of Naluri shares from Danaharta; to declare that these defendants have acted ultra vires their respective powers and/or in bad faith by causing APSB and/or Naluri to enter into the said Agreement dated 11 August 2003 and/or the Naluri Scheme (as referred to in the Counterclaim, which includes the Capital Repayment and Naluri Acquisitions) and therefore all transactions entered into between the relevant parties in relation to the Naluri Scheme be also declared void;
- (ii) consequential orders as may be necessary to restore all persons to their position prior to the execution and/or purported completion of the aforesaid transactions or agreements and/or to give effect to any other orders sought by TSDTR;
- (iii) an account of all dividends and/or other payments received by APSB in relation to its Naluri shares, and order that APSB forthwith pays the same to TSDTR;
- (iv) general damages to be assessed.

Further and/or in the alternative, TSDTR is also seeking from AHB, APSB and 11 other defendants, jointly and/or severally, *inter alia*, damages to be assessed and orders that they 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 Securities Commission Act, 1993 and the Takeover Code and pay to TSDTR the sum of RM613,103,040 pursuant to the mandatory take-over.

TSDTR is also seeking from DFZ and 26 other defendants to the Counterclaim, jointly and/or severally, *inter alia* the sum of RM6,246,492,000 (being shares in the 10th defendant to the Counterclaim at RM24 per share); general, aggravated and exemplary damages to be assessed; and damages for conspiracy to be assessed.

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Further and in addition, TSDTR is also seeking from all the 38 Defendants to the Counterclaim, jointly and severally, *inter alia* the sum of RM7,214,909,224; damages for conspiracy to be assessed; various declarations in regards to the invalidity of the vestings made in favour of Danaharta and the acts, deeds and agreements, transfers, conveyances, dealings executed by Danaharta and the then Special Administrators of Naluri pursuant to the said vestings in favour of Danaharta, including the return and restoration of all assets and monies transferred or conveyed; damages, including aggravated and exemplary damages to be assessed; and interest and costs.

AHB, APSB, Naluri and DFZ have applied to strike out the suit, wherein the Court had on 7 December 2009 allowed the striking out application with cost to be paid to AHB and Naluri. TSDTR had on 4 January 2010 filed an appeal against the decision granting the striking out the said application. The Court of Appeal has fixed 25 March 2011 for case management.

TSDTR had also applied to the High Court *via* an interlocutory application to seek leave to re-amend the Counterclaim. The Senior Assistant Registrar of the High Court allowed this application to re-amend with costs. AHB, APSB and Naluri have appealed to the High Court Judge against the Senior Assistant Registrar's decision, wherein the Court had on 12 November 2009 allowed the appeal and by reason thereof DFZ is not a party in the Counterclaim.

TSDTR had also applied to the High Court *via* an interlocutory application for *inter alia* a *mareva injunction* order that Naluri, whether by itself or otherwise, be restrained from completing the Proposed Business Transfer and Proposed Capital Repayment (each as described in the Counterclaim) and/or any other similar proposals. On 14 April 2008, the High Court allowed TSDTR's application for a *mareva injunction* order. AHB, APSB and Naluri then appealed to the Court of Appeal against the High Court's grant of the *mareva injunction* order and these appeals were allowed by the Court of Appeal on 28 April 2008. TSDTR then applied to the Federal Court for leave to appeal to the Federal Court against the decision of the Court of Appeal, but leave to appeal was refused by the Federal Court on 21 January 2009.

(iv) Writ of Summons and Statement of Claim by TSDTR

TSDTR had commenced legal proceedings at the High Court against AHB and Naluri on 16 April 2007, seeking from AHB, Naluri and all other 11 defendants, jointly and/or severally, *inter alia*:-

- (i) a declaration that the resolutions purportedly passed at the extraordinary general meeting of Naluri dated 8 March 2007 pursuant to Naluri's circular to shareholders dated 12 February 2007 are void;

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- (ii) an order that Naluri and/or AHB be restrained from putting into effect any resolutions purportedly passed at the said extraordinary general meeting and/or completing the proposed disposal of the business and the capital repayment of Naluri or any other similar proposals pursuant to the resolutions;
- (iii) general, aggravated and exemplary damages to be assessed, and damages for conspiracy, misrepresentation and breach of statutory duty to be assessed;
- (iv) all necessary orders as may be required to give effect to the declarations and orders sought and/or as the Court thinks fit.

AHB and Naluri have applied to strike out the suit. These applications to strike out have been granted by the Judge on 28 April 2010. TSDTR had filed an appeal on 17 May 2010 against the decision of the Judge in allowing the striking out application. TSDTR had on 29 July 2010 filed a Notice of Motion to the Court of Appeal to adduce further evidence during the hearing of TSDTR's appeal against the Judge's decision in allowing the striking out. The Court has fixed 23 March 2011 for mention, pending disposal of the application to adduce further evidence and the appeal filed by TSDTR on 17 May 2010.

TSDTR had also applied to the High Court *via* an interlocutory application seeking jointly and/or severally against Naluri and 9 other defendants, *inter alia* that they be restrained from putting into effect any resolutions purportedly passed at the said extraordinary general meeting and/or completing the proposed disposal of the business and the capital repayment of Naluri or any other similar proposals pursuant to the resolutions, pending completion of the trial of the suit.

(v) Writ of Summons and Statement of Claim by Adenan

Adenan, a shareholder of Naluri, commenced legal proceedings at the High Court against AHB and APSB on 16 September 2008, following the completion of the corporate exercises by AHB and/or APSB in relation to the Agreement dated 11 August 2003 between Danaharta and APSB for the sale and purchase of Naluri shares from Danaharta. Adenan is seeking against AHB, APSB and 7 other defendants, *inter alia* :-

- (i) an order that AHB, APSB and 6 other defendants are persons acting in concert for the purposes of gaining control of Naluri, that the defendants have acquired control of Naluri as at 2 March 2005 or such other date as the Court determines;
- (ii) an order that AHB and/or APSB make a take-over offer to all existing shareholders of Naluri to acquire their shares at RM1.98 per share of Naluri and that the Securities Commission directs that AHB and/or APSB effect such take-over offer, and if such take-over is not effected, then the capital repayment and the acquisitions by Naluri as described in the Statement of Claim are rendered void.

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APSB's and AHB's application to strike out the suit has been allowed by the Court on 20 October 2010. Adenan has filed an appeal against the High Court's decision.

(vi) Writ of Summons and Statement of Claim by Adenan

Adenan, a shareholder of Naluri, commenced legal proceedings at the High Court against Naluri, AHB and Darul Metro Sdn Bhd ("DMSB") on 19 September 2008, purportedly for the benefit of Naluri. Adenan is seeking against Naluri, AHB, DMSB and 9 other defendants, *inter alia*:-

- (i) various declarations as against AHB and DMSB, to declare that they are jointly and severally liable to account to Naluri for the difference between the actual value of Naluri's assets as described in the Sale of Business Agreement dated 5 January 2007 between Naluri and DMSB and the sum actually paid by AHB or such other sum as the Court thinks fit, and that they are liable to account to Naluri for all benefits gained or derived from the use of Naluri's assets as described in the said Sale of Business Agreement;
- (ii) various orders as against all defendants (except Naluri), to rescind the said Sale of Business Agreement and the Subscription Agreement dated 5 January 2007 between AHB and DMSB; for loss and damage to be assessed; interest and costs.

The applications by Naluri, AHB and DMSB to strike out the suit have been granted by the Court on 18 May 2010. An appeal had been filed by Adenan on 7 June 2010 against the Court's decision in allowing the strike out applications.

(vii) Notice of Arbitration by the Government of the Republic of Maldives

The Government of the Republic of Maldives had served upon Naluri on 16 April 2007 a notice of arbitration, seeking arbitration on the claims and disputes relating to various alleged breaches under a Shareholders' Agreement dated 1 October 1994 between Naluri and the Government of the Republic of Maldives. The Government of Republic of Maldives is seeking, *inter alia*, payment of USD69.2 million to settle the liabilities of a joint venture company, Air Maldives Limited; damages; compensation; specific performance; interest, and/or other approvals relief or remedies, whether under or in equity, law, statute or otherwise arising out of or in connection with the dispute. To date, no arbitrator has been appointed and the Government of the Republic of Maldives has not taken further steps to proceed with the intended arbitration.

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(viii) Writ of Summons and Statement of Claim by Malaysian Airline System Berhad and 2 others

Malaysian Airline System Berhad (“MASB”), MAS Golden Holidays Sdn Bhd (“MGH”) and MAS Hotels & Boutiques Sdn Bhd (“MHB”) had commenced legal proceedings on 26 May 2006 against Naluri and 4 other defendants seeking, *inter alia*:-

- (i) various declarations as against Naluri, to declare that Naluri is liable to MASB and/or MGH as a constructive trustee for allegedly assisting in the breach of fiduciary duties and/or obligations by TSDTR and/or knowingly receiving monies paid in breach of TSDTR’s fiduciary duties or obligations, and to declare that Naluri holds on trust for MASB and/or MGH any payment or profit received arising from the said alleged assistance and is liable to pay the same to MASB and/or MGH;
- (ii) damages for dishonest assistance and/or knowing receipt, for conspiracy and/or for unlawful interference in the business of MASB and/or MGH.

Naluri had applied to the High Court to strike out the suit. This application to strike out was dismissed with costs on 15 September 2008. Naluri has appealed to the Court of Appeal against the dismissal by the High Court.

A Notice to Attend Pre-Trial Case Management had been filed on 29 September 2010 and the suit had been fixed for case management on 9 November 2010 before the High Court Judge. However, in view of the global settlement in respect of all suits involving TSDTR, the suit is now fixed for further mention on 24 March 2011.

(ix) Winding-up Petition by Shahidan

Shahidan, a shareholder of Naluri, had commenced winding-up proceedings at the High Court against Naluri on 29 February 2008. Shahidan is seeking *inter alia* that Naluri be wound up by the Court under the provisions of section 218(1)(f) and section 218(1)(i) of the Companies Act, 1965, and that the Official Receiver be appointed as provisional liquidator of Naluri.

Naluri had applied to the High Court, seeking *inter alia*:-

- (i) to strike out the suit, or alternatively, that all proceedings under the suit be stayed;
- (ii) to restrain Shahidan and/or its solicitors from giving any notice of the winding-up proceedings to any third party; and pending disposal of this application by Naluri or until further order by the High Court, that the suit and all proceedings therein be stayed;

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- (iii) to validate the transfer of all shares of Naluri made since the commencement of the winding-up proceedings.

On 24 April 2008, the High Court allowed with costs Naluri's application to strike out the suit, and validated all transfers of shares of Naluri made since the commencement of the winding-up proceedings. Shahidan has appealed to the Court of Appeal against the said decisions of the High Court. The Court of Appeal has now fixed the appeal for mention on 24 March 2011.

- (x) Arbitration proceedings by Mancon Berhad ("MB") on behalf of Nilai Barisan Sdn Bhd ("NBSB")

MB, on behalf of NBSB, had commenced arbitration proceedings against Kelana Megah Sdn Bhd ("KMSB") on 24 May 1999 in relation to NBSB's engagement as a sub-contractor nominated by KMSB for the supply, installation, testing and commissioning of air-conditioning and mechanical ventilation works in the construction of the Johor Bahru Duty Free Complex. The sum claimed by MBSB is approximately RM2,467,776. KMSB has counter-claimed that it incurred loss/damage in the sum of approximately RM1,908,898 in rectifying defective and/or incomplete works of NBSB.

KMSB's solicitors informed the Arbitrator on 21 January 2002 that NBSB had been wound up on 8 August 2000. In view that NBSB had been wound up, parties were not able to resume the arbitration proceedings and the same is currently in abeyance.

KMSB's solicitors had issued numerous letters to the Arbitrator to seek the Arbitrator's instructions on the arbitration proceedings and/or instructions that the arbitration proceedings be closed. To date, KMSB has not received any response from the Arbitrator. KMSB's solicitors had also written to the liquidator of NBSB to request that the liquidator decides either if NBSB wishes to continue with the arbitration proceedings or to withdraw the claims against KMSB. To date, KMSB has not received any response from the liquidator.

- (xi) Writ of Summons and Statement of Claim by LH Technology Sdn. Bhd. ("LHT")

LHT had commenced legal proceedings at the High Court against KMSB on 30 December 1999, claiming a sum of RM1,025,855 in relation to LHT's engagement as a sub-contractor for the design, supply and installation of curtain walling, frameless glass panel, shopfront, balustrading, aluminum and glazing works in the construction of the Johor Bahru Duty Free Complex.

On 26 June 2000, the Senior Assistant Registrar of the High Court allowed LHT's application for a summary judgment against KMSB. KMSB appealed to the High Court Judge against the said summary judgment, and this appeal was allowed. LHT then appealed to the Court of Appeal against the decision of the High Court Judge.

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On 28 July 2008, LHT's appeal was dismissed with no order as to costs by the Court of Appeal. KMSB's solicitor has informed the High Court of the said dismissal of the LHT's appeal, and requested the High Court to fix a mention date for the suit. To date, the High Court has not fixed any date.

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

DFZ had commenced legal proceedings at the High Court against EEB and ZIL on 30 December 2003, claiming:-

- (i) from EEB, the sum of RM3,043,537 being unpaid sums due and payable to DFZ and its subsidiaries arising from various inter-companies debts incurred while EEB and its subsidiaries were subsidiaries of DFZ.
- (ii) from ZIL and EEB, specific relief for their fulfillment of obligations in releasing the corporate guarantee provided by DFZ in the sum of RM13,803,278 which ZIL and EEB had undertaken to do.

On 7 June 2005, the Senior Assistant Registrar of the High Court allowed EEB's and ZIL's application to amend their Statement of Defence and include a counter-claim against DFZ. DFZ has appealed to the High Court Judge in Chambers against the said decision of the Senior Assistant Registrar ("SAR"). The Court had on 30 July 2010 upheld the decision of the SAR in allowing the amendment to the Statement of Defence but struck out the counter-claim against DFZ. Both EEB and ZIL had on 17 September 2010 served on DFZ an application to stay proceedings. The Court has on 26 October 2010 dismissed the EEB's and ZIL's application for stay, and further fixed the matter for case management on 3 December 2010.

The aforesaid corporate guarantee as provided by DFZ had been released by the relevant bank subsequently. DFZ has then filed an application to amend its claim against ZIL and EEB to reflect the same. The Court had on 30 July 2010 allowed DFZ's application to amend its claim.

Pursuant to a consent order recorded under Alor Setar High Court Suit No. 22-15-2004, DFZ Duty Free (Langkawi) Sdn Bhd (referred to as DDFL, in the suit below) will cause DFZ to withdraw this suit without any order as to costs and thereafter parties to this suit shall have no claims against each other. Based on the terms of the consent order, the Solicitors had withdrawn the suit without any order as to costs on 3 December 2010.

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(xiii) Writ of Summons and Statement of Claim by EEB

EEB had commenced legal proceedings at the High Court on 31 January 2004 against DFZ Duty Free (Langkawi) Sdn Bhd (“DDFL”) and 2 other defendants in respect of an alleged tort of conspiracy on a long-term lease of twenty-eight (28) years entered into between EEB and DDFL for a duty free outlet and staff living quarters in Langkawi (collectively “premises”).

EEB had also applied to the High Court *via* an interlocutory application to compel DDFL to quit, vacate and deliver up to EEB the said premises. EEB’s application was dismissed by the High Court on 6 December 2005.

EEB then appealed to the Court of Appeal against the said dismissal by the High Court. The Court of Appeal dismissed EEB’s appeal on 27 May 2009.

DDFL had filed an application for an interim injunction to restrain EEB and its subsidiary from exercising self-help to regain vacant possession of the premises and interfering with DDFL’s quiet enjoyment of the same. DDFL also filed another application subsequently for an interim injunction to restrain EEB and its subsidiary from prohibiting and qualifying DDFL’s use of lanes around the premises for access to or egress from the premises. The High Court has fixed the matter for trial from 23 to 25 November 2010.

Consent Order was duly recorded between the parties on 23 November 2010 before the High Court Judge wherein EEB withdraws all claims against DDFL and DDFL withdraws its counterclaim against EEB without any order as to costs.

27. Dividend Payable and Distributable

On 8 December 2010, the Company declared a third interim tax exempt ordinary dividend of 2% in respect of the financial year ending 28 February 2011 amounting to RM5.0 million (2010: 3% tax exempt), which was paid on 14 January 2011.

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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. The basic earnings per share was calculated as follows:

	Individual Quarter		Cumulative Quarter	
	Ended 30-Nov-10 RM'000	Ended 30-Nov-09 RM'000	Ended 30-Nov-10 RM'000	Ended 30-Nov-09 RM'000
Profit from continuing operations	9,248	12,355	49,306	61,245
Loss from discontinued operations	-	-	-	(1,958)
Adjusted profit attributable to ordinary equity holders of the parent	<u>9,248</u>	<u>12,355</u>	<u>49,306</u>	<u>59,287</u>
Weighted average number of ordinary shares in issue ('000)	<u>252,012</u>	<u>220,005</u>	<u>248,332</u>	<u>225,119</u>
Basic earnings per share (sen):				
From continuing operations	3.67	5.62	19.85	27.21
From discontinued operations	-	-	-	(0.87)
	<u>3.67</u>	<u>5.62</u>	<u>19.85</u>	<u>26.34</u>

(b) Diluted

There is no unconverted ESOS and ICPS, and the rights warrants are considered to be anti-dilutive. Thus, there is no diluted earning per share.

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors.