

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2012**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 29 February 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRSs”).

This quarterly condensed financial report is the Group’s first MFRS condensed financial report for the part of the period covered by the Group’s first MFRS annual financial statements for the year ending 28 February 2013, and hence, MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards has been applied.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 29 February 2012. 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 2012.

The interim financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

2. Summary of Significant Accounting Policies

(i) Changes in Accounting Policies

The audited financial statements of the Group for the year ended 29 February 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this condensed financial report are consistent with those of the audited financial statements for the year ended 29 February 2012.

Save for the required presentation of three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group’s financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework as the requirements under the previous Financial Reporting Standards (“FRS”) Framework were equivalent to the MFRS Framework, although there are some differences in relation to the transitional provisions and effective dates contained in certain of the MFRSs.

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2. Summary of Significant Accounting Policies (cont'd)

(ii) Standards Issued But Not Yet Effective

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

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits	1 January 2013
MFRS 127: Separate Financial Statements	1 January 2013
MFRS 128: Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 29 February 2012 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 31 May 2012.

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6. Changes in Estimates

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

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 May 2012, except as mentioned below.

During the quarter ended 31 May 2012, the Company had resold 1,649,600 treasury shares on the Bursa Malaysia Securities Berhad for a total consideration of RM6,634,000. The remaining 49 treasury shares were cancelled on 11 May 2012. After the resale and cancellation of the treasury shares, the Company no longer holds any treasury shares in its books.

8. Dividends Paid and Distributed

On 23 March 2012, the Company paid a special interim ordinary share dividend of 10% (single tier) in respect of the financial year ended 29 February 2012 amounting to RM25.2 million.

9. Segmental Information

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000
Segment Revenue				
Duty free	119,402	125,947	119,402	125,947
Automotive	36,180	30,447	36,180	30,447
Property and hospitality	26,747	23,647	26,747	23,647
Investment holding	1,815	1,792	1,815	1,792
Others	2,089	2,081	2,089	2,081
	<u>186,233</u>	<u>183,914</u>	<u>186,233</u>	<u>183,914</u>
Eliminations	(6,488)	(6,622)	(6,488)	(6,622)
Group revenue	<u>179,745</u>	<u>177,292</u>	<u>179,745</u>	<u>177,292</u>

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9. Segmental Information (cont'd)

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000
Segment Results				
Duty free	24,615	19,610	24,615	19,610
Automotive	(249)	(641)	(249)	(641)
Property and hospitality	5,422	72,099	5,422	72,099
Investment holding	(7,306)	(6,385)	(7,306)	(6,385)
Others	(3,511)	24,314	(3,511)	24,314
Profit before taxation	<u>18,971</u>	<u>108,997</u>	<u>18,971</u>	<u>108,997</u>

The Group comprises the following main business segments:

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

Segment Revenue

- (a) The decrease in revenue in the Duty free segment in the current quarter as compared to the corresponding quarter in previous year was mainly due to the after-effects of the prolonged flood situation and also the recent political unrest in Thailand. Consequently, the duty free outlets located at the northern region registered lower revenue in the current quarter as compared to the corresponding quarter in previous year.
- (b) The revenue in the Automotive segment in the current quarter is higher than in the corresponding quarter in previous year as the performance in the corresponding quarter in previous year was affected by the after-effects of the tsunami in Japan in March 2011. Therefore, the revenue in the current quarter has improved as the supply chain in the automobile industry is back to normal.

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9. Segmental Information (cont'd)

Segment Revenue (cont'd)

- (c) The higher revenue in the Property and hospitality segment in the current quarter as compared to the corresponding quarter in previous year is mainly due to the revenue of RM1.8 million generated by a subsidiary, Blossom Time Sdn Bhd (“BTSB”), from its property development activities, while in the corresponding quarter in previous year, there was minimal revenue generated.

The revenue generated by another subsidiary, Naluri Properties Sdn Bhd, also improved as compared to the corresponding quarter in previous year as in the current quarter, the occupancy rate in its office block improved and also, the hotel operations generated better revenue.

- (d) The revenue in the Investment holding segment mainly relates to interest income from subsidiaries in the Group which are eliminated at Group level.
- (e) The revenue in the Others segment mainly relates to management fee from companies in the Group which are eliminated at Group level.

Segment Results

- (a) Even though the revenue in the Duty free segment in the current quarter is lower as compared to the corresponding quarter in previous year, the profit before taxation is higher. This is mainly due to an improvement in overall gross margin.
- (b) Even though the revenue in the Automotive segment in the current quarter is higher than the corresponding quarter in previous year, the loss before taxation in the current quarter is not significantly different from the corresponding quarter in previous year. This is mainly due to a drop in sales margin due to the change in mix of products manufactured and sold and also the higher foreign exchange loss in the current quarter due to the appreciation of the Japanese Yen.
- (c) The higher profit in the Property and hospitality segment in the corresponding quarter in previous year is mainly due to the one-off gain generated by BTSB amounting to approximately RM70 million upon disposal of its lands to an external party.
- (d) The higher loss in the Investment holding segment in the current quarter is mainly due to professional fees incurred for the proposed disposal of assets in the Group.
- (e) The profit in the Others segment in the corresponding quarter in previous year is mainly due to the one-off gain on disposal of land by an inactive subsidiary amounting to approximately RM27 million.

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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 29 February 2012.

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 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 adjourned the Petition for Proposed Capital Repayment for hearing on 1 August 2012.

On 11 August 2011, Maybank-IB, on behalf of the Board of the Company announced that the Securities Commission (“SC”) had vide its letter dated 9 August 2011, approved the extension of time of one year from 3 August 2011 to 2 August 2012 for Naluri to complete the Proposed Capital Repayment.

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11. Significant and Subsequent Events (cont'd)

- (ii) On 17 March 2011, the Board of the Company announced that a wholly-owned subsidiary of the Company, Tegapasti Sdn Bhd, has entered into a conditional Sale and Purchase Agreement to dispose two pieces of freehold land in Batu Ferringhi, Penang to Glass Bay Sdn Bhd for a total cash consideration of RM33 million, subject to and upon the terms and conditions in the conditional Sale and Purchase Agreement.

The above proposed disposal has not been completed as at the date of this report and is expected to be completed by 28 September 2012.

During the current quarter under review, the net book value of the land of RM9.2 million is classified as “Assets classified as held for sale”.

- (iii) On 29 September 2011, the Board of the Company announced that a wholly owned subsidiary of the Company, Gardenia Success Sdn Bhd, has entered into a conditional Sale and Purchase Agreement to dispose off two parcels of freehold vacant commercial development land both located in township of Bandar Sri Sendayan, Daerah Seremban, State of Negeri Sembilan Darul Khusus to BSS Development Sdn Bhd for a total cash consideration of RM52.26 million, subject to and upon the terms and conditions in the conditional Sale and Purchase Agreement.

The above proposed disposal has not been completed as at the date of this report and is expected to be completed by the second quarter of financial year 2013.

During the current quarter under review, the net book value of the freehold land of RM52.26 million is reclassified as “Assets classified as held for sale”.

- (iv) On 10 April 2012, the Board of the Company announced that Atlan Technology Sdn Bhd (“ATSB”) has entered into a conditional Sale and Purchase Agreement (“ATSB SPA”) with Pesaka Ikhlas (M) Sdn Bhd (“Pesaka”), a subsidiary of Berjaya Assets Berhad, a company listed on the Bursa Malaysia Securities Berhad, to acquire all that parcel of vacant 99-year leasehold land bearing Lot No. PTB 10710 located at Stulang Laut, Johor Bahru, measuring approximately 4.899 acres in area, for a total cash consideration of RM32.01 million (“Proposed ATSB Property Disposal”).

In addition to the ATSB SPA, the subsidiaries of Duty Free International Limited (“DFI”), a subsidiary of the Company, on the same day, had entered into the following sale and purchase agreements with Pesaka:

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

(iv)(cont'd)

- (a) The sale of Darul Metro Sdn Bhd's ("DMSB") legal and beneficial interests over the remaining lease period in six land parcels located in The Zon Johor Bahru at Stulang Laut, Johor Bahru (the "Duty Free Zone") to Pesaka for a consideration of RM325.00 million ("DMSB Agreement"); and
- (b) The sale of Kelana Megah Sdn Bhd's intended lease interests in the land parcel bearing lot number PTB 20379 to Pesaka for a consideration of RM27.99 million.

Upon completion of DMSB Agreement, Selasih Eksklusif Sdn Bhd ("Selasih"), a subsidiary of DFI, will commence a tenancy of eight (8) terms of 3 years each and 1 final period of 1 year, constituting a 25-year tenancy over certain premises within the Duty Free Zone ("Selasih Tenancy Agreement"). Pursuant thereto, Selasih shall also retain completely and exclusively within the Duty Free Zone, the entire supply chain of its duty free business of importing, wholesaling and retailing and goodwill associated thereto in respect of the import, supply and sale within the Duty Free Zone of liquor, spirits, beer, chocolate, tobacco products, perfumery and cosmetics for a period of 25 years from the date of the commencement of the Selasih Tenancy Agreement.

The above proposed disposals are expected to be completed by second half of calendar year 2013.

- (v) On 6 June 2012, the Board of the Company announced that its subsidiary, United Sanoh Industries Sdn Bhd ("USISB"), has entered into a conditional sale and purchase agreement to dispose a piece of freehold industrial land comprising a single storey warehouse with an annexed 3-storey office building and 1 single storey guard house to Vibrant Advanced Products Sdn Bhd ("VAPSB") for a total consideration of RM12.5 million ("Proposed Disposal").

Dato' Wong Kam Fuat is one of the directors of VAPSB and also holds 99.8% equity interest in VAPSB. Dato' Wong Kam Fuat also is the Managing Director of United Industries Holdings Sdn Bhd ("UIHSB") which in turn is the holding company of USISB. UIHSB is a wholly-owned subsidiary of the Company.

Dato' Wong Kam Fuat holds 294,484 ordinary shares of RM1 each in the Company, representing 0.12% of the total issued and paid up share capital in the Company. By virtue of the directorship and shareholdings held by Dato' Wong Kam Fuat in VAPSB, Dato' Wong is deemed to have an interest in the Proposed Disposal.

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 31 May 2012.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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12. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 May 2012.

13. Contingent Liabilities and Contingent Assets

The contingent liabilities of the Company are as follows:

	Company 6-Jul-12 RM'000
Corporate guarantees extended in support of banking and other financing facilities granted to certain subsidiaries: - Secured	<u>54,397</u>

As at balance sheet date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are mainly collateralised by fixed and floating charges over property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

As at reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) the carrying amount of each class of financial assets recognised in the statement of financial position;
- (ii) a nominal amount of RM54.40 million relating to corporate guarantees provided by the Company to financial institutions for credit facilities granted to certain subsidiaries.

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14. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 May 2012 were as follows:

a) Capital commitments

RM'000

Purchase of property, plant and equipment:

Approved and contracted for 7,364

Approved but not contracted for 1,277

8,641

b) Non-cancellable operating lease commitments

RM'000

Rental payable

5,634

15. Performance Review

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

16. Comment on Material Change in Profit Before Taxation

The profit before taxation in the current quarter is higher at RM19.0 million as compared to the previous quarter of RM14.7 million mainly due to net increase from the gain on disposal of a property of RM8.3 million by a subsidiary and the Group's unrealised foreign exchange loss of RM3.7 million in the current quarter.

17. Commentary on Prospects

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

18. Profit Forecast or Profit Guarantee

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

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19. Profit Before Taxation

Included in the profit before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000
Changes in fair value of marketable securities	709	93	709	93
Depreciation	5,999	5,873	5,999	5,873
Gain on disposal of land held for property development	-	(100,695)	-	(100,695)
Gain on disposal of property, plant and equipment	(8,260)	(52)	(8,260)	(52)
Impairment losses on receivables	-	323	-	323
Interest expense	3,239	5,920	3,239	5,920
Interest income	(555)	(652)	(555)	(652)
Inventories written back	(838)	(112)	(838)	(112)
Inventories written off	65	44	65	44
Property, plant and equipment written off	60	5	60	5
Reversal of impairment losses on				
- land use rights	(38)	(18)	(38)	(18)
- property, plant and equipment	(174)	(125)	(174)	(125)
Reversal of provision	(3,000)	-	(3,000)	-
Unrealised foreign exchange loss/(gain) (net)	3,713	(84)	3,713	(84)

20. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000	Ended 31-May-12 RM'000	Ended 31-May-11 RM'000
Income tax				
- current period provision	6,881	14,507	6,881	14,507
- under provision in prior periods	253	-	253	-
Deferred taxation	(252)	(176)	(252)	(176)
	<u>6,882</u>	<u>14,331</u>	<u>6,882</u>	<u>14,331</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. Retained Earnings/(Accumulated Losses)

	As at 31-May-12 RM'000	As at 29-Feb-12 RM'000
Total accumulated losses:		
- Realised	(36,019)	(44,682)
- Unrealised	(22,233)	(25,580)
Total share of retained profits from associate		
- Realised	21	21
	(58,231)	(70,241)
Consolidation adjustments	123,130	125,582
Total retained earnings as per Consolidation Statement of Financial Position	64,899	55,341

22. Corporate Proposals

The status of corporate proposals announced but not completed as at 10 July 2012 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 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 adjourned the Petition for Proposed Capital Repayment for hearing on 1 August 2012.

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22. Corporate Proposals (cont'd)

(i) (cont'd)

On 11 August 2011, Maybank-IB, on behalf of the Board of the Company announced that SC had vide its letter dated 9 August 2011, approved the extension of time of one year from 3 August 2011 to 2 August 2012 for Naluri to complete the Proposed Capital Repayment.

- (ii) The SC had vide its letter dated 21 April 2011 approved an extension of time to the Group for twenty-four (24) months to 6 April 2013 for a subsidiary to comply 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 (“Outstanding Conditions”).

In relation to above, the Board of Directors of this subsidiary had resolved to relocate all of its plants and operations from Lot 4999 and 5000 and to consolidate its plants and operations in another land owned by the subsidiary.

The Board of the subsidiary intends to dispose Lot 4999 and 5000 and the buildings erected thereon (“Proposed Disposal”) upon completion of this relocation. The relocation process, which commenced in November 2011, is expected to be completed by February 2013. Upon completion of the Proposed Disposal, the fulfillment of the Outstanding Conditions by the Group will no longer be required.

- (iii) On 17 March 2011, the Board of the Company announced that a wholly-owned subsidiary of the Company, Tegapasti Sdn Bhd, has entered into a conditional Sale and Purchase Agreement to dispose two pieces of freehold land in Batu Ferringhi, Penang to Glass Bay Sdn Bhd for a total cash consideration of RM33 million, subject to and upon the terms and conditions in the Sale and Purchase Agreement. The above proposed disposal has not been completed as at the date of this report and is expected to be completed by 28 September 2012.
- (iv) On 29 September 2011, the Board of the Company announced that a wholly owned subsidiary of the Company, Gardenia Success Sdn Bhd has entered into a conditional Sale and Purchase Agreement to dispose off two parcels of freehold vacant commercial development lands both located in township of Bandar Sri Sendayan, Daerah Seremban, State of Negeri Sembilan Darul Khusus to BSS Development Sdn Bhd for a total cash consideration of RM52.26 million, subject to and upon the terms and conditions in the conditional Sale and Purchase Agreement. The above proposed disposal has not been completed as at the date of this report and is expected to be completed by the second quarter of financial year 2013.

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22. Corporate Proposals (cont'd)

- (v) On 10 April 2012, the Board of the Company announced that Atlan Technology Sdn Bhd (“ATSB”) has entered into a conditional Sale and Purchase Agreement (“ATSB SPA”) with Pesaka Ikhlas (M) Sdn Bhd (“Pesaka”), a subsidiary of Berjaya Assets Berhad, a company listed on the Bursa Malaysia Securities Berhad, to acquire all that parcel of vacant 99-year leasehold land bearing Lot No. PTB 10710 located at Stulang Laut, Johor Bahru, measuring approximately 4.899 acres in area, for a total cash consideration of RM32.01 million (“Proposed ATSB Property Disposal”).

In addition to the ATSB SPA, the subsidiaries of DFI, a subsidiary of the Company, on the same day, had entered into the following sale and purchase agreements with Pesaka:

- (a) The sale of Darul Metro Sdn Bhd’s (“DMSB”) legal and beneficial interests over the remaining lease period in six land parcels located in The Zon Johor Bahru at Stulang Laut, Johor Bahru (the “Duty Free Zone”) to Pesaka for a consideration of RM325.00 million (“DMSB Agreement”); and
- (b) The sale of Kelana Megah Sdn Bhd’s intended lease interests in the land parcel bearing lot number PTB 20379 to Pesaka for a consideration of RM27.99 million.

Upon completion of DMSB Agreement, Selasih Eksklusif Sdn Bhd (“Selasih”), a subsidiary of DFI, will commence a tenancy of eight (8) terms of 3 years each and 1 final period of 1 year, constituting a 25-year tenancy over certain premises within the Duty Free Zone (“Selasih Tenancy Agreement”). Pursuant thereto, Selasih shall also retain completely and exclusively within the Duty Free Zone, the entire supply chain of its duty free business of importing, wholesaling and retailing and goodwill associated thereto in respect of the import, supply and sale within the Duty Free Zone of liquor, spirits, beer, chocolate, tobacco products, perfumery and cosmetics for a period of 25 years from the date of the commencement of the Selasih Tenancy Agreement.

The above proposed disposals are expected to be completed by second half of calendar year 2013.

- (vi) On 6 June 2012, the Board of the Company announced that its subsidiary, United Sanoh Industries Sdn Bhd (“USISB”) has entered into a conditional sale and purchase agreement to dispose a piece of freehold industrial land comprising a single storey warehouse with an annexed 3-storey office building and 1 single storey guard house to Vibrant Advanced Products Sdn Bhd (“VAPSB”) for a total consideration of RM12.5 million (“Proposed Disposal”).

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22. Corporate Proposals (cont'd)

(vi)(cont'd)

Dato' Wong Kam Fuat is one of the directors of VAPSB and also holds 99.8% equity interest in VAPSB. Dato' Wong Kam Fuat also is the Managing Director of United Industries Holdings Sdn Bhd ("UIHSB") which in turn is the holding company of USISB. UIHSB is a wholly-owned subsidiary of the Company.

Dato' Wong Kam Fuat holds 294,484 ordinary shares of RM1 each in the Company, representing 0.12% of the total issued and paid up share capital in the Company. By virtue of the directorship and shareholdings held by Dato' Wong Kam Fuat in VAPSB, Dato' Wong is deemed to have an interest in the Proposed Disposal.

23. Borrowings and Debt Securities

As at 31 May 2012, the Group's borrowings were as follows:

	RM'000
Long Term Borrowings - Secured	
- Syndicated Term Loan	118,000
- Others	1,394
	<u>119,394</u>
Short Term Borrowings - Secured	
- Overdraft	2,225
- Trade facilities	55,955
- Trade facilities (USD)	19,562
- Term loan (SGD12 million)	29,617
- Others	322
	<u>107,681</u>

24. Financial Instruments

(a) Contract value and fair value of derivatives as of 31 May 2012

There were no derivative financial instruments as at 31 May 2012.

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24. Financial Instruments (cont'd)

(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 RM571,000 for the current quarter ended 31 May 2012.

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 29 February 2012.

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.

25. 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 10 July 2012:

(a) 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.

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.

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25. Changes in Material Litigation (cont'd)

(a) Originating Summons by Shahidan Bin Shafie (“Shahidan”) (cont'd)

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 appeal fixed for hearing on 26 June 2012 was adjourned to 27 June 2012. The Court of Appeal dismissed the appeal on 27 June 2012 with costs.

(b) 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 to be assessed.

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.

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. The appeal fixed for hearing in the Court of Appeal on 26 June 2012 has been adjourned to 27 June 2012. On 27 June 2012, the appeals were withdrawn without order as to costs in view that the suit had proceeded to full trial.

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. Trial had proceeded from 28 May 2012 to 30 May 2012. Upon submission by parties, the Court had fixed 21 June 2012 and 29 June 2012 for clarification. The Court has on 5 July 2012 dismissed the Plaintiff’s claim with costs.

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25. Changes in Material Litigation (cont'd)

(c) 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;
- (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.

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.

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 of Appeal dismissed the appeals on 27 June 2012 with costs.

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25. Changes in Material Litigation (cont'd)

(d) 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.

The Court of Appeal dismissed the appeals on 27 June 2012 with costs.

(e) 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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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25. Changes in Material Litigation (cont'd)

(e) Writ of Summons and Statement of Claim by Malaysian Airline System Berhad and 2 others (cont'd)

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. The appeal had been withdrawn with no order as to costs on 10 May 2012.

The High Court has fixed the suit for case management on 22 June 2012. The suit has been withdrawn on 22 June 2012 with no order as to costs and without liberty to file afresh.

(f) 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;
- (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 appeal by Shahidan to the Court of Appeal was withdrawn on 27 June 2012 with no order as to costs.

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25. Changes in Material Litigation (cont'd)

(g) 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.

(h) 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.

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 for this suit.

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25. Changes in Material Litigation (cont'd)

(i) Writ of Summons and Statement of Claim by Eden Enterprises (M) Berhad (“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 (“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 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.

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 (“Consent Order”).

Pursuant to the terms of the Consent Order, the parties had duly appointed their respective valuers to undertake a valuation of the market rate for Lot No. 970, 971, 973, and 1556, Mukim Kedawang, Daerah Langkawi (excluding the staff living quarters) (“Demised Premises”). However, as there is a dispute arising from the Consent Order, DDFL had on 24 May 2011 filed a Writ of Summons and Statement of Claim (“Case”) in the Alor Setar High Court vide Civil Suit No. 22-158-2011, seeking amongst others, for the following declaratory reliefs:

- (i) a declaration that paragraph (c) of the Consent Order be declared void for uncertainty;
- (ii) a declaration that the valuation dated 3 January 2011 by EEB’s valuer be declared null and void; and
- (iii) an order that EEB grant a lease of the Demised Premises occupied by DDFL for a term of three (3) years commencing from 1 January 2011 and thereafter, renewable every three (3) years until 31 March 2024 at the rate of RM1.60 per square feet in accordance with the valuation by DDFL’s valuer.

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25. Changes in Material Litigation (cont'd)

(i) Writ of Summons and Statement of Claim by Eden Enterprises (M) Berhad (“EEB”) (cont'd)

The Case was fixed for mention on 25 July 2011.

Subsequent thereto, a Summons In Chambers and an Affidavit In Support had been filed on 26 June 2011 seeking for the following orders:

- (i) an interim injunction to restrict and prohibit EEB whether by itself, or through its employees or agents or any of them, from exercising self-help to recover vacant possession of the Demised Premises until the determination or conclusion of the suit; and
 - (ii) an interim injunction to restrict and prohibit any interference with the peaceful possession, occupation and quiet enjoyment of the Demised Premises until the determination or conclusion of the suit.
- (collectively “Application for Injunction”)

On 17 June 2011, EEB had filed a Summons In Chambers together with an Affidavit In Support to strike out DDFL’s Case (“Striking Out Application”).

The court had on 10 July 2011 directed for parties to exchange affidavits in respect of both the Application for Injunction and for the Striking Out Application and has fixed the matter for case management on 18 April 2012.

DDFL had on 7 March 2012 filed a Summons In Chambers together with an Affidavit In Support to amend the State of Claim (“Amendment Application”). The court had on 16 April 2012 allowed the Amendment Application.

Trial had commenced on 22 April 2012 and the court fixed the matter for continued trial on 1 and 15 July 2012. However, the trial was concluded on 1 July 2012 and Court has fixed 7 August 2012 for decision.

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26. Related Party Transactions

The related party transaction (which is not in the ordinary course of business entered into by the Group) is set out as below:

- On 6 June 2012, the Board of the Company announced that its subsidiary, United Sanoh Industries Sdn Bhd, has entered into a conditional sale and purchase agreement to dispose a piece of freehold industrial land comprising a single storey warehouse with an annexed 3-storey office building and 1 single storey guard house to Vibrant Advanced Products Sdn Bhd, a company which is deemed to be a related party to the Group and person connected to a Director of the Company's subsidiary, Dato' Wong Kam Fuat, for a total consideration of RM12.5 million ("Proposed Disposal"). As at the date of this report, the said Proposed Disposal has yet to be completed.

27. Dividend Payable and Distributable

On 11 July 2012, the Company declared a first interim single tier ordinary dividend of 10% in respect of the financial year ending 28 February 2013 amounting to RM25.2 million which is payable on 15 August 2012.

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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	Ended	Ended	Ended
	31-May-12	31-May-11	31-May-12	31-May-11
Profit attributable to ordinary equity holders of the parent (RM'000)	9,558	92,235	9,558	92,235
Weighted average number of ordinary shares in issue ('000)	253,011	252,002	253,011	252,002
Basic earnings per share (sen)	3.78	36.60	3.78	36.60

(b) Diluted

There is no unconverted ESOS and ICPS. Thus, there is no diluted earning per share.

29. Authorisation for Issue

The interim financial statements were approved by the Board of Directors in accordance with a resolution of the directors dated 11 July 2012.