

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2013**

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 ended 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 and changes arising from the adoption of MFRS 141 Agriculture as disclosed in Note 2(iii), there is no 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 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 9: Financial Instruments	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 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 128: Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132, MFRS 134: Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
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

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

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

(ii) **Standards Issued But Not Yet Effective (cont'd)**

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

Upon adoption of MFRS 13, the Group will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is expected to result in higher fair value of certain assets of the Group.

MFRS 119 Employee Benefits

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" as permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 require retrospective application with certain exceptions. The Group is currently assessing the impact that this standard will have on the financial position and performance of the Group.

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

(iii) Adoption of MFRS 141 Agriculture

In accordance with the adoption of MFRS 141 Agriculture, the Biological assets are now measured at fair value instead of at cost.

The reconciliation arising from the adoption of MFRS 141 is as follows:

	FRS RM'000	Adjustment RM'000	MFRS RM'000
As at 29 February 2012			
Biological assets	2,759	1,441	4,200
Retained earnings	55,341	1,170	56,511
Non-controlling interests	98,289	271	98,560
As at 1 March 2011			
Biological assets	2,617	769	3,386
Accumulated losses	(11,592)	624	(10,968)
Non-controlling interests	93,531	145	93,676

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 and period ended 28 February 2013, except as disclosed in the table below:

	Individual Quarter Ended 28-Feb-13 RM'000	Cumulative Quarter Ended 28-Feb-13 RM'000
Gain on disposal of land held for property development	-	23,803
Gain on disposal of property, plant and equipment	-	7,607
	-	7,607

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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 and period ended 28 February 2013, except as disclosed in the table below:

	Number of shares re-sold units ('000)	Proceeds RM'000	Average selling price per share RM
Re-sold in March 2012	847	3,257	3.85
Re-sold in April 2012	322	1,321	4.10
Re-sold in May 2012	480	2,056	4.28
	1,649	6,634	4.02

The total Treasury shares resold was 1,649,600. The remaining 49 units were subsequently cancelled on 11 May 2012. After the resale and cancellation of treasury shares, the Company no longer holds any treasury shares in the books. As at 28 February 2013, the issued and fully paid up share capital of the Company with voting rights was 253,650,409.

8. Dividends Paid and Distributed

	RM'000
In respect of the financial year ended 29 February 2012:	
Dividends on ordinary shares:	
- First interim single tier dividend of 4%	10,080
- Special interim single tier dividend of 10%	25,200
	35,280
In respect of the financial year ended 28 February 2013:	
Dividends on ordinary shares:	
- First interim single tier dividend of 10%	25,365
- Second interim single tier dividend of 12%	30,439
	55,804

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.

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8. Dividends Paid and Distributed (cont'd)

On 15 August 2012, the Company paid a first interim ordinary share dividend of 10% (single tier) in respect of the financial year ended 28 February 2013 amounting to RM25.4 million.

On 25 October 2012, the Company paid a second interim ordinary share dividend of 12% (single tier) in respect of the financial year ended 28 February 2013 amounting to RM30.4 million.

9. Discontinued Operations

		Individual Quarter		Cumulative Quarter	
	Note	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000
Discontinued operations					
Revenue	10	15,169	14,182	59,039	55,533
Operating expenses		(11,222)	(10,677)	(43,507)	(43,413)
Other operating income		225	267	733	866
Operating profit		<u>4,172</u>	<u>3,772</u>	<u>16,265</u>	<u>12,986</u>
Depreciation and amortisation		(363)	(1,214)	(3,911)	(4,830)
Finance costs		(296)	(286)	(822)	(1,714)
Profit before taxation	10, 18	<u>3,513</u>	<u>2,272</u>	<u>11,532</u>	<u>6,442</u>
Taxation	19	(458)	(467)	(1,999)	(1,566)
Profit for the period		<u><u>3,055</u></u>	<u><u>1,805</u></u>	<u><u>9,533</u></u>	<u><u>4,876</u></u>

The revenue and results of discontinued operations are included in the Property and hospitality segment.

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10. Segmental Information

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000
Segment Revenue				
Duty free	153,966	142,195	538,154	507,368
Automotive	34,368	31,230	149,242	124,848
Property and hospitality	28,916	24,325	116,861	105,800
Investment holding	6,524	41,706	98,589	132,507
Others	2,133	2,136	8,400	8,362
	<u>225,907</u>	<u>241,592</u>	<u>911,246</u>	<u>878,885</u>
Eliminations	(11,154)	(46,944)	(118,215)	(156,845)
Group revenue	<u>214,753</u>	<u>194,648</u>	<u>793,031</u>	<u>722,040</u>
Segment Results				
Duty free	23,642	24,369	97,678	85,262
Automotive	652	2,133	4,774	4,519
Property and hospitality	7,320	(1,380)	25,640	80,023
Investment holding	(2,921)	(4,556)	(18,844)	(20,326)
Others	(3,671)	(5,190)	11,043	9,492
Profit before taxation	<u>25,022</u>	<u>15,376</u>	<u>120,291</u>	<u>158,970</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 increase in revenue in the Duty free segment in the current quarter and cumulative quarter as compared to the corresponding quarter and cumulative quarter in previous year was mainly due to the increase in sales volume and favourable sales mix with better margins.

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10. Segmental Information (cont'd)

Segment Revenue (cont'd)

- (b) The lower revenue in the Automotive segment in the corresponding quarter and cumulative quarter in previous year was mainly due to the after-effects of the tsunami in Japan in March 2011 and the floods in Thailand in September 2011. Accordingly, the revenue in the current quarter and cumulative quarter improved as the supply chain in the automobile industry had normalised.
- (c) The higher revenue in the Property and hospitality segment in the current quarter was mainly due to the revenue of RM3.6 million generated by a subsidiary from its property development activities for the current quarter, while in the corresponding quarter in previous year, there was no revenue registered.

Likewise, the higher revenue in the Property and hospitality segment in the cumulative quarter was mainly due to the revenue of RM14.9 million generated by a subsidiary from its property development activities as compared to the revenue of RM4.4 million in the cumulative quarter in previous year.

- (d) The revenue in the Investment holding segment mainly relates to interest income and dividend income from subsidiaries in the Group which were eliminated at Group level. The higher revenue in the corresponding quarter and cumulative quarter in previous year was mainly due to higher dividend income from subsidiaries.
- (e) The revenue in the Others segment mainly relates to management fee from companies in the Group which were eliminated at Group level.

Segment Results

- (a) In the Duty free segment, even though the revenue for the current quarter was higher than corresponding quarter in previous year, the profit before taxation was lower mainly due to the increased donations and higher rental expenses incurred in the current quarter.

The higher profit before taxation in the Duty free segment for the cumulative quarter was mainly due to the higher revenue generated as compared to the cumulative quarter in previous year.

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10. Segmental Information (cont'd)

Segment Results (cont'd)

- (b) Even though the revenue for Automotive segment for the current quarter was higher than corresponding quarter in previous year, the profit before taxation was lower mainly due to a recovery of a debt amounting to RM3 million in the corresponding quarter in previous year.

Even though the revenue for Automotive segment for the cumulative quarter was higher, the profit before taxation was not significantly different from cumulative quarter in previous year mainly due to a recovery of a debt amounting to RM3 million in the cumulative quarter in previous year.

- (c) The higher profit before taxation for the Property and hospitality segment for the current quarter was mainly due to the higher revenue in the property development subsidiary as mentioned above. In addition, the loss in the corresponding quarter in previous year was mainly due to development cost charged out amounting to RM3.7 million.

The higher profit in the Property and hospitality segment in the cumulative quarter in previous year was mainly due to the one-off gain registered by a subsidiary amounting to approximately RM70 million upon disposal of its land to an external party.

- (d) The lower loss before taxation in the Investment holding segment in the current quarter and cumulative quarter was mainly due to higher interest income from placements in financial institutions and lower interest expense on borrowings.
- (e) In the Others segment, the higher loss before taxation in the corresponding quarter in previous year was mainly due to professional fees and other related expenses of RM1.5 million incurred for the proposed disposal of land in a subsidiary.

The lower profit before taxation in the cumulative quarter in previous year was mainly due to impairment on land of RM3.7 million, and professional fees and other related expenses of RM1.5 million incurred for the proposed disposal of land in a subsidiary.

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”).

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11. Significant and Subsequent Events (cont'd)

(i) (cont'd)

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 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 on 19 March 2010 granted order in terms of the Application.

The Court heard the Petition for Proposed Capital Repayment on 19 September 2012. The Court had on 20 December 2012 granted order in terms of the Petition.

On 7 August 2012, Maybank-IB, on behalf of the Board of the Company, announced that the Securities Commission (“SC”) had vide its letter dated 6 August 2012, approved the extension of time of one year from 3 August 2012 to 2 August 2013 for Naluri to complete the Proposed Capital Repayment.

On 13 March 2013, Maybank-IB, on behalf of the Board of the Company, announced that the Proposed Capital Repayment by Naluri was completed as the cheques for the Capital Repayment have been dispatched to the entitled shareholders of Naluri.

- (ii) 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 dispose of a parcel of vacant 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, Darul Metro Sdn Bhd (“DMSB”) and Kelana Megah Sdn Bhd (“KMSB”), the wholly owned subsidiaries of Duty Free International Limited (“DFI”) which in turn a 81.94% owned subsidiary of the Company, have entered into conditional Sale and Purchase Agreements with Pesaka to dispose of the remaining lease interest and/or equity interest in several other parcels of land with buildings erected thereon located in Stulang Laut, Johor Bahru to Pesaka (“DMSB Agreement” and “KMSB Agreement”, respectively).

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11. Significant and Subsequent Events (cont'd)

(ii) (cont'd)

On 18 December 2012, the Board of the Company announced that the conditions precedent as stipulated in the ATSB SPA has been fulfilled on the said date. On the same day, the Board of DFI announced that the conditions precedent as stipulated in the DMSB Agreement also has been fulfilled on the said date.

On 15 March 2013, the Board of the Company announced that Proposed ATSB Property Disposal has been duly completed. On the same day, the Board of DFI announced that pursuant to the DMSB Agreement, the DMSB Agreement completion has taken place on the said date.

However, as at the date of this report, the conditions precedent as stipulated in the KMSB Agreement has yet to be fulfilled.

On 15 March 2013, Selasih Eksklusif Sdn Bhd ("Selasih"), a subsidiary of DFI, commenced a tenancy of 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.

During the current quarter under review, the net book value of the abovementioned properties of ATSB, DMSB and KMSB of RM179.6 million were classified as "Assets classified as held for sale".

(iii) 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 of 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 is a former 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. (Note: Dato' Wong Kam Fuat resigned as a director of UIHSB on 15 June 2012).

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11. Significant and Subsequent Events (cont'd)

(iii)(cont'd)

Dato' Wong Kam Fuat held 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.

The above Proposed Disposal was completed on 17 April 2013.

During the current quarter under review, the net book value of the land of RM6.2 million was classified as "Assets classified as held for sale".

(iv) DFI had commenced a share buyback exercise from 12 December 2012. Up to 25 April 2013, DFI had repurchased 11,693,000 of its ordinary shares from the open market for a total cash consideration of RM11,590,000 (including transaction costs). The shares were bought with internally generated funds and all repurchased shares were cancelled immediately upon purchase.

In addition, subsequent to 28 February 2013, there was a conversion of DFI warrants to DFI shares, by non-controlling shareholders, amounting to 1,008,820 shares.

With the repurchase of DFI shares and conversion of DFI warrants, the Company's holding in DFI had increased to 81.94% as at 25 April 2013.

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 28 February 2013.

12. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year ended 28 February 2013.

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13. Commitments

The amount of commitments not provided for in the interim financial statements as at 28 February 2013 were as follows:

a) Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	8,299
Approved but not contracted for	5,875
	<u>14,174</u>

b) Non-cancellable operating lease commitments

	RM'000
Rental payable	<u>254,472</u>

14. Performance Review

Explanatory comment on the performance of each of the Group's segments is provided in Note 10 above.

15. Comment on Material Change in Profit Before Taxation

The profit before taxation in the current quarter (continuing and discontinued operations) was lower at RM25.0 million as compared to the preceding quarter ended 30 November 2012 of RM48.6 million mainly due to the exceptional gain on disposal of land in a subsidiary of RM23.8 million in the preceding quarter.

16. Commentary on Prospects

With the completion of the ATSB SPA and DMSB Agreement (refer to Note 11(ii)) and the VAPSB agreement (refer to Note 11(iii)), the Group will realise an estimated exceptional aggregate gain on disposal of approximately RM142 million in the first quarter of the financial year ending 28 February 2014. However, given the present economic outlook, the Group expects the operating environment for the coming financial year 2014 to be challenging. The Group will continue to focus on its core business by exploring new markets as well as improving operational efficiency and cost control measures in order to remain competitive.

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17. Profit Forecast or Profit Guarantee

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

18. Profit Before Taxation

Included in the profit before taxation (continuing and discontinued operations) are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000
Bad debts written off	125	32	125	32
Changes in fair value of marketable securities	(9)	932	1,043	2,576
Depreciation	5,252	5,915	23,250	23,484
Gain arising from changes in fair value of biological assets	(220)	(606)	(220)	(606)
Gain on disposal of land held for property development	-	-	(23,803)	(100,695)
Loss/(gain) on disposal of property, plant and equipment	297	304	(7,607)	(52)
Gain on disposal of marketable securities	-	-	(15)	-
Impairment losses on receivables	454	185	469	523
Impairment losses on land held for development	305	-	305	-
Impairment losses on property, plant and equipment	-	-	-	3,736
Interest expense	2,384	3,442	11,636	16,477
Interest income	(628)	(600)	(2,306)	(2,507)
Inventories written back	-	(393)	(928)	(1,253)
Inventories written down	523	335	523	335
Inventories written off	116	140	259	262
Property, plant and equipment written off	81	98	231	519
Reversal of impairment losses on				
- land use rights	(38)	(93)	(150)	(147)
- property, plant and equipment	(174)	(309)	(697)	(683)
- receivables	(364)	-	(366)	(3)
Reversal of provision	(196)	-	(1,950)	-
Unrealised foreign exchange loss/(gain) (net)	287	1,987	1,325	(667)

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19. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000
Continuing operations				
Income tax				
- current period provision	5,731	5,263	26,548	29,539
- under/(over) provision in prior periods	96	(90)	886	(538)
Deferred taxation	(122)	(84)	(29)	(501)
	<u>5,705</u>	<u>5,089</u>	<u>27,405</u>	<u>28,500</u>
Discontinued operations				
Income tax				
- current period provision	509	451	2,051	1,550
Deferred taxation	(51)	16	(52)	16
	<u>458</u>	<u>467</u>	<u>1,999</u>	<u>1,566</u>
	<u>6,163</u>	<u>5,556</u>	<u>29,404</u>	<u>30,066</u>

The higher effective tax rate for the continuing operations for the current quarter was mainly due to the effect of certain expenses not deductible for tax purposes.

The lower effective tax rate for the discontinued operations for the current quarter and cumulative quarter ended 28 February 2013 was mainly due to utilisation of tax losses from prior years.

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20. Retained Earnings/(Accumulated Losses)

	As at 28-Feb-13 RM'000	As at 29-Feb-12 RM'000
Total accumulated losses		
- Realised	(23,436)	(43,512)
- Unrealised	(24,052)	(25,580)
Total share of results from an associate		
- Realised	(55)	21
	(47,543)	(69,071)
Consolidation adjustments	124,299	125,582
Total retained earnings as per Consolidation Statement of Financial Position	76,756	56,511

21. Corporate Proposals

The status of corporate proposals announced but not completed as at 25 April 2013 are as follows:

- (i) 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”). The Company has submitted a letter to SC requesting an extension of twenty-four (24) months to 6 April 2015 and is currently awaiting a reply from SC.

In relation to the above, in November 2011, this subsidiary had commenced the relocation of its plants and operations from Lot 4999 and 5000 and to consolidate its plants and operations in another land owned by the subsidiary, and this relocation was completed on 14 March 2013.

It is the intention of the Group to dispose Lot 4999 and 5000 and the buildings erected thereon (“Proposed Disposal”) upon completion of this relocation. Upon completion of the Proposed Disposal, the fulfillment of the Outstanding Conditions will no longer be required.

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21. Corporate Proposals (cont'd)

(ii) 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 dispose of a parcel of vacant 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, Darul Metro Sdn Bhd (“DMSB”) and Kelana Megah Sdn Bhd (“KMSB”), the wholly owned subsidiaries of Duty Free International Limited (“DFI”) which in turn a 81.94% owned subsidiary of the Company, have entered into conditional Sale and Purchase Agreements with Pesaka to dispose of the remaining lease interest and/or equity interest in several other parcels of land with buildings erected thereon located in Stulang Laut, Johor Bahru to Pesaka (“DMSB Agreement” and “KMSB Agreement”, respectively).

On 15 March 2013, the Board of the Company announced that Proposed ATSB Property Disposal has been duly completed. On the same day, the Board of DFI announced that pursuant to the DMSB Agreement, the DMSB Agreement completion has taken place on the said date.

However, the conditions precedent as stipulated in the KMSB Agreement has yet to be fulfilled.

22. Borrowings and Debt Securities

As at 28 February 2013, the Group’s borrowings were as follows:

	RM’000
Long Term Borrowings – Secured	
- Syndicated Term Loan	73,000
- Others	1,702
	74,702
Short Term Borrowings – Secured	
- Overdraft	2,997
- Trade facilities	56,608
- Trade facilities (USD3.1 million)	9,610
- Term loan (SGD10 million)	25,020
- Others	970
	95,205
Total Group’s borrowings	169,907

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23. Financial Instruments

(a) Contract value and fair value of derivatives as of 28 February 2013

As at 28 February 2013, the Group has the following forward contracts:

	Contract value	Fair value	Liabilities
	RM'000	RM'000	RM'000
Forward foreign currency contracts			
Less than 1 year:			
- used to hedge trade payables	6,708	6,690	18

(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 RM904,000 for the year ended 28 February 2013.

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.

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24. 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 April 2013:

(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.

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.

Shahidan had on 23 July 2012 filed 2 applications for leave to appeal to the Federal Court (“Leave Motions”). The Federal Court has fixed 15 August 2013 for hearing of the Leave Motions.

(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 be assessed.

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24. Changes in Material Litigation (cont'd)

(b) Writ of Summons and Statement of Claim by Shahidan (cont'd)

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 had 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 Shahidan's claim with costs.

Shahidan had on 27 July 2012 filed a Notice of Appeal to the Court of Appeal appealing against the dismissal of his claim by the High Court on 5 July 2012. To-date, no date has been received from the Court of Appeal.

(c) Writ of Summons and Statement of Claim by Tan Sri Dato' Tajudin Ramli ("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;

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24. Changes in Material Litigation (cont'd)

(c) Writ of Summons and Statement of Claim by Tan Sri Dato' Tajudin Ramli ("TSDTR") (cont'd)

- (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.

TSDTR had on 23 July 2012 filed 3 applications for leave to appeal to the Federal Court ("Leave Motions"). The Federal Court has fixed 19 August 2013 for hearing of the Leave Motions.

(d) Writ of Summons and Statement of Claim by Adenan Bin Ismail ("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;

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24. Changes in Material Litigation (cont'd)

(d) Writ of Summons and Statement of Claim by Adenan Bin Ismail (“Adenan”) (cont'd)

- (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 appeal by Adenan on 27 June 2012, with costs of RM5,000. Adenan had on 26 July 2012 filed an application for leave to appeal to the Federal Court (“Leave Motion”). The Federal Court has fixed 26 August 2013 for hearing of the Leave Motion.

(e) 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.

(f) 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.

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24. Changes in Material Litigation (cont'd)

(f) Writ of Summons and Statement of Claim by LH Technology Sdn Bhd (“LHT”) (cont'd)

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.

(g) 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”).

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24. Changes in Material Litigation (cont'd)

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

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.

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 High 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.

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24. Changes in Material Litigation (cont'd)

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

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 High Court had on 16 April 2012 allowed the Amendment Application.

Trial had commenced on 22 April 2012 and the High Court had fixed the matter for continued trial on 1 and 15 July 2012. The trial was concluded on 1 July 2012 and the High Court has fixed 7 August 2012 for decision. The High Court had on 30 August 2012 granted judgment in favour of EEB. An appeal to the Court of Appeal against the High Court’s decision has been filed by DDFL on 5 September 2012.

An application to stay enforcement proceedings pursuant to the Court of Appeal’s Judgment dated 30 August 2012 in respect of the Consent Order (“Stay Application”) had been filed on 9 September 2012. The High Court has dismissed the Stay Application with costs of RM1,500 on 21 October 2012.

DDFL had on 23 October 2012 filed an appeal to the Court of Appeal to stay execution proceedings pending a decision by the Court of Appeal (in respect of the appeal by DDFL to the Court of Appeal on 5 September 2012). The parties had on 12 November 2012 recorded a consent judgment whereby amongst others, parties agreed to stay all further execution proceedings pending disposal of the appeal filed by DDFL on 5 September 2012.

The Court of Appeal has been informed by the solicitors that the matter has been resolved and pending execution of the formal settlement agreement and the registration of the lease. Upon such event, DDFL will file a notice of discontinuance and will request the Court of Appeal to fix the appeal for disposal. Whereupon, the appeal will be formally withdrawn.

25. 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 of 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 former Director of the Company’s subsidiary, Dato’ Wong Kam Fuat, for a total consideration of RM12.5 million (“Proposed Disposal”). The said Proposed Disposal was completed on 17 April 2013.

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26. Dividend Payable and Distributable

	Cumulative Quarter Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000
In respect of the financial year ended 29 February 2012		
Dividends on ordinary shares:		
- First interim single tier dividend of 4% declared on 13 October 2011	-	10,080
- Special interim single tier dividend of 10% declared on 9 February 2012	-	25,200
In respect of the financial year ended 28 February 2013		
Dividends on ordinary shares:		
- First interim single tier dividend of 10% declared on 11 July 2012	25,365	-
- Second interim single tier dividend of 12% declared on 28 September 2012	30,439	-
	<u>55,804</u>	<u>35,280</u>

27. 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 Ended 28-Feb-13	Ended 29-Feb-12	Cumulative Quarter Ended 28-Feb-13	Ended 29-Feb-12
Profit attributable to ordinary equity holders of the parent (RM'000)				
- Continuing operations	12,636	4,289	68,232	111,402
- Discontinued operations	2,505	1,465	7,817	3,957
	<u>15,141</u>	<u>5,754</u>	<u>76,049</u>	<u>115,359</u>

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27. Earnings Per Share (cont'd)

(a) Basic (cont'd)

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000	Ended 28-Feb-13 RM'000	Ended 29-Feb-12 RM'000
Weighted average number of ordinary shares in issue ('000)	<u>253,650</u>	<u>252,001</u>	<u>253,489</u>	<u>252,001</u>
Basic earnings per share (sen)				
- Continuing operations	4.98	1.70	26.92	44.21
- Discontinued operations	<u>0.99</u>	<u>0.58</u>	<u>3.08</u>	<u>1.57</u>
	<u>5.97</u>	<u>2.28</u>	<u>30.00</u>	<u>45.78</u>

(b) Diluted

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

28. Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2013.