

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

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 28 February 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 28 February 2013.

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

**2. Summary of Significant Accounting Policies**

**(i) Changes in Accounting Policies**

The significant accounting policies adopted in preparing this condensed financial report are consistent with those of the audited financial statements for the year ended 28 February 2013, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2013:

- MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10: Consolidated Financial Statements
- MFRS 11: Joint Arrangements
- MFRS 12: Disclosure of Interests in Other Entities
- MFRS 13: Fair Value Measurement
- MFRS 119: Employee Benefits
- MFRS 127: Separate Financial Statements
- MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128: Investments in Associates and Joint Ventures
- Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132, MFRS 134: Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

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

**(i) Changes in Accounting Policies (cont'd)**

- Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

**(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:

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 9: Financial Instruments	1 January 2015
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
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:

**(i) Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income**

The amendments to MFRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this amendment affects presentation only and has no financial impact on the Group's financial statements.

**(ii) 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. Based on the initial assessment upon adoption of this MFRS 13, the Group does not foresee any material impact on the Group's financial position or performance.

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

**(iii) 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 financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**(iv) MFRS 119 Employee Benefits**

The Group has adopted MFRS 119 and applied this standard retrospectively during the current period. Based on the initial assessment upon adoption of this MFRS 119, the Group does not foresee any material impact on the Group's financial position or performance.

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

The auditors' report on the financial statements for the year ended 28 February 2013 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 31 May 2013, except as disclosed in the table below:

	<b>Individual Quarter Ended 31-May-13 RM'000</b>	<b>Cumulative Quarter Ended 31-May-13 RM'000</b>
Gain on disposal of assets classified as held for sale	<u>183,135</u>	<u>183,135</u>

**6. Changes in Estimates**

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

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**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 31 May 2013.

**8. Dividends Paid and Distributed**

For the current quarter ended 31 May 2013, there were no dividends paid and distributed.

**9. Discontinued Operations**

	Note	Individual Quarter		Cumulative Quarter	
		Ended 31-May-13 RM'000	Ended 31-May-12 RM'000	Ended 31-May-13 RM'000	Ended 31-May-12 RM'000
<b>Discontinued operations</b>					
Revenue	<b>10</b>	2,386	14,267	2,386	14,267
Operating expenses		(2,561)	(12,277)	(2,561)	(12,277)
Other operating income		77	1,666	77	1,666
Operating (loss)/profit		(98)	3,656	(98)	3,656
Gain on disposal of assets classified as held for sale		159,674	-	159,674	-
Property, plant and equipment written off		(1,728)	-	(1,728)	-
Retrenchment and other expenses related to disposal of assets classified as held for sale		(4,358)	-	(4,358)	-
Depreciation and amortisation		-	(1,189)	-	(1,189)
Finance costs		(285)	-	(285)	-
Profit before taxation	<b>10, 18</b>	153,205	2,467	153,205	2,467
Taxation	<b>19</b>	(18,649)	(480)	(18,649)	(480)
Profit for the period		134,556	1,987	134,556	1,987

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

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**10. Segmental Information**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-May-13 RM'000</b>	<b>Ended 31-May-12 RM'000</b>	<b>Ended 31-May-13 RM'000</b>	<b>Ended 31-May-12 RM'000</b>
<b>Segment Revenue</b>				
Duty free	121,147	119,402	121,147	119,402
Automotive	36,669	36,180	36,669	36,180
Property and hospitality	16,376	12,480	16,376	12,480
Investment holding	1,533	1,815	1,533	1,815
Others	2,101	2,089	2,101	2,089
	<u>177,826</u>	<u>171,966</u>	<u>177,826</u>	<u>171,966</u>
Eliminations	(3,359)	(6,488)	(3,359)	(6,488)
	<u>174,467</u>	<u>165,478</u>	<u>174,467</u>	<u>165,478</u>
<u>Discontinued operations</u>				
Property and hospitality	2,386	14,267	2,386	14,267
Group revenue	<u>176,853</u>	<u>179,745</u>	<u>176,853</u>	<u>179,745</u>
<b>Segment Results</b>				
Duty free	14,328	24,615	14,328	24,615
Automotive	10,031	(249)	10,031	(249)
Property and hospitality	6,634	2,955	6,634	2,955
Investment holding	(635)	(7,306)	(635)	(7,306)
Others	14,920	(3,511)	14,920	(3,511)
	<u>45,278</u>	<u>16,504</u>	<u>45,278</u>	<u>16,504</u>
<u>Discontinued operations</u>				
Property and hospitality	153,205	2,467	153,205	2,467
Profit before taxation	<u>198,483</u>	<u>18,971</u>	<u>198,483</u>	<u>18,971</u>

The Group comprises the following main business segments:

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

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

**Segment Revenue**

- (a) The increase 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 increase in sales volume.
- (b) The revenue in the Automotive segment in the current quarter was not significantly higher than the corresponding quarter in previous year.
- (c) The higher revenue in the Property and hospitality segment (continuing operations) in the current quarter was mainly due to the revenue of RM8.5 million generated by a subsidiary from its property development activities for the current quarter, while in the corresponding quarter in previous year, the revenue generated was RM2.0 million.

The lower revenue in the Property and hospitality segment (discontinued operations) in the current quarter was due to the completion of the DMSB Agreement (as mentioned in Note 11(ii) below) on 15 March 2013.

- (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.
- (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 higher rental expenses incurred in the current quarter. In addition, in the corresponding quarter in previous year, there was a gain on disposal of land amounting to RM7.9 million.
- (b) Even though the revenue for Automotive segment for the current quarter was not significantly higher than corresponding quarter in previous year, the profit before taxation was higher mainly due to the gain on disposal of land in the current quarter of RM6.3 million and also due to favourable sales mix with better margins.

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

**Segment Results (cont'd)**

- (c) The higher profit before taxation for the Property and hospitality segment (continuing operations) for the current quarter was mainly due to the higher revenue in the property development subsidiary as mentioned above.

In the Property and hospitality segment (discontinued operations), there was a net gain of RM153.6 million arising from the disposal of assets classified as held for sale in the current quarter.

- (d) The higher loss before taxation in the Investment holding segment in the corresponding quarter in previous year was mainly due to professional fees incurred for the proposed disposal of assets in the Group.
- (e) In the Others segment, the profit in the current quarter was mainly due to the gain on disposal of land in a subsidiary amounting to RM17.2 million in relation to the ATSB SPA as mentioned in Note 11(ii) below.

**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 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.

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**11. Significant and Subsequent Events (cont'd)**

(i) (cont'd)

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 (“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 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 ATSB Property Disposal has been duly completed. The Board of DFI also announced that the DMSB Agreement was completed on the same day.

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



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**11. Significant and Subsequent Events (cont'd)**

(ii) (cont'd)

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.

(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 ("VAPSB Agreement").

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).

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 VAPSB Agreement.

The above VAPSB Agreement was completed on 17 April 2013.

(iv) DFI had commenced a share buyback exercise from 12 December 2012. For the financial year ended 28 February 2013, DFI had repurchased 11,591,000 of its ordinary shares from the open market for a total cash consideration of RM11,480,000 (including transaction costs).

Subsequent to financial year ended 28 February 2013, DFI had repurchased 102,000 of its ordinary shares from the open market for a total cash consideration of RM110,000 (including transaction costs).

The shares were bought with internally generated funds and all repurchased shares were cancelled immediately upon purchase.

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**11. Significant and Subsequent Events (cont'd)**

(iv)(cont'd)

In addition, subsequent to 28 February 2013, there was a conversion of DFI warrants to DFI shares, by non-controlling shareholders, amounting to 1,011,504 shares.

With the exercise of DFI warrants, the Company's holding in DFI was diluted to 81.94% as at 31 May 2013 from 82.00% as at 28 February 2013.

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 31 May 2013.

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

Other than as disclosed in Note 11(iv) above, there were no changes in the composition of the Group during the current quarter ended 31 May 2013.

**13. Commitments**

The amount of commitments not provided for in the interim financial statements as at 31 May 2013 were as follows:

a) Capital commitments

	<b>RM'000</b>
Purchase of property, plant and equipment:	
Approved and contracted for	8,237
Approved but not contracted for	5,839
	<u>14,076</u>

b) Non-cancellable operating lease commitments

	<b>RM'000</b>
Rental payable	<u>166,418</u>

**14. Performance Review**

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

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

The profit before taxation in the current quarter (continuing and discontinued operations) was higher at RM198.5 million as compared to the preceding quarter ended 28 February 2013 of RM25.0 million mainly due to the exceptional net gain (RM177.0 million) on disposal of assets in the current quarter, as mentioned in Note 11(ii) above.

**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 had realised an estimated exceptional aggregate net gain on disposal of approximately RM177.0 million in this current quarter. However, given the present economic outlook, the Group foresees that the operating environment of its businesses for financial year 2014 will 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.

**17. Profit Forecast or Profit Guarantee**

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

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**18. Profit Before Taxation**

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

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-13 RM'000	Ended 31-May-12 RM'000	Ended 31-May-13 RM'000	Ended 31-May-12 RM'000
Changes in fair value of marketable securities	(189)	709	(189)	709
Depreciation	4,530	5,999	4,530	5,999
Gain on disposal of:				
- assets classified as held for sale				
= continuing operations	(23,461)	(7,917)	(23,461)	(7,917)
= discontinued operations	(159,674)	-	(159,674)	-
- property, plant and equipment	(154)	(8,260)	(154)	(8,260)
Interest expense	2,233	3,239	2,233	3,239
Interest income	(1,161)	(555)	(1,161)	(555)
Inventories written back	(1,280)	(838)	(1,280)	(838)
Inventories written off	34	65	34	65
Property, plant and equipment written off	1,753	60	1,753	60
Retrenchment and other expenses related to disposal of assets classified as held for sale	4,358	-	4,358	-
Reversal of impairment losses on				
- land use rights	(38)	(38)	(38)	(38)
- property, plant and equipment	(178)	(174)	(178)	(174)
Reversal of provision	-	(3,000)	-	(3,000)
Unrealised foreign exchange (gain)/loss (net)	(331)	3,713	(331)	3,713

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**19. Taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-May-13 RM'000</b>	<b>Ended 31-May-12 RM'000</b>	<b>Ended 31-May-13 RM'000</b>	<b>Ended 31-May-12 RM'000</b>
<b>Continuing operations</b>				
Income tax				
- current period provision	5,282	6,401	5,282	6,401
- under provision in prior periods	22	253	22	253
Deferred taxation	144	(252)	144	(252)
Real property gains tax	1,720	-	1,720	-
	<u>7,168</u>	<u>6,402</u>	<u>7,168</u>	<u>6,402</u>
<b>Discontinued operations</b>				
Income tax				
- current period provision	11,288	480	11,288	480
Deferred taxation	(43)	-	(43)	-
Real property gains tax	7,404	-	7,404	-
	<u>18,649</u>	<u>480</u>	<u>18,649</u>	<u>480</u>
	<u>25,817</u>	<u>6,882</u>	<u>25,817</u>	<u>6,882</u>

The lower effective tax rate for the continuing operations for the current quarter was mainly due to the lower tax rate for the disposal of capital items.

The lower effective tax rate for the discontinued operations for the current quarter was mainly due to utilisation of tax losses from prior years and lower tax rate for the disposal of capital items.

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**20. Retained Earnings**

	<b>As at 31-May-13 RM'000</b>	<b>(Audited) As at 28-Feb-13 RM'000</b>
Total retained earnings/(accumulated losses)		
- Realised	65,698	(33,307)
- Unrealised	(23,591)	(24,052)
Total share of results from an associate		
- Realised	(38)	(54)
	42,069	(57,413)
Consolidation adjustments	130,902	134,169
Total retained earnings as per Consolidation Statement of Financial Position	172,971	76,756

**21. Corporate Proposals**

The status of corporate proposals announced but not completed as at 26 June 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 of Lot 4999 and 5000 and the buildings erected thereon (“Intended Disposal”) upon completion of this relocation. Upon completion of the Intended 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 (“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 the ATSB Property Disposal has been duly completed. The Board of DFI also announced that the DMSB Agreement was completed on the same day.

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

**22. Borrowings and Debt Securities**

As at 31 May 2013, the Group’s borrowings were as follows:

	<b>RM’000</b>
Long Term Borrowings – Secured	
- Syndicated Term Loan	58,000
- Term Loan	20,000
- Obligations under finance leases	1,278
	79,278
Short Term Borrowings – Secured	
- Overdraft	6,025
- Trade facilities	8,682
- Term loan (SGD9 million)	22,052
- Term loan	24,000
- Obligations under finance leases	862
	61,621
<b>Total Group’s borrowings</b>	<b>140,899</b>

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**23. Financial Instruments**

(a) Contract value and fair value of derivatives as of 31 May 2013

As at 31 May 2013, the Group has the following forward contracts:

	<b>Contract value</b>	<b>Fair value</b>	<b>Assets</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Forward foreign currency contracts</b>			
Less than 1 year:			
- used to hedge trade payables	36,183	36,727	544

(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 RM470,000 for the period ended 31 May 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 28 February 2013.

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 26 June 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. The Court of Appeal has fixed the appeal for case management on 9 July 2013.

**(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. Accordingly, the appeal to the Court of Appeal by DDFL has been withdrawn without liberty to file afresh and with no order as to costs on 20 June 2013.

**25. Dividend Payable and Distributable**

On 16 May 2013, the Company declared a first interim single tier ordinary dividend of 10 sen per share and a special single tier ordinary dividend of 10 sen per share, in respect of the financial year ending 28 February 2014 amounting to a total of RM50.7 million which was paid on 14 June 2013.

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**26. Earnings Per Share**

(a) Basic

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Ended 31-May-13</b>	<b>Ended 31-May-12</b>	<b>Ended 31-May-13</b>	<b>Ended 31-May-12</b>
Profit attributable to ordinary equity holders of the parent (RM'000)				
- Continuing operations	33,114	7,946	33,114	7,946
- Discontinued operations	113,831	1,612	113,831	1,612
	<u>146,945</u>	<u>9,558</u>	<u>146,945</u>	<u>9,558</u>
Weighted average number of ordinary shares in issue ('000)	<u>253,650</u>	<u>253,011</u>	<u>253,650</u>	<u>253,011</u>
Basic earnings per share (sen)				
- Continuing operations	13.05	3.14	13.05	3.14
- Discontinued operations	44.88	0.64	44.88	0.64
	<u>57.93</u>	<u>3.78</u>	<u>57.93</u>	<u>3.78</u>

(b) Diluted

There is no ESOS or ICPS issued by the Company. Accordingly, there is no diluted earning per share.

**27. Authorisation for Issue**

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