

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 AUGUST 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:

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
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
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	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.

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

(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.

(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 August 2013, except as disclosed in the table below:

	Individual Quarter Ended 31-Aug-13 RM'000	Cumulative Quarter Ended 31-Aug-13 RM'000
Gain on disposal of assets classified as held for sale	-	180,811

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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 31 August 2013.

8. Dividends Paid and Distributed

RM'000

In respect of the financial year ending 28 February 2014:

Dividends on ordinary shares:

- First interim single tier dividend of 10%	25,365
- Special interim single tier dividend of 10%	25,365

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 which was paid on 14 June 2013.

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9. Discontinued Operations

	Note	Individual Quarter		Cumulative Quarter	
		Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000	Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000
Revenue	10	-	14,897	2,335	29,165
Operating expenses		-	(12,420)	(2,960)	(21,619)
Other operating income		88	1,821	614	407
Operating profit/(loss)		88	4,298	(11)	7,953
Gain on disposal of assets classified as held for sale		-	-	159,674	-
Property, plant and equipment written off		(257)	-	(1,985)	-
Retrenchment and other expenses related to disposal of assets classified as held for sale		(454)	-	(4,812)	-
Depreciation and amortisation		-	(1,188)	-	(2,377)
Finance costs		(207)	(232)	(492)	(232)
(Loss)/profit before taxation	10, 18	(830)	2,878	152,374	5,344
Taxation	19	(4)	(595)	(18,652)	(1,075)
(Loss)/profit for the period		(834)	2,283	133,722	4,269

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 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000	Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000
Segment Revenue				
Duty free	129,793	131,313	250,941	250,715
Automotive	35,083	38,600	71,752	74,779
Property and hospitality	8,762	13,799	24,593	23,254
Investment holding	95,347	38,044	96,880	39,859
Others	2,088	2,088	4,188	4,178
	<u>271,073</u>	<u>223,844</u>	<u>448,354</u>	<u>392,785</u>
Eliminations	<u>(96,724)</u>	<u>(39,677)</u>	<u>(99,488)</u>	<u>(43,141)</u>
	174,349	184,167	348,866	349,644
<i>Discontinued operations:</i>				
Property and hospitality	-	14,897	2,335	29,165
Group revenue	<u>174,349</u>	<u>199,064</u>	<u>351,201</u>	<u>378,809</u>
Segment Results				
Duty free	15,354	26,050	29,682	50,665
Automotive	(603)	1,810	9,428	1,561
Property and hospitality	3,354	5,261	9,989	8,217
Investment holding	(2,030)	(5,629)	(2,665)	(12,935)
Others	(2,498)	(2,660)	12,422	(6,172)
	<u>13,577</u>	<u>24,832</u>	<u>58,856</u>	<u>41,336</u>
<i>Discontinued operations:</i>				
Property and hospitality	(830)	2,878	152,374	5,344
Profit before taxation	<u>12,747</u>	<u>27,710</u>	<u>211,230</u>	<u>46,680</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 decrease in revenue in the Duty free segment in the current quarter as compared to the corresponding quarter in previous year was mainly due to change of sales mix and also lower demand from customers for certain products.
- (b) The revenue in the Automotive segment in the current quarter and cumulative quarter current year was lower than corresponding quarter and cumulative quarter in the previous year mainly due to lower demand from its customers in the automobile industry.
- (c) The lower revenue in the Property and hospitality segment (continuing operations) in the current quarter as compared to the corresponding quarter in the previous year was mainly due to the revenue of RM5.3 million generated in corresponding quarter in the previous year by a subsidiary, Blossom Time Sdn Bhd (“BTSB”), from its property development activities but there were no revenue registered in the current quarter. However, for the cumulative quarter in the current year, the revenue in the Property and hospitality segment was higher mainly due the higher revenue by BTSB as BTSB generated revenue of RM8.5 million as compared to RM7.0 million in the cumulative quarter in the previous year.

The lower revenue in the Property and hospitality segment (discontinued operations) in the current quarter and current cumulative quarter was due to the completion of the DMSB Agreement 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 for the current quarter, the profit was lower than corresponding quarter in previous year mainly due to decrease in revenue, and higher net unrealized foreign exchange loss and higher rental expenses.

The lower profit in the current cumulative quarter as compared to the cumulative quarter in the previous year was mainly due to higher rental expenses, higher employee benefits expenses arising from minimum wage compliance and higher net unrealized foreign exchange loss in the current cumulative quarter.

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10. Segmental Information (cont'd)

Segment Results (cont'd)

- (b) The loss in the current quarter for the Automotive segment as compared to the profit in the corresponding quarter in the previous year was mainly due to the lower revenue in the current quarter as mentioned above.

Even though the revenue for Automotive segment for the current cumulative quarter was lower than the cumulative quarter in the previous year, the profit for the current cumulative quarter was higher mainly due to the gain on disposal of land and reversal of impairment of assets amounting to RM7.0 million, and also due to favourable sales mix with better margins.

- (c) The lower profit before taxation for the Property and hospitality segment (continuing operations) for the current quarter was mainly due to no revenue registered in the property development subsidiary as mentioned above. For the current cumulative quarter, the profit was higher as compared to the cumulative quarter in the previous year mainly due to the higher revenue generated as mentioned above.

In the Property and hospitality segment (discontinued operations), the profit for the current cumulative quarter is significantly higher than the cumulative quarter in the previous year mainly due to the net gain of RM153.6 million arising from the disposal of assets which was completed in March 2013.

- (d) The lower loss before taxation in the Investment holding segment in the current cumulative quarter as compared to the cumulative quarter in the previous year was mainly due to professional fees incurred for the disposal of assets in the Group in the cumulative quarter in the previous year, while in the current cumulative quarter, there were no such expenses.
- (e) In the Others segment, the profit in the current cumulative 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, which was completed in March 2013, as mentioned in Note 11(i) below.

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11. Significant and Subsequent Events

- (i) 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.

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.

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11. Significant and Subsequent Events (cont'd)

(ii) On 2 August 2013, the Board of the Company announced that its subsidiaries, United Vehicles Industries Sdn Bhd and United Industries Sdn Bhd, had on 1 August 2013 entered into conditional sale and purchase agreements to dispose a piece of land each (i.e. Lot 4998, Mukim Kapar, Daerah Klang, Selangor, and H.S(M) 36091, PT 54755, Mukim Kapar, Daerah Klang, Selangor; respectively) to Netflix Sdn Bhd for a total cash consideration of RM30 million. As at 31 August 2013, the proposed disposal has not been completed and the net book value of the assets was classified as assets held for sale. The proposed disposal is estimated to be completed by the end of this financial year.

(iii) 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.

In addition, subsequent to 28 February 2013, there was a conversion of DFI warrants to DFI shares, by non-controlling shareholders, amounting to 2,280,531 shares.

With the exercise of DFI warrants, the Company's holding in DFI was diluted to 81.84% as at 31 August 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 August 2013.

12. Changes in Composition of the Group

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

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13. Commitments

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

a) Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	9,369
Approved but not contracted for	6,137
	<u>15,506</u>

b) Non-cancellable operating lease commitments

	RM'000
Rental payable	<u>166,364</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 RM12.7 million as compared to the preceding quarter ended 31 May 2013 of RM198.5 million mainly due to the exceptional net gain (RM177.0 million) on disposal of assets in the preceding quarter, as mentioned in Note 11(i) above.

16. Commentary on Prospects

With the completion of the ATSB SPA and DMSB Agreement (refer to Note 11(i)), the Group had realised an estimated exceptional aggregate net gain on disposal of approximately RM131.6 million in this current cumulative 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 businesses whilst improving operational efficiency and cost control measures in order to remain competitive.

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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.

18. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000	Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000
Changes in fair value of marketable securities	-	253	(189)	962
Depreciation	4,304	6,019	8,834	12,018
Gain on disposal of:				
- assets classified as held for sale:				
- continuing operations	-	-	(21,137)	(7,917)
- discontinued operations	-	-	(159,674)	-
- property, plant and equipment	-	(17)	(40)	(360)
- marketable securities	-	(15)	-	(15)
Impairment losses on receivables	-	15	-	15
Impairment losses on property, plant and equipment				
Interest expense	2,246	3,435	4,478	6,674
Interest income	(914)	(577)	(2,075)	(1,132)
Inventories written back	-	(467)	(12)	(1,305)
Inventories written off	24	67	58	132
Property, plant and equipment written off	275	9	2,028	69
Retrenchment and other expenses related to disposal of assets classified as held for sale	454	-	4,812	-
Reversal of impairment losses on				
- land use rights	(39)	(37)	(77)	(75)
- property, plant and equipment	(2,502)	(174)	(2,680)	(348)
- receivables	-	(2)	-	(2)
Reversal of provision	(684)	-	(684)	(1,544)
Unrealised foreign exchange loss/(gain) (net)	4,740	(2,220)	4,409	1,493

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19. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000	Ended 31-Aug-13 RM'000	Ended 31-Aug-12 RM'000
Continuing operations				
Income tax				
- current period provision	5,660	5,944	10,988	12,345
- under provision in prior periods	-	441	-	694
Deferred taxation	793	452	914	200
Real property gains tax	-	-	1,720	-
	<u>6,453</u>	<u>6,837</u>	<u>13,622</u>	<u>13,239</u>
Discontinued operations				
Income tax				
- current period provision	4	595	11,291	1,075
Deferred taxation	-	-	(43)	-
Real property gains tax	-	-	7,404	-
	<u>4</u>	<u>595</u>	<u>18,652</u>	<u>1,075</u>
	<u>6,457</u>	<u>7,432</u>	<u>32,274</u>	<u>14,314</u>

The higher effective tax rate for the continuing operations for the current quarter was mainly due to higher non-tax deductible expenses incurred in that quarter. The lower effective tax rate for the continuing operations for the current cumulative 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 cumulative 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

	As at 31-Aug-13 RM'000	(Audited) As at 28-Feb-13 RM'000
Total retained earnings/(accumulated losses)		
- Realised	78,143	(33,307)
- Unrealised	(23,966)	(24,052)
Total share of results from an associate		
- Realised	(13)	(54)
	54,164	(57,413)
Consolidation adjustments	123,426	134,169
Total retained earnings as per Consolidation Statement of Financial Position	177,590	76,756

21. Corporate Proposals

The status of corporate proposals announced but not completed as at 16 October 2013 are as follows:

- (i) The Securities Commission (“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 SC had, vide its letter dated 30 April 2013, permitted the Company to resolve the Outstanding Conditions imposed without having to observe the stipulated time frame and the Company is to continue to pursue the matter subject to the following conditions:

- (a) the Company is to make quarterly announcements to Bursa Malaysia until such time the Outstanding Conditions are fulfilled;
- (b) the Company is to disclose the efforts taken and status of compliance of the Outstanding Conditions in the annual report until such time the Outstanding Conditions are fulfilled; and
- (c) the Company is to update the SC when such disclosures are made in the annual reports.

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21. Corporate Proposals (cont'd)

(i) (cont'd)

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. (Refer to Note 21(iii) below for the status of the Intended Disposal of Lot 4999 and 5000 (now held under H.S(M) 36091, PT 54755)).

(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.

(iii) On 2 August 2013, the Board of the Company announced that its subsidiaries, United Vehicles Industries Sdn Bhd and United Industries Sdn Bhd, had on 1 August 2013 entered into conditional sale and purchase agreements to dispose of a piece of land each (i.e. Lot 4998, Mukim Kapar, Daerah Klang, Selangor, and H.S(M) 36091, PT 54755, Mukim Kapar, Daerah Klang, Selangor; respectively) to Netflix Sdn Bhd for a total cash consideration of RM30 million. As at 31 August 2013, the proposed disposal has not been completed and the net book value of the assets was classified as assets held for sale. The proposed disposal is estimated to be completed by the end of this financial year.

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22. Borrowings and Debt Securities

As at 31 August 2013, the Group's borrowings were as follows:

	RM'000
Long Term Borrowings – Secured	
- Syndicated Term Loan	58,000
- Term Loan	16,000
- Obligations under finance leases	1,311
	75,311
Short Term Borrowings – Secured	
- Overdraft	989
- Trade facilities	12,057
- Term loan (SGD8.1 million)	20,952
- Term loan	30,016
- Obligations under finance leases	585
	64,599
Total Group's borrowings	139,910

23. Financial Instruments

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

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

	Contract value	Fair value	Assets
	RM'000	RM'000	RM'000
Forward foreign currency contracts			
Less than 1 year:			
- used to hedge trade payables	13,094	13,302	208

(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 RM144,000 for the period ended 31 August 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.

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23. Financial Instruments (cont'd)

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

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.

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 16 October 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.

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24. Changes in Material Litigation (cont'd)

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

Shahidan had on 23 July 2012 filed 2 applications for leave to appeal to the Federal Court (“Leave Motions”). The Federal Court had on 15 August 2013 dismissed the Leave Motions with costs of RM10,000 to both AHB and APSB.

(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.

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 further case management on 12 November 2013.

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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")

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

- (i) a declaration that the resolutions purportedly passed at the extraordinary general meeting of Naluri dated 8 March 2007 pursuant to Naluri's circular to shareholders dated 12 February 2007 are void;
- (ii) an order that Naluri and/or AHB be restrained from putting into effect any resolutions purportedly passed at the said extraordinary general meeting and/or completing the proposed disposal of the business and the capital repayment of Naluri or any other similar proposals pursuant to the resolutions;
- (iii) general, aggravated and exemplary damages to be assessed, and damages for conspiracy, misrepresentation and breach of statutory duty to be assessed;
- (iv) all necessary orders as may be required to give effect to the declarations and orders sought and/or as the Court thinks fit.

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

AHB and Naluri have applied to strike out the suit. These applications to strike out have been granted by the Judge on 28 April 2010. TSDTR had filed an appeal on 17 May 2010 against the decision of the Judge in allowing the striking out application. TSDTR had on 29 July 2010 filed a Notice of Motion to the Court of Appeal to adduce further evidence during the hearing of TSDTR's appeal against the Judge's decision in allowing the striking out. The Court of Appeal dismissed the appeals on 27 June 2012 with costs.

TSDTR had on 23 July 2012 filed 3 applications for leave to appeal to the Federal Court ("Leave Motions"). The Federal Court had on 19 August 2013 dismissed the Leave Motions with costs of RM15,000.

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24. Changes in Material Litigation (cont'd)

(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;
- (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 had on 26 August 2013 dismissed the Leave Motions with costs of RM15,000.

(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.

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24. Changes in Material Litigation (cont'd)

(e) Arbitration proceedings by Mancon Berhad (“MB”) on behalf of Nilai Barisan Sdn Bhd (“NBSB”) (cont'd)

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. The Arbitrator had, on 2 September 2013, written to the liquidator of NBSB giving notice that he will proceed with the arbitration and make an award in the event that the liquidator fails to respond within 30 days from the date of the arbitrator’s letter whether NBSB wishes to continue with the arbitration proceedings.

(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.

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.

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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)

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

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

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

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

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

Trial 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.

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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)

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:

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	31-Aug-13	31-Aug-12	31-Aug-13	31-Aug-12
Profit attributable to ordinary equity holders of the parent (RM'000)				
- Continuing operations	5,302	13,983	38,530	21,929
- Discontinued operations	(683)	1,853	113,034	3,464
	<u>4,619</u>	<u>15,836</u>	<u>151,564</u>	<u>25,393</u>
Weighted average number of ordinary shares in issue ('000)	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>	<u>253,331</u>
Basic earnings per share (sen)				
- Continuing operations	2.09	5.51	15.19	8.66
- Discontinued operations	(0.27)	0.73	44.56	1.37
	<u>1.82</u>	<u>6.24</u>	<u>59.75</u>	<u>10.03</u>

(b) Diluted

There is no ESOS or ICPS issued by the Company. Accordingly, there is no diluted earnings 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 16 October 2013.