

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 NOVEMBER 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 MFRSs 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, there is no 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, there is no 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.

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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 30 November 2013, except as disclosed in the table below:

	Individual Quarter Ended 30-Nov-13 RM'000	Cumulative Quarter Ended 30-Nov-13 RM'000
Gain on disposal of assets classified as held for sale	-	180,811
Gain on disposal of property, plant and equipment	9,567	9,607
Reversal of impairment losses on property, plant and equipment	11,489	14,169
	11,489	14,169

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 30 November 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
	50,730

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 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000	Ended 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000
Revenue	10	-	14,648	2,335	43,870
Operating expenses		-	(13,629)	(2,960)	(40,271)
Other operating income		-	3,120	614	8,493
Operating profit/(loss)		-	4,139	(11)	12,092
Gain on disposal of assets classified as held for sale		-	-	159,674	-
Property, plant and equipment written off		-	-	(1,985)	-
Retrenchment and other expenses related to disposal of assets classified as held for sale		-	-	(4,812)	-
Depreciation and amortisation		-	(1,170)	-	(3,547)
Finance costs		-	(293)	(492)	(525)
Profit before taxation	10, 18	-	2,676	152,374	8,020
Taxation	19	-	(467)	(18,652)	(1,542)
Profit for the period		-	2,209	133,722	6,478

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 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000	Ended 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000
Segment Revenue				
Duty free	153,284	132,489	404,225	383,204
Automotive	39,570	40,095	111,322	114,874
Property and hospitality	9,936	11,803	34,628	35,000
Investment holding	34,124	52,206	131,004	92,065
Others	2,299	2,088	6,487	6,255
	<u>239,213</u>	<u>238,681</u>	<u>687,666</u>	<u>631,398</u>
Eliminations	(35,620)	(53,861)	(135,206)	(96,991)
	<u>203,593</u>	<u>184,820</u>	<u>552,460</u>	<u>534,407</u>
<i>Discontinued operations:</i>				
Property and hospitality	-	14,648	2,335	43,870
Group revenue	<u>203,593</u>	<u>199,468</u>	<u>554,795</u>	<u>578,277</u>
Segment Results				
Duty free	25,050	23,371	54,732	74,036
Automotive	23,474	2,549	32,904	4,110
Property and hospitality	2,515	2,095	12,503	10,312
Investment holding	(3,375)	(2,988)	(6,041)	(15,923)
Others	(2,515)	20,886	9,907	14,714
	<u>45,149</u>	<u>45,913</u>	<u>104,005</u>	<u>87,249</u>
<i>Discontinued operations:</i>				
Property and hospitality	-	2,676	152,374	8,020
Profit before taxation	<u>45,149</u>	<u>48,589</u>	<u>256,379</u>	<u>95,269</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 and cumulative quarter as compared to the corresponding quarter and cumulative quarter in previous year was mainly due to higher demand for certain products as a result of competitive pricing.
- (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 RM1.9 million generated in current quarter by a subsidiary, Blossom Time Sdn Bhd (“BTSB”), from its property development activities while in the corresponding quarter in the previous year, BTSB generated a revenue of RM4.3 million. For the cumulative quarter in the current year, the revenue in the Property and hospitality segment was not significantly different from 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. The lower revenue in the current quarter was mainly due to lower dividends from operating subsidiaries received by investment holding companies in the Group as compared to the corresponding quarter in the previous year. However, cumulatively, the dividends from operating subsidiaries were higher in the current period as compared to previous year.
- (e) The revenue in the Others segment mainly relates to management fee from companies in the Group which were eliminated at Group level.

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10. Segmental Information (cont'd)

Segment Results

- (a) In the Duty free segment for the current quarter, the profit was higher than corresponding quarter in previous year mainly due to increase in revenue.

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 and higher employee benefits expenses (due to adjustment for minimum wage requirement) in the current cumulative quarter. In addition, in the cumulative quarter in the previous year, there was a gain on disposal of property of RM7.9 million.

- (b) In the Automotive segment, even though the revenue for the current quarter was marginally lower than the corresponding quarter in the previous year, the profit for the current quarter was higher mainly due to the gain on disposal of land and reversal of impairment of assets totaling RM19.6 million in the current quarter. In addition, the profit in the current quarter improved due to favourable sales mix with better margins.

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 totaling RM26.6 million, and also due to favourable sales mix with better margins.

- (c) In the Property and hospitality segment (continuing operations) for the current quarter, even though the revenue was lower than in the corresponding quarter in the previous year, the profit for the current quarter was higher mainly due to lower expenses incurred by BTSB as compared to the corresponding quarter in the previous year. In the current cumulative quarter, the profit was higher as compared to the cumulative quarter in the previous year mainly due to less expenses incurred and cost savings in the Property and hospitality segment.

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.

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10. Segmental Information (cont'd)

Segment Results (cont'd)

- (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 corresponding quarter in the previous year was mainly due to the gain on disposal of property in a subsidiary, amounting to RM23.8 million.

In the current cumulative quarter in the Others segment, the profit consists mainly of 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, while in the cumulative quarter in the previous year, the gain on disposal of property in a subsidiary amounted to RM23.8 million.

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”) (now known as Berjaya Waterfront Sdn Bhd), 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.

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11. Significant and Subsequent Events (cont'd)

(i) (cont'd)

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.

(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. The disposal proceeds were subsequently received on 16 December 2013.

(iii) On 22 November 2013, the Board of the Company announced the Company's subsidiary and also a company listed on the Singapore Exchange Securities Trading Limited, Duty Free International Limited ("DFIL") and its subsidiary companies ("DFIL Group"), intends to undergo the following Internal Restructuring Exercise:

(a) DFIL Group intends to undergo an internal reorganisation exercise to restructure its indirect subsidiary, Orchard Boulevard Sdn Bhd ("OBSB") into a direct subsidiary of DFIL, and to streamline the shareholdings of the various companies within the DFIL Group for more efficient administration;

(b) DFIL Group also intends to dispose of about 30% equity interest in its border town and airport businesses (the "Border Town-Airport Business Disposal") and approximately 70% equity interest in its down town businesses (the "Down Town Business Disposal") through a disposal of the Border Town-Airport Sale Shares and the Down Town Sale Shares to an unrelated third party, Rebana Kristal Sdn Bhd (the "Purchaser") (the "Disposals"); and

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11. Significant and Subsequent Events (cont'd)

(iii)(cont'd)

(c) contemporaneous with the Disposals, the current intermediate holding company of the down town, border town and airport businesses, DFZ Capital Berhad (“DFZ”, a wholly-owned subsidiary of DFIL) has on 22 November 2013 subscribed for 10,000 convertible redeemable preference shares (“CRPS”) each in the down town, border town and airport companies, namely Seruntun Maju Sdn Bhd (“SMSB”), Emas Kerajang Sdn Bhd (“EKSB”), DFZ Emporium Sdn Bhd (“DFZE”), Wealthouse Sdn Bhd (“WSB”) and DFZ (M) Sdn Bhd (“DFZM”) (the “CRPS Issue”).

On 10 December 2013, the Internal Restructuring Exercise was completed, except for the acquisition by OBSB of 100% of the share capital of Cergasjaya Sdn Bhd from DFZ Trading Sdn Bhd (“Cergasjaya Transfer”). All parties have mutually agreed to postpone the completion of Cergasjaya Transfer.

(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.

In addition, subsequent to 28 February 2013, there was a conversion of DFI warrants to DFI shares, by non-controlling shareholders, amounting to 2,398,931 shares.

With the exercise of DFI warrants, the Company’s holding in DFI was diluted to 81.83% as at 30 November 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 30 November 2013.

12. Changes in Composition of the Group

Other than as disclosed in Notes 11(iii) and 11(iv) above, there were no changes in the composition of the Group during the current quarter ended 30 November 2013.

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13. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 November 2013 were as follows:

(a) Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	14,849
Approved but not contracted for	69
	<u>14,918</u>

(b) Non-cancellable operating lease commitments

	RM'000
Rental payable	<u>166,310</u>

14. Performance Review

Explanatory comment on the performance of each of the Group's segment 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 higher at RM45.1 million as compared to the preceding quarter ended 31 August 2013 of RM12.7 million mainly due to the improved results for Duty Free segment and the gain on disposal of land and reversal of impairment of assets totaling RM19.6 million in the current quarter.

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 current economic outlook, the Board of the Company foresees that the operating environment of its businesses for the remaining period for financial year 2014 to remain 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 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000	Ended 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000
Changes in fair value of marketable securities	185	90	4	1,052
Depreciation	4,196	5,978	13,030	17,997
Gain on disposal of:				
- assets classified as held for sale:				
- continuing operations	-	-	(21,137)	(7,917)
- discontinued operations	-	-	(159,674)	-
- property, plant and equipment	(9,567)	(23,430)	(9,607)	(23,790)
- marketable securities	(227)	(13)	(227)	(28)
Impairment losses on receivables	-	-	-	15
Interest expense	1,987	2,578	6,466	9,252
Interest income	(866)	(546)	(2,941)	(1,678)
Inventories written back	(68)	(83)	(80)	(1,388)
Inventories written off	27	11	85	143
Property, plant and equipment written off	6	81	2,034	150
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	(38)	(37)	(115)	(112)
- property, plant and equipment	(11,489)	(175)	(14,169)	(523)
- receivables	-	-	-	(2)
Reversal of provision	-	-	(683)	(1,318)
Unrealised foreign exchange (gain)/loss (net)	(3,681)	(455)	728	1,038

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19. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000	Ended 30-Nov-13 RM'000	Ended 30-Nov-12 RM'000
Continuing operations				
Income tax				
- current period provision	5,723	8,493	16,710	20,914
- under provision in prior periods	-	77	-	694
Deferred taxation	12	(109)	926	91
Real property gains tax	-	-	1,720	-
	<u>5,735</u>	<u>8,461</u>	<u>19,356</u>	<u>21,699</u>
Discontinued operations				
Income tax				
- current period provision	-	467	11,291	1,542
Deferred taxation	-	-	(43)	-
Real property gains tax	-	-	7,404	-
	<u>-</u>	<u>467</u>	<u>18,652</u>	<u>1,542</u>
	<u>5,735</u>	<u>8,928</u>	<u>38,008</u>	<u>23,241</u>

The lower effective tax rate for the continuing operations for the current quarter was mainly due to non-taxable sundry income generated in the 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 and also due to non-taxable sundry income generated in the current cumulative quarter.

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 30-Nov-13 RM'000	(Audited) As at 28-Feb-13 RM'000
Total retained earnings/(accumulated losses)		
- Realised *	411,635	(33,307)
- Unrealised	(22,681)	(24,052)
Total share of results from an associate		
- Realised	73	(54)
	389,027	(57,413)
Consolidation adjustments *	(239,249)	134,169
Total retained earnings as per Consolidation Statement of Financial Position	149,778	76,756

* Other than the results and dividend paid/payable for the period ended 30 November 2013, the changes in the 'Total retained earnings/(accumulated losses) – realised' and 'Consolidation adjustments' were mainly due to the accounting adjustments arising from the capital repayment by a subsidiary which was completed during the same period.

21. Corporate Proposals

The status of corporate proposals announced but not completed as at the date of issue of these interim financial statements 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;

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21. Corporate Proposals (cont'd)

(i) (cont'd)

- (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.

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.

As mentioned in Note 11(ii), the Group had disposed of Lot 4999 and 5000 (now H.S(M) 36091, PT 54755) and the buildings erected thereon. With the completion of this disposal, the Outstanding Conditions are no longer applicable. Consequently, the Company will not be disclosing the status of compliance of the Outstanding Conditions in its quarterly reports and annual reports, going forward.

- (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”) (now known as Berjaya Waterfront Sdn Bhd), 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.

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21. Corporate Proposals (cont'd)

(iii) On 22 November 2013, the Board of the Company announced the Company's subsidiary and also a company listed on the Singapore Exchange Securities Trading Limited, Duty Free International Limited ("DFIL") and its subsidiary companies ("DFIL Group"), intends to undergo the following Internal Restructuring Exercise:

- (a) DFIL Group intends to undergo an internal reorganisation exercise to restructure its indirect subsidiary, Orchard Boulevard Sdn Bhd ("OBSB") into a direct subsidiary of DFIL, and to streamline the shareholdings of the various companies within the DFIL Group for more efficient administration;
- (b) DFIL Group also intends to dispose of about 30% equity interest in its border town and airport businesses (the "Border Town-Airport Business Disposal") and approximately 70% equity interest in its down town businesses (the "Down Town Business Disposal") through a disposal of the Border Town-Airport Sale Shares and the Down Town Sale Shares to an unrelated third party, Rebana Kristal Sdn Bhd (the "Purchaser") (the "Disposals"); and
- (c) contemporaneous with the Disposals, the current intermediate holding company of the down town, border town and airport businesses, DFZ Capital Berhad ("DFZ", a wholly-owned subsidiary of DFIL) has on 22 November 2013 subscribed for 10,000 convertible redeemable preference shares ("CRPS") each in the down town, border town and airport companies, namely Seruntun Maju Sdn Bhd ("SMSB"), Emas Kerajang Sdn Bhd ("EKSB"), DFZ Emporium Sdn Bhd ("DFZE"), Wealthouse Sdn Bhd ("WSB") and DFZ (M) Sdn Bhd ("DFZM") (the "CRPS Issue").

On 10 December 2013, the Internal Restructuring Exercise was completed, except for the acquisition by OBSB of 100% of the share capital of Cergasjaya Sdn Bhd from DFZ Trading Sdn Bhd ("Cergasjaya Transfer"). All parties have mutually agreed to postpone the completion of Cergasjaya Transfer.

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22. Borrowings and Debt Securities

As at 30 November 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	1,174
	75,174
Short Term Borrowings – Secured	
- Overdraft	12,971
- Trade facilities	16,729
- Term loan (SGD7.2 million)	18,504
- Term loan	27,988
- Obligations under finance leases	603
	76,795
Total Group's borrowings	151,969

23. Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 November 2013				
Financial assets:				
Marketable securities	601	-	-	601
Derivatives				
- Forward foreign exchange contracts	-	208	-	208

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23. Fair Value Hierarchy (cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 November 2013				
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	-	(19)	-	(19)
At 28 February 2013				
Financial assets:				
Marketable securities				
	572	-	-	572
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	-	(18)	-	(18)

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset/liability that subsequently resulted in a different classification of that asset/liability.

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 15 January 2014:

(a) 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.

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24. Changes in Material Litigation (cont'd)

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

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 had fixed the appeal for further case management on 19 December 2013. The matter is now fixed for hearing on 29 May 2014.

(b) 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)

(b) 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.

On 1 November 2013, KMSB’s solicitors received copies of letters from the Insolvency Office dated 28 October 2013 which were directed to the shareholders of NBSB.

The Insolvency Office had in these letters requested that the shareholders of NBSB submit an application for the Official Receiver’s sanction if they wish to proceed with the arbitration proceedings, failing which, the Insolvency Office would assume that the said shareholders are no longer interested to continue with the matter. No further updates have been received from the Insolvency Office as at the date of this report.

(c) 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.

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24. Changes in Material Litigation (cont'd)

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

KMSB’s solicitors had on 4 July 2013 written to the Court to conduct a file search to determine the status of the file. The Court had reverted on 23 July 2013 informing that the file for this matter could not be found.

Since the court file could not be found, KMSB’s solicitors would need to assist the Court to reconstruct the file by way of forwarding all court documents and any applicable correspondence before filing any further application on the matter.

Upon completion of the reconstruction of the court file and subsequently upon a date being fixed by the Court, KMSB’s solicitors would then request that the matter be struck out.

25. Dividend Payable and Distributable

On 7 November 2013, the Company declared a second interim single tier ordinary dividend of 10 sen per share and a special single tier ordinary dividend of 15 sen per share, in respect of the financial year ending 28 February 2014 amounting to a total of RM63.4 million which was paid on 6 December 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
	30-Nov-13	30-Nov-12	30-Nov-13	30-Nov-12
Profit attributable to ordinary equity holders of the parent (RM'000)				
- Continuing operations	35,599	33,721	74,143	55,651
- Discontinued operations	-	1,793	113,022	5,257
	<u>35,599</u>	<u>35,514</u>	<u>187,165</u>	<u>60,908</u>
Weighted average number of ordinary shares in issue ('000)	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>	<u>253,436</u>
Basic earnings per share (sen)				
- Continuing operations	14.03	13.29	29.23	21.96
- Discontinued operations	-	0.71	44.56	2.07
	<u>14.03</u>	<u>14.00</u>	<u>73.79</u>	<u>24.03</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 15 January 2014.