

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 28 FEBRUARY 2014**

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 (IAS 19 as amended by IASB in June 2011)
- MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128: Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- 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
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
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

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

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:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 year ended 28 February 2014, except as disclosed in the table below:

	Individual Quarter Ended 28-Feb-14 RM'000	Cumulative Quarter Ended 28-Feb-14 RM'000
Gain on disposal of assets classified as held for sale	-	180,811
Gain on disposal of property, plant and equipment	1,509	11,116
Reversal of impairment losses on property, plant and equipment	425	14,594
	425	14,594

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 year ended 28 February 2014.

8. Dividends Paid and Distributed

RM'000

In respect of the financial year ended 28 February 2014:

Dividends on ordinary shares:

- First interim single tier dividend of 10% (2013: 10%; RM25,365,000)	25,365
- Special (tranche 1) interim single tier dividend of 10% (2013: Nil)	25,365
- Second interim single tier dividend of 10% (2013: 12%; RM30,438,000)	25,365
- Special (tranche 2) interim single tier dividend of 15% (2013: Nil)	38,048
	114,143

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 ended 28 February 2014 amounting to a total of RM50.7 million which was paid on 14 June 2013.

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 ended 28 February 2014 amounting to a total of RM63.4 million which was paid on 6 December 2013.

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9. Discontinued Operations

	Note	Individual Quarter		Cumulative Quarter	
		Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000	Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000
Revenue	10	-	15,169	2,335	59,040
Operating expenses		-	(11,222)	(2,960)	(51,268)
Other operating income		-	225	614	8,493
Operating profit/(loss)		-	4,172	(11)	16,265
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		-	(363)	-	(3,911)
Finance costs		-	(296)	(492)	(822)
Profit before taxation	10, 18	-	3,513	152,374	11,532
Taxation	19	887	(458)	(17,766)	(1,999)
Profit for the period		887	3,055	134,608	9,533

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

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10. Segmental Information

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000	Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000
Segment Revenue				
Duty free	160,936	153,966	565,168	538,154
Automotive	33,163	33,189	144,485	148,062
Property and hospitality	16,365	10,722	50,993	45,721
Investment holding	42,723	6,524	173,727	98,589
Others	2,028	2,133	8,517	8,400
	<u>255,215</u>	<u>206,534</u>	<u>942,890</u>	<u>838,926</u>
Eliminations	(44,381)	(8,129)	(179,596)	(106,115)
	<u>210,834</u>	<u>198,405</u>	<u>763,294</u>	<u>732,811</u>
<i>Discontinued operations:</i>				
Property and hospitality	-	15,169	2,335	59,040
Group revenue	<u>210,834</u>	<u>213,574</u>	<u>765,629</u>	<u>791,851</u>
Segment Results				
Duty free	25,843	23,642	80,575	97,678
Automotive	2,641	652	35,545	4,774
Property and hospitality	13,308	3,807	25,812	14,107
Investment holding	(2,158)	(2,921)	(8,199)	(18,844)
Others	(4,357)	(3,672)	5,550	11,043
	<u>35,277</u>	<u>21,508</u>	<u>139,283</u>	<u>108,758</u>
<i>Discontinued operations:</i>				
Property and hospitality	-	3,513	152,374	11,532
Profit before tax ation	<u>35,277</u>	<u>25,021</u>	<u>291,657</u>	<u>120,290</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 by customers arising from competitive pricing.
- (b) The revenue in the Automotive segment in the current quarter and corresponding quarter in the previous year did not differ significantly. However, the revenue in the current cumulative quarter was lower than cumulative quarter in the previous year mainly due to lower orders received from its customers.
- (c) The higher 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 higher revenue generated from a subsidiary from its property development activities as the value of houses sold in the current quarter was higher than in the corresponding quarter in the previous year. In addition, in the current quarter, the revenue generated by a subsidiary was higher as compared to the corresponding quarter in the previous year as the occupancy in its office block and hotel was higher in the current quarter.

The higher revenue in the Property and hospitality segment (continuing operations) in the current cumulative quarter as compared to the cumulative quarter in the previous year was mainly due to the higher revenue generated by a subsidiary as the occupancy in its office block and hotel was higher in the current cumulative quarter.

In addition, included in the revenue in the Property and hospitality segment for the current quarter and cumulative quarter, was interest income of RM4.6 million from Pesaka for amount outstanding from the DMSB Agreement (See Note 11(i)).

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 higher revenue in the current quarter and cumulative quarter was mainly due to higher dividends from operating subsidiaries received by investment holding companies in the Group as compared to the corresponding quarter and cumulative quarter in the previous year.

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10. Segmental Information (cont'd)

Segment Revenue (cont'd)

- (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 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, the pre-tax profit of the cumulative quarter in the previous year included a gain on disposal of property of RM7.9 million.

- (b) In the Automotive segment, even though the revenue for the current quarter was slightly lower than corresponding quarter in previous year, the profit before taxation was higher mainly due to favourable sales mix with better margins.

In the current cumulative quarter, even though the revenue 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 RM27.0 million, as well as having favourable sales mix with better margins.

- (c) In the Property and hospitality segment (continuing operations) for the current quarter, the profit was higher than the corresponding quarter in previous year mainly due to the higher revenue and the interest income of RM4.6 million, as mentioned above.

The higher profit in the current cumulative quarter as compared to the cumulative quarter in the previous year was mainly due to the higher revenue generated and the interest income of RM4.6 million, coupled with the lower incurrence of expenses 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 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 Group recorded a higher 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.

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)

(i) (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.

(ii) On 30 July 2013, the Board of the Company announced that MHS Land Sdn Bhd ("MHSL"), a 51%-owned subsidiary company, has resolved to wind up by way of members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. On 26 March 2014, MHSL has convened and held its final meeting pursuant to Section 272(1) of the Companies Act, 1965. The Return by Liquidator relating to final meeting of MHSL was lodged on 26 March 2014 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of three (3) months after the said lodgement date, MHSL will be dissolved. The dissolution of MHSL does not have any material effect on the earnings or nets assets of AHB Group for the financial year ending 28 February 2015.

(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:

(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 ("Internal Restructuring Exercise");

(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 Disposals, the CRPS Issue and the Internal Restructuring Exercise were 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 28 February 2014 from 82.00% as at 28 February 2013.

Subsequent to 28 February 2014, there was a conversion of DFI warrants to DFI shares, by non-controlling shareholders, amounting to 2,060 shares. With the exercise of these DFI warrants, the Company’s holding in DFI remains at 81.83% as at 29 April 2014.

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 28 February 2014.

12. Changes in Composition of the Group

Other than as disclosed in Notes 11(ii), 11(iii) and 11(iv) above, there were no changes in the composition of the Group during the current quarter ended 28 February 2014.

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13. Commitments

The amount of commitments not provided for in the interim financial statements as at 28 February 2014 were as follows:

(a) Capital commitments

	RM'000
Purchase of property, plant and equipment:	
Approved and contracted for	14,223
Approved but not contracted for	205
	<u>14,428</u>

(b) Non-cancellable operating lease commitments

	RM'000
Rental payable	<u>166,256</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 lower at RM35.3 million as compared to the preceding quarter ended 30 November 2013 of RM45.1 million mainly due to one-off gain on disposal of land and reversal of impairment of assets totaling RM19.6 million in the preceding 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 exceptional aggregate net gain on disposal of approximately RM131.6 million for the financial year ended 28 February 2014. However, given the current economic outlook, the Board of the Company foresees that the operating environment of its businesses for the financial year ending 28 February 2015 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 and profitable.

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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 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000	Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000
Bad debts written off	1	125	1	125
Changes in fair value of marketable securities	(68)	(22)	(64)	1,030
Depreciation and amortization	4,431	4,913	17,461	22,910
Writeback of depreciation charge	(4,343)	-	(4,343)	-
Gain arising from changes in fair value of biological assets	(380)	(220)	(380)	(220)
Gain on disposal of:				
- assets classified as held for sale				
- continuing operations	-	-	(21,137)	(31,720)
- discontinued operations	-	-	(159,674)	-
- investment properties	(412)	-	(412)	-
- property, plant and equipment	(1,509)	(163)	(11,116)	(150)
- marketable securities	(148)	13	(375)	(15)
Impairment losses on:				
- inventory property	-	305	-	305
- receivables	280	517	280	532
- marketable securities	3	-	3	-
Interest expense	1,847	2,385	8,313	11,637
Interest income	(5,407)	(632)	(8,349)	(2,310)
Inventories written back	(665)	-	(2,627)	(594)
Inventories written down	348	1,695	348	901
Inventories written off	21	116	106	259
Property, plant and equipment written off	224	186	2,258	336
Provisions	-	2,050	-	2,050
Retrenchment and other expenses related to disposal of assets classified as held for sale	-	-	4,812	-
Reversal of impairment losses on:				
- land use rights	(38)	(38)	(153)	(150)
- property, plant and equipment	(425)	(174)	(14,594)	(697)
- receivables	(14)	(2)	(43)	(4)
Reversal of provision	-	(2,246)	-	(3,564)
Unrealised foreign exchange loss/(gain) (net)	1,330	(549)	2,058	489

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19. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000	Ended 28-Feb-14 RM'000	Ended 28-Feb-13 RM'000
Continuing operations				
Income tax				
- current period provision	10,097	4,543	27,076	25,458
- under/(over) provision in prior periods	31	(432)	(239)	262
Deferred taxation	4,296	404	5,222	495
Real property gains tax	(930)	1,190	790	1,190
	<u>13,494</u>	<u>5,705</u>	<u>32,849</u>	<u>27,405</u>
Discontinued operations				
Income tax				
- current period provision	(887)	458	10,405	1,999
Deferred taxation	-	-	(43)	-
Real property gains tax	-	-	7,404	-
	<u>(887)</u>	<u>458</u>	<u>17,766</u>	<u>1,999</u>
	<u>12,607</u>	<u>6,163</u>	<u>50,615</u>	<u>29,404</u>

The higher effective tax rate for the continuing operations for the current quarter was mainly due to inclusion of certain non-deductive expenses. 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 28-Feb-14 RM'000	(Restated) As at 28-Feb-13 RM'000
Total retained earnings/(accumulated losses)		
- Realised *	358,793	(34,678)
- Unrealised	(28,532)	(24,109)
Total share of results from an associate		
- Realised	118	(54)
	330,379	(58,841)
Consolidation adjustments *	(213,488)	134,169
Total retained earnings as per Consolidation Statement of Financial Position	116,891	75,328

* Other than the results and dividend paid/payable for the period ended 28 February 2014, 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) 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).

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21. Corporate Proposals (cont'd)

(i) (cont'd)

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.

(ii) On 30 July 2013, the Board of the Company announced that MHS Land Sdn Bhd (“MHSL”), a 51%-owned subsidiary company, has resolved to wind up by way of members’ voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. On 26 March 2014, MHSL has convened and held its final meeting pursuant to Section 272(1) of the Companies Act, 1965. The Return by Liquidator relating to final meeting of MHSL was lodged on 26 March 2014 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of three (3) months after the said lodgement date, MHSL will be dissolved. The dissolution of MHSL does not have any material effect on the earnings or nets assets of AHB Group for the financial year ending 28 February 2015.

(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:

(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 (“Internal Restructuring Exercise”);

(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”).

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21. Corporate Proposals (cont'd)

(iii)(cont'd)

On 10 December 2013, the Disposals, the CRPS Issue and the Internal Restructuring Exercise were 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.

22. Borrowings and Debt Securities

As at 28 February 2014, the Group’s borrowings were as follows:

	RM'000
Long Term Borrowings – Secured	
- Syndicated Term Loan	58,000
- Term Loan	12,000
- Obligations under finance leases	994
	70,994
Short Term Borrowings – Secured	
- Overdraft	8,012
- Trade facilities	10,216
- Term loan (SGD6.3 million)	16,300
- Term loan	21,794
- Obligations under finance leases	636
	56,958
Total Group’s borrowings	127,952

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

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23. Fair Value Hierarchy (cont'd)

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 28 February 2014				
Financial assets:				
Marketable securities	712	-	-	712
Derivatives				
- Forward foreign exchange contracts	-	36	-	36
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	-	(32)	-	(32)
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.

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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 29 April 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.

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.

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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”)

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. 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.

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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)

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.

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 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 13 February 2014, the Company declared a third interim single tier ordinary dividend of 5 sen per share and a special single tier ordinary dividend of 15 sen per share, in respect of the financial year ended 28 February 2014 amounting to a total of RM50.7 million (2013: Nil) which was paid on 13 March 2014. For the financial year ended 28 February 2014, the total dividends of RM0.65 per ordinary share paid and payable by the Company amounted to RM164.9 million (2013: RM0.22 per ordinary share totaling to RM55.8 million). (Refer to Note 8 for dividends paid and distributed during the financial year).

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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
	28-Feb-14	28-Feb-13	28-Feb-14	28-Feb-13
Profit attributable to ordinary equity holders of the parent (RM'000)				
- Continuing operations	18,544	12,635	92,689	68,231
- Discontinued operations	726	2,505	113,747	7,817
	<u>19,270</u>	<u>15,140</u>	<u>206,436</u>	<u>76,048</u>
Weighted average number of ordinary shares in issue ('000)	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>	<u>253,489</u>
Basic earnings per share (sen)				
- Continuing operations	7.31	4.98	36.54	26.92
- Discontinued operations	0.29	0.99	44.84	3.08
	<u>7.60</u>	<u>5.97</u>	<u>81.38</u>	<u>30.00</u>

(b) Diluted

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

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27. Comparative Figures

Certain comparative figures were restated in order to conform with current year's classification and adoption of MFRS 119 which was applied retrospectively.

The effects of these restatements are as follows:

	As previously stated RM'000	Reclassification RM'000	Effects of MFRS 119 RM'000	As restated RM'000
As at 28 February 2013				
Property, plant and equipment	158,979	(7,035)	-	151,944
Investment properties	46,957	7,035	-	53,992
Deferred tax assets	6,496	-	624	7,120
Employee benefits	3,323	-	2,109	5,432
Deferred tax liabilities	9,249	-	97	9,346
Retained earnings	76,756	-	(1,428)	75,328
Non-controlling interests	99,756	-	(154)	99,602
As at 1 March 2012				
Deferred tax assets	6,646	-	621	7,267
Employee benefits	3,238	-	2,244	5,482
Deferred tax liabilities	8,956	-	60	9,016
Retained earnings	56,511	-	(1,517)	54,994
Non-controlling interests	98,560	-	(166)	98,394

28. Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2014.