

ATLAN HOLDINGS BHD – 173250 W
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 MAY 2015**

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 Securities”). 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 2015. 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 2015.

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 2015, except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 March 2015:

- Amendments to MFRS 119: Defined Benefits Plans: Employee Contributions
- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

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

(ii) Standards Issued But Not Yet Effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to 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
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12, MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 5: Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 7: Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 134: Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2017
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2018

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, other than for Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141), MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments. The Group is in the process of assessing the financial implications of MFRS 9, Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) and MFRS 15 Revenue from Contracts with Customers.

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3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 28 February 2015 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 ended 31 May 2015.

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 ended 31 May 2015.

8. Dividends Paid and Distributed

On 8 May 2015, the Company declared a first interim single tier ordinary dividend of 10 sen per share in respect of the financial year ending 29 February 2016 amounting to RM25.4 million which was paid on 8 June 2015.

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9. Segmental Information

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-15 RM'000	Ended 31-May-14 RM'000	Ended 31-May-15 RM'000	Ended 31-May-14 RM'000
Segment Revenue				
Duty free	139,222	127,810	139,222	127,810
Automotive	38,500	36,602	38,500	36,602
Property and hospitality	8,303	11,823	8,303	11,823
Investment holding	55,474	966	55,474	966
Others	1,662	1,981	1,662	1,981
	<u>243,161</u>	<u>179,182</u>	<u>243,161</u>	<u>179,182</u>
Eliminations	(56,699)	(2,609)	(56,699)	(2,609)
Group revenue	<u>186,462</u>	<u>176,573</u>	<u>186,462</u>	<u>176,573</u>
Segment Results				
Duty free	20,798	17,821	20,798	17,821
Automotive	2,676	2,693	2,676	2,693
Property and hospitality	2,237	3,506	2,237	3,506
Investment holding	(1,507)	(2,531)	(1,507)	(2,531)
Others	(1,886)	(2,157)	(1,886)	(2,157)
Profit before taxation	<u>22,318</u>	<u>19,332</u>	<u>22,318</u>	<u>19,332</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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9. Segmental Information (cont'd.)

Segment Revenue

- (a) The increase in revenue in the Duty free segment in current quarter as compared to the corresponding quarter in the previous year was mainly due to improvement in the purchasing price of certain fast moving products together with better sales mix.
- (b) The revenue in the Automotive segment in current quarter was higher than corresponding quarter in the previous year mainly due to higher orders received from its customers.
- (c) The revenue in the Property and hospitality segment in the current quarter was lower than corresponding quarter in the previous year mainly due to lower revenue generated from a subsidiary from its property development activities.
- (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 was mainly due to dividend income received from certain subsidiaries in the Group as compared to no dividend income received in corresponding quarter in the 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.

Segment Results

- (a) In the Duty free segment for the current quarter the profit was higher than corresponding quarter in the previous year mainly due to the increase in revenue.
- (b) In the Automotive segment, despite recording higher revenue, the profit for the current quarter was not significantly different from corresponding quarter in the previous year mainly due to the corresponding quarter in previous year having included gain on disposal of fixed assets of RM0.5 million and allowance for doubtful debts recovered of RM0.9 million, however there was none in the current quarter under review.
- (c) In the Property and hospitality segment, the profit for the current quarter was lower than corresponding quarter in the previous year mainly due to lower revenue, as mentioned above.

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9. Segmental Information (cont'd.)

Segment Results (cont'd)

- (d) In the Investment holding segment, the losses in the current quarter is less than corresponding quarter in the previous year was mainly due to lower market price of an investment listed outside of Malaysia in corresponding quarter in the previous year.
- (e) In the Others segment, the losses in the current quarter was lower than the corresponding quarter in the previous year mainly due to lower expenses incurred.

10. Significant and Subsequent Events

- (i) On 17 June 2014, on behalf of the Board of the Company, Affin Hwang Investment Bank Berhad (“Affin Hwang IB”) (formerly known as HwangDBS Investment Bank Berhad) announced that the Company proposed to undertake a private placement of up to 38,047,500 new ordinary shares of RM1.00 each in the Company (“Placement Shares”) not exceeding 15% of the existing issued and paid-up share capital of the Company (“Proposed Placement”).

The Placement Shares are intended to be placed out to third party investors to be identified at a later stage, where such investors shall be persons who qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007 (“CMSA”).

On 26 June 2014, on behalf of the Board of the Company, Affin Hwang IB announced that Bursa Securities had approved the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Placement subject to certain conditions set by Bursa Securities.

The Company had at its Extraordinary General Meeting held on 22 July 2014 obtained the approval from the shareholders to undertake a private placement of up to 38,047,500 new ordinary shares of RM1.00 each in the Company not exceeding 15% of the existing issued and paid-up share capital of the Company (“Placement”).

On 11 December 2014, an application was submitted to Bursa Securities for an extension of time of 6 months from 26 December 2014, being the deadline for the implementation of the Placement, to 26 June 2015 for the completion of the Placement. On 26 December 2014, Bursa Securities approved the said application.

The public shareholding spread of the Company as at 15 December 2014 was 14.29%. Accordingly, as the Company would need more time to complete the Placement process, Bursa Malaysia has, vide its letter dated 30 December 2014, granted the Company a further extension of time until 26 June 2015 to comply with the public shareholding spread requirement.

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10. Significant and Subsequent Events (cont'd.)

In June 2015, the Company submitted two applications to Bursa Securities which were as follows:

- (i) Extension of time of 6 months to 26 December 2015 for the completion of the Placement (“Placement Extension”).
- (ii) Further extension of time of approximately 6 months to 26 December 2015 to comply with the public shareholding spread requirement or acceptance of a lower public shareholding spread of 15.54% (“Public Spread Extension”).

On 25 June 2015, Bursa Securities had approved the Placement Extension application whilst application for Public Spread Extension is currently pending Bursa Securities’ approval.

Other than as disclosed, there were no other material events during and subsequent to the current quarter ended 31 May 2015.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 May 2015.

12. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 May 2015 were as follows:

(a) Capital commitments

Purchase of property, plant and equipment:

Approved and contracted for

12,842

Approved but not contracted for

401

13,243

(b) Non-cancellable operating lease commitments

RM’000

Rental payable

165,986

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13. Performance Review

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

14. Comment on Material Change in Profit Before Taxation Compared with Immediate Preceding Quarter

The profit before taxation for the quarter under review was lower at RM22.3 million as compared to the preceding quarter ended 28 February 2015 of RM26.7 million mainly due to higher revenue and profit contribution from duty free segment due to festive season in the previous quarter.

15. Commentary on Prospects

Given the current economic outlook, coupled with the weakening of Ringgit Malaysia against the US Dollar, the business performance of the Group remains challenging for the financial year ending 29 February 2016. The Group will continue its efforts in enhancing operational efficiency and effectiveness by stringent cost control measures and strengthen its customer base in order to remain competitive and profitable.

16. Profit Forecast or Profit Guarantee

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

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17. Profit Before Taxation

Included in the profit before taxation are the following items:

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-15 RM'000	Ended 31-May-14 RM'000	Ended 31-May-15 RM'000	Ended 31-May-14 RM'000
Bad debts written off	-	50	-	50
Changes in fair value of marketable securities	(98)	599	(98)	599
Depreciation and amortisation	4,462	4,255	4,462	4,255
(Gain)/loss on disposal of:				
- assets classified as held for sale	-	(370)	-	(370)
- property, plant and equipment	29	2	29	2
- marketable securities	-	(21)	-	(21)
Interest expense	1,896	1,809	1,896	1,809
Interest income	(1,354)	(1,452)	(1,354)	(1,452)
Inventories written off	20	88	20	88
Property, plant and equipment written off	32	3	32	3
Reversal of impairment losses on:				
- land use rights	(39)	(39)	(39)	(39)
- property, plant and equipment	(226)	(226)	(226)	(226)
- receivables	(8)	-	(8)	-
Foreign exchange (gain) (net)	(36)	(854)	(36)	(854)

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Ended 31-May-15 RM'000	Ended 31-May-14 RM'000	Ended 31-May-15 RM'000	Ended 31-May-14 RM'000
Continuing operations				
Income tax				
- current period provision	6,215	6,131	6,215	6,131
- (over) / under provision in prior periods	(4)	470	(4)	470
Deferred taxation	(139)	74	(139)	74
	<u>6,072</u>	<u>6,675</u>	<u>6,072</u>	<u>6,675</u>

The higher effective tax rate for the continuing operations for the current quarter was mainly due to inclusion of certain non-deductible expenses.

19. Retained Earnings

	As at 31-May-15 RM'000	(Audited) As at 28-Feb-15 RM'000
Total retained earnings		
- Realised	316,874	332,235
- Unrealised	(24,434)	(24,724)
Total share of results from an associate		
- Realised	53	68
	<u>292,493</u>	<u>307,579</u>
Consolidation adjustments	(230,367)	(232,996)
Total retained earnings as per Consolidated Statement of Financial Position	<u>62,126</u>	<u>74,583</u>

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20. 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 Berjaya Waterfront Sdn Bhd (“Berjaya Waterfront”) (formerly known as Pesaka Ikhlas (M) 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 (“DFIL”) which in turn a 82.29% owned subsidiary of the Company, have entered into conditional Sale and Purchase Agreements with Berjaya Waterfront 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 Berjaya Waterfront (“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 DFIL 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 17 June 2014, on behalf of the Board of the Company, Affin Hwang Investment Bank Berhad (“Affin Hwang IB”) (formerly known as HwangDBS Investment Bank Berhad) announced that the Company proposed to undertake a private placement of up to 38,047,500 new ordinary shares of RM1.00 each in the Company (“Placement Shares”) not exceeding 15% of the existing issued and paid-up share capital of the Company (“Proposed Placement”). The Placement Shares are intended to be placed out to third party investors to be identified at a later stage, where such investors shall be persons who qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007 (“CMSA”), in order for the Company to comply with Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia in relation to the public spread requirement. In the said announcement on 17 June 2014, the public shareholding spread of the Company stood at 14.29% of the Company’s total listed shares as at 28 May 2014.

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20. Corporate Proposals (cont'd.)

On 26 June 2014, on behalf of the Board of the Company, Affin Hwang IB announced that Bursa Securities had approved the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Placement subject to certain conditions set by Bursa Securities.

The Company had at its Extraordinary General Meeting held on 22 July 2014 obtained the approval from the shareholders to undertake a private placement of up to 38,047,500 new ordinary shares of RM1.00 each in the Company not exceeding 15% of the existing issued and paid-up share capital of the Company (“Placement”).

On 11 December 2014, an application was submitted to Bursa Securities for an extension of time of 6 months from 26 December 2014, being the deadline for the implementation of the Placement, to 26 June 2015 for the completion of the Placement. On 26 December 2014, Bursa Securities approved the said application.

The public shareholding spread of the Company as at 15 December 2014 was 14.29%. Accordingly, as the Company would need more time to complete the Placement process, Bursa Malaysia has, vide its letter dated 30 December 2014, granted the Company a further extension of time until 26 June 2015 to comply with the public shareholding spread requirement.

In June 2015, the Company submitted two applications to Bursa Securities which were as follows:

- (i) Extension of time of 6 months to 26 December 2015 for the completion of the Placement (“Placement Extension”).
- (ii) Further extension of time of approximately 6 months to 26 December 2015 to comply with the public shareholding spread requirement or acceptance of a lower public shareholding spread of 15.54% (“Public Spread Extension”).

On 25 June 2015, Bursa Securities had approved the Placement Extension application whilst application for Public Spread Extension is currently pending Bursa Securities’ approval.

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21. Borrowings and Debt Securities

As at 31 May 2015, the Group's borrowings were as follows:

	RM'000
Short Term Borrowings – Secured	
- Overdraft	1,660
- Trade facilities	43,655
- Term loan	4,000
- Syndicated Term Loan	58,000
- Obligations under finance leases	582
	<u>107,897</u>
Long Term Borrowings – Secured	
- Term Loan	15,000
- Obligations under finance leases	668
	<u>15,668</u>
Total Group's borrowings	<u><u>123,565</u></u>

22. 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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22. 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 31 May 2015				
Financial assets:				
Marketable securities	67	-	-	67
Derivatives				
- Forward foreign exchange contracts	-	404	-	404
Non-financial assets:				
Biological assets	-	-	4,800	4,800
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	-	(84)	-	(84)
At 28 February 2015				
Financial assets:				
Marketable securities	79	-	-	79
Derivatives				
- Forward foreign exchange contracts	-	168	-	168
Non-financial assets:				
Biological assets	-	-	4,800	4,800

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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23. 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 July 2015:

(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 to 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 had 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 on 1 April 2015 heard the preliminary issue whether the appeal is academic as Naluri has been delisted. The Court of Appeal heard the appeal proper on 2 July 2015 and have deferred the decision to a date to be notified by the Court of Appeal.

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24. Dividend Payable and Distributable

On 8 May 2015, the Company declared a first interim single tier ordinary dividend of 10 sen per share in respect of the financial year ending 29 February 2016 amounting to RM25.4 million which was paid on 8 June 2015.

25. 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-May-15	31-May-14	31-May-15	31-May-14
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>12,908</u>	<u>10,861</u>	<u>12,908</u>	<u>10,861</u>
Number of ordinary shares in issue ('000)	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>	<u>253,650</u>
Basic earnings per share (sen)	<u>5.09</u>	<u>4.28</u>	<u>5.09</u>	<u>4.28</u>

b. Diluted

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

26. 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 July 2015.