

**EASTLAND EQUITY BHD (“EASTLND”)
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2013**

EXPLANATORY NOTES

A1 Basis of preparation

This interim report is unaudited and has been prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012. The 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 31 December 2012.

The significant accounting policies, methods of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2012.

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1 January 2014. The Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2014.

A2 Audit qualifications

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

A3 Seasonality or cyclicity of operation

For the financial period under review, the operations of the Group are not subject to material seasonal or cyclical fluctuations except for the Hospitality segment.

A4 Changes in the composition of the Group

For the financial period under review, there were no material changes in the composition of the Group.

A5 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cashflows because of their nature, size or incidence during the financial period under review.

A6 Changes in estimates

There were no material changes in estimates in the current quarter results.

A7 Debt and equity securities

There were no issuance, repurchase and repayment of debt and equity securities for the financial period under review.

A8 Dividends paid

There was no dividend paid for the financial period under review.

A9 Segmental reporting

The Group's segmental report for the financial period to date is as follows:

	Investment properties RM'000	Leasing & financing RM'000	Hospitality RM'000	Investment holding RM'000	Property development RM'000	Others RM'000	Total RM'000
Revenue	2,985	-	12,200	-	5,433	-	20,618
Results							
Segment profit/(loss)	490	(23)	3,608	(1,226)	790	(38)	3,601
Interest income	27	-	-	21	4	-	52
Finance cost	(240)	-	-	(9)	-	-	(249)
Share of result of associate							-
Profit before taxation							<u>3,404</u>
Income tax expense							<u>(1,350)</u>
Profit for the period							<u><u>2,054</u></u>

A10 Carrying amount of revalued assets

The carrying value of land and building is based on the valuation incorporated in the annual financial statements for the year ended 31 December 2012 and valuation performed as of date of this report.

A11 Subsequent material event

There were no material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

A12 Changes in contingent liabilities and contingent assets

Save for disclosures that were made in the audited financial statements for the year ended 31 December 2012, there were no material changes in the contingent liabilities and contingent assets of the Group.

A13 Capital Commitments

During the financial period under review, there were no material capital commitments that the Group had contracted for and approved.

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BHD'S LISTING REQUIREMENTS

B1 Review of performance

The Group recorded revenue of RM11.78 million for the current quarter, compared to the revenue of RM11.91 million recorded in previous year corresponding quarter.

In the Investment Properties segment, the Group recorded revenue of RM1.54 million compared to RM1.57 million in previous year corresponding quarter. The revenue is solely derived from shopping complex operation. Lower shop lot rental revenue recorded in the current quarter compared to previous year corresponding quarter due to expiry of tenancy. However there were higher insurance billings due to delay in receiving of insurance policy from insurance agent and in turn the billing to property owner was deferred to 2nd quarter.

In the Leasing and Financing segment. As there were no active or new customers in the current quarter, no revenue recorded in the current quarter compared to RM160 in previous year corresponding quarter.

In the Hospitality segment, a revenue of RM6.90 million was recorded compared to RM6.52 million in previous year corresponding quarter. Renaissance Kota Bharu Hotel generally performed better in the current quarter compared to previous year corresponding quarter especially in the revenue of rooms, restaurants and lounges.

In the current quarter, the Group recorded a revenue of RM3.34 million for Property Development segment. Revenue for previous year corresponding quarter was RM3.80 million. Revenue recognition reduced compared to previous year corresponding quarter due to some cancellation of sales during the year end 2012 and also upward revised of total cost at year end 2012.

B2 Material changes in the profit before taxation

The Group recorded profit before tax for the quarter at RM2.25 million compared to previous quarter profit before tax for the quarter at RM1.16 million. Better profit is mainly contributed by Hotel operation where the profit improved by about RM880,000 from previous quarter. The increased is a seasonal pattern for our Hotel as the first quarter is always slower due to lesser business from local government.

B3 Group prospects

For the financial year 2013, the Group is expected to focus its attention on the current businesses in Investment Property segment, Hospitality segment and Project Development segment. The management will also explore for other business opportunity.

B4 Variance of profit forecast and profit guarantee

Not applicable.

B5 Taxation

	3 months ended 30-Jun-13 RM'000	3 months ended 30-Jun-12 RM'000	Year-to-date 30-Jun-13 RM'000	Year-to-date 30-Jun-12 RM'000
Tax (expense)/income				
Income tax				
-current year	(750)	(49)	(750)	(182)
-prior year	-	-	-	-
Deferred tax				
-current year	(300)	(450)	(600)	(900)
-prior year	-	-	-	-
	<u>(1,050)</u>	<u>(499)</u>	<u>(1,350)</u>	<u>(1,082)</u>

The effective income tax rate of the Group for the current quarter and financial year-to-date is lower than the statutory tax rate mainly due to utilisation of capital allowance.

B6 Status of corporate proposal

- (i) On 9 July 2013, the Company announced that it's wholly owned subsidiary Eastern Biscuit Factory Sdn Bhd ("EBF") will be entering into a Joint Venture Agreement with Zalam Corporation Sdn Bhd, an unrelated party, to jointly develop a piece of vacant land in Kota Bharu, Kelantan owned by EBF.

As of the date of this report the matter is still being deliberated by the Board.

- (ii) On 9 July 2013, the Company announced that M & A Securities Sdn Bhd has been appointed as the Main Adviser for a proposed private placement exercise.

The Company is working on the detail of the exercise.

B7 Group borrowings and debts securities

The Group borrowings, all denominated in Ringgit Malaysia, as at 30 June 2013 are as follows: -

	Secured RM'000	Total RM'000
Current:		
Term loans	8,240	8,240
Hire-purchase payables	129	129
	<u>8,369</u>	<u>8,369</u>
Non-current:		
Term loans	2,088	2,088
Hire-purchase payables	95	95
	<u>2,183</u>	<u>2,183</u>
Total	<u>10,552</u>	<u>10,552</u>

B8 Changes in material litigation

There were no material litigations for the financial period under review other than the following:

- (i) Eastern Biscuit Factory Sdn Bhd ("EBF"), a wholly owned subsidiary of the Company had on 6 September 2011 being served with a Writ of Summon and Statement of Claim (Dalam Mahkamah Tinggi Malaya di Kota Bharu Guaman No.: 22-133-07/2011) in regard to a suit commenced by Maimun Binti Mohd Hussain ("Plaintiff") against EBF, Mohd Nazwady Bin Mat Nasir and Abdull Ghani Bin Yusof ("Defendants").

The Plaintiff alleged that she had on 11 January 2011 used the valet parking services at Hotel Renaissance Kota Bharu ("the Hotel") which operate at the premise of EBF. The Plaintiff handed her motor vehicle model BMW X6 3.0(A) with the registration number PCT 15 ("said Vehicle") to the staff/authorised agent of the Hotel. The said Vehicle was alleged to be stolen on the same day under the care of the Hotel.

The Plaintiff's claims against the Defendants as follows ("Statement of Claims"):

- Compensation on price of motor vehicle BMW X6 3.0(A) – RM625,000;
- Compensation on loss of used of vehicle BMW X6 3.0(A) for RM1,500 daily until settlement on (a) as above;
- Compensation on lost of used vehicle registration plat no. PCT 15 – RM200,000;
- Compensation on emotional – RM2,000,000;
- Compensation on Moral – RM1,000,000;
- 8% interest per annum on compensations approved until full settlement;
- Cost; and
- Any other approved by court.

The Company does not anticipate any financial and operational impact of the Writ of Summon and Statement of Claims on the Group or expect any losses arising from the Writ of Summon and Statement of Claims.

The claims by the Plaintiff is insured under International Liability Insurance Program for Marriott International, Inc. and the insurance coverage is sufficient for the claims should the judgment is in favour of the Plaintiff.

The matter has been fixed for case management on 1 April 2012 and 8 May 2012. The Case Management on 8 May 2012 was for the Plaintiff to make amendments to their Statement of Claims. The amendments were:-

1. To correct the typographical error of the name "Renaissance"; and
2. To revise upwards the claim sum for loss of use of the vehicle.

The Court has fixed 21 August 2013 for case management.

- (ii) FBO Land (Setapak) Sdn Bhd ("Plaintiff"), a wholly owned subsidiary of the Company had filed a suit against two previous Directors & 13 others for the return of 9 units of shoplots belonging to the Plaintiff on 3 March 2006.

The defendants were 1st Tow Kong Liang, 2nd Aubrey George Menezes, 3rd Chow Lye Khoon, 4th Tow Lye Good, 5th Chow Kong Han, 6th Arulananda K. Manickam, 7th Pristine Park Sdn. Bhd. 8th Potowin Sdn. Bhd., 9th Sapphire Dynamics Sdn. Bhd., 10th Eminent Pacific Sdn. Bhd., 11th Bay Trading Sdn. Bhd., 12th Pendaftar Hakmilik Tanah Kuala Lumpur, 13th Malayan Banking Berhad, 14th Standard Chartered Bank Malaysia Berhad and 15th EON Bank Berhad.

The High Court conducted the trials on 18-20 January 2012, 29 February 2012, 5-6th March 2012 and 23rd March 2012.

On 30 April 2012, the High Court ruled in favour of the Plaintiff allowing their claim against the 1st to 10th Defendants with costs. However, the High Court at the same time dismissed the Plaintiff's claim against the 11th Defendant with costs.

The Plaintiff had withdrawn the suits against the 13th to 15th Defendants upon the three defendants entering into a Consent Order before a Judge to deposit any surplus from the proceeds of auction on properties charged to them into their Solicitors' firm account as stakeholder pending the disposal of the suit.

The 12th Defendant had through the Public Prosecutor's office informed the High Court that they will abide to whatever Order issued by the Court in respect of the properties involved in the case.

The Plaintiff had on 28 May 2012 received notice of appeal by defendants 1st to 10th. The case is now pending for hearing date to be fixed by court. Meanwhile, Defendants 1st to 10th has filed for Stay of Execution of the Court Judgment. The Court has fixed 10 October 2013 for mention of the application for Stay of Execution.

B9 Dividend

There was no dividend paid for the financial period under review.

B10 Earnings per shares

	3 months ended 30-Jun-13 RM'000	3 months ended 30-Jun-12 RM'000	Year-to-date 30-Jun-13 RM'000	Year-to-date 30-Jun-12 RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	<u>1,197</u>	<u>1,547</u>	<u>2,054</u>	<u>1,580</u>
	<u>1,197</u>	<u>1,547</u>	<u>2,054</u>	<u>1,580</u>
Number of ordinary share in issue ('000)	223,335	223,335	223,335	223,335
Earnings/(Loss) per share (sen)				
Basic, for profit/(loss) from				
- continuing operations	<u>0.54</u>	<u>0.69</u>	<u>0.92</u>	<u>0.71</u>
Basic, for profit/(loss) for the period	<u>0.54</u>	<u>0.69</u>	<u>0.92</u>	<u>0.71</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

B11 Disclosure of realised and unrealised profits/losses

The breakdown of accumulated losses of the Group as at 30 June 2013, into realised and unrealised profits is as follows:

	12 months ended 31-Dec-12 RM'000	6 months ended 30-Jun-13 RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	70,269	72,045
- Unrealised	<u>9,296</u>	<u>9,574</u>
	<u>79,565</u>	<u>81,619</u>
Total share of retained profits/(accumulated losses) from associate:		
- Realised	(400)	(400)
- Unrealised	<u>-</u>	<u>-</u>
	<u>79,165</u>	<u>81,219</u>
Consolidation adjustments	<u>(137,520)</u>	<u>(137,520)</u>
Total Group accumulated losses	<u>(58,355)</u>	<u>(56,301)</u>

B12 Profit for the period

	Current Quarter RM'000	Year-to-date RM'000
This is arrived at after (charging)/crediting:		
Interest income	37	52
Depreciation and amortization	(147)	(293)
Provision for and write off of receivables	(35)	(38)
Foreign exchange loss	-	(16)
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Other disclosure items pursuant to Appendix 9B, Part A(16) of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.