

**EASTLAND EQUITY BHD (“EASTLND”)
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 2015. The Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2015.

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

Except as disclosed below, there were no issuance and repayment of debts and equity securities for the financial period under review.

- (a) Issuance of 22,333,400 new ordinary shares of RM0.50 each pursuant to a fund raising exercise through the private placement of 22,333,400 new ordinary shares to independent third party investors at issue price of RM0.515 per share.

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	5,802	-	23,627	-	10,031	-	39,460
Results							
Segment profit/(loss)	833	557	6,556	(2,782)	(1,505)	3,590	7,249
Interest income	27	-	-	21	11	-	59
Finance cost	(481)	-	-	(15)	(147)	-	(643)
Share of result of associate							-
Profit before taxation							6,665
Income tax expense							(1,591)
Profit for the period							5,074

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

The Group's contingent liabilities as disclosed in the audited financial statements for the year ended 31 December 2012 no longer applies as of 31 December 2013 based on the directors' opinion formed on legal advice which drew reference from the relevant law and facts. The Group has no material contingent assets as of 31 December 2013.

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 RM8.58 million for the current quarter, compared to the revenue of RM6.23 million recorded in previous year's corresponding quarter.

In the Investment Properties segment, the Group recorded revenue of RM1 million compared to RM1.54 million in previous year's corresponding quarter. The drop in revenue was due to cancellation of sale of previous year of two condo units amounting to RM473,000 due to breach of contract by purchasers.

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 RM150 in previous year's corresponding quarter.

In the Hospitality segment, there was reduction in the revenue of RM5.56 million of Renaissance Kota Bharu Hotel in the current quarter compared to previous year's corresponding quarter of RM6.56 million. The difference was attributed to a general reduction in revenue from rooms, restaurants, lounges, and banquets.

In the current quarter, the Group recorded a revenue of RM2.02 million for Property Development segment. Revenue for previous year's corresponding quarter was attributed to write back of RM 1.87 million. Increase in sales and construction work done in current quarter contributed to the increase in revenue.

B2 Material changes in the profit before taxation

The Group recorded loss before tax for the current quarter of RM2.05 million compared to previous quarter profit before tax of RM5.31 million. The loss was mainly due to the provision for an estimated RM1.8 million in Liquidated and Ascertained Damages ("LAD") related to the delay of the Bandar Tasek Raja Commercial Centre Project in Pasir Mas, Kelantan. The higher profit in previous quarter was mainly due to waiver of debt of RM3.65 million and write back of provision for doubtful debts of RM671,000.

B3 Group prospects

For the financial year 2014, 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 31-Dec-13 RM'000	3 months ended 31-Dec-12 RM'000	Year-to-date 31-Dec-13 RM'000	Year-to-date 31-Dec-12 RM'000
Tax (expense)/income				
Income tax				
-current year	(174)	(330)	(1,581)	(1,064)
-prior year	509	18	509	(25)
Deferred tax				
-current year	393	368	(507)	(982)
-prior year	(12)	(84)	(12)	(84)
	<u>716</u>	<u>(28)</u>	<u>(1,591)</u>	<u>(2,155)</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 12 September 2013, the Company announced a proposed private placement of up to 22,333,400 new ordinary share of RM0.50 each in EEB, representing approximately 10% of the issued and paid up Share Capital, to independent third party investors.

The proposal was submitted to Bursa Malaysia Securities Berhad and obtained its approval on 24 September 2013. The private placement was completed on 11 October 2013 following the listing of and quotation for 22,333,400 placement shares on the Main Market of Bursa Malaysia Securities Berhad.

A total of RM 11,501,701 was raised. The fund was fully utilised as of 20 January 2014, the breakdown of the utilisation is as follow:

Purpose	<u>Proposed</u>	<u>Actual</u>	<u>Utilisation</u>	<u>Deviation</u>	
	<u>Utilisation</u>	<u>Utilisation</u>	<u>Timeframe</u>	<u>Amount</u>	<u>%</u>
	RM'000	RM'000		RM'000	
Payment to contractor	9,867	10,306	within 12 months	439	4.45
Working capital	1,000	1,000	within 6 months	-	-
Expenses relating to the Proposed Private Placement	300	196	within 1 month	(104)	(34.67)
	<u>11,167</u>	<u>11,502</u>		<u>335</u>	

Note:

The actual fund raised is RM11,501,701 which is in excess of RM334,701 compared to indicated sum. The excess was used for payment to contractor.

There are also excess of fund allocated for expenses relating to the private placement exercise amounting to RM104,437. The excess fund has been used for payment to contractor.

- (ii) On 20 September 2013, 24 September 2013 and 25 September 2013, the Company made an announcement on the Debt Restructuring Agreement entered into between Eastern Biscuit Factory Sdn Bhd, Fazwin Construction Sdn Bhd, FBO Land (Setapak) Sdn Bhd and Explicit Vantage Sdn Bhd. The debt restructuring exercise is pending approval from the Ruler-in-Council for the land transfer and release of charge from the Bank for the condominium units.

B7 Group borrowings and debts securities

The Group borrowings, all denominated in Ringgit Malaysia, as at 31 December 2013 are as follows: -

	Secured RM'000	Total RM'000
Current:		
Term loans	4,784	4,784
Hire-purchase payables	89	89
	<u>4,873</u>	<u>4,873</u>
Non-current:		
Term loans	2,088	2,088
Hire-purchase payables	54	54
	<u>2,142</u>	<u>2,142</u>
Total	<u>7,015</u>	<u>7,015</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 been 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 while under the care of the Hotel.

The Plaintiff’s claims against the Defendants as follows (“Statement of Claims”):

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

The Company does not anticipate any financial and operational impact from 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 be 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 Plaintiff and Defendants have reached an out of Court settlement for amount of RM840,000 as costs for damages and RM85,000 as legal costs. The Court has recorded the settlement on 8 December 2013 and the monies have been paid out to the Plaintiff by the Insurer.

- (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 Court of Appeal has fixed on 4 March 2014 for the hearing of the appeal.

Defendants 1st to 10th had also on 25 February 2013 filed for Stay of Execution of the Court Judgment. Subsequently, the Plaintiff filed an objection to the Defendants application for the Stay of Execution and Assessment of Damages claims both on 11 November 2013. The Court has fixed on 21 February 2014 to hear the application for Stay of Execution by the defendants.

At the hearing on 21 February 2014, the High Court made an Order that neither the Plaintiff nor the Defendants are allowed to transfer the properties. As for the rentals being collection from the tenants of the properties, the Defendants are to deposit all rentals collected by them since April 2012 (the date of the High Court Judgment) to the Defendants solicitors to hold as stakeholder pending the Court of Appeal’s decision on the defendants’ appeal against the High Court’s ruling in favour of The Plaintiff. The Court of Appeal has fixed for hearing on 17 June 2014.

- (iii) FBO Land (Setapak) Sdn Bhd (“Defendant”), a wholly owned subsidiary of the Company had on 29 June 2011 received a sealed copy of Writ of Summon and Statement of Claim (Dalam Mahkamah Sesyen di Kuala Lumpur, Guaman No.:S-52-22153-2011) in regard to a suit commenced by Koh Tip Pee (“Plaintiff”).

The Plaintiff alleged that he had entered a Sale and Purchase Agreement (“SPA”) on 5 January 2001 with the Defendant to purchase a low cost flat at a price of RM25,000. A new SPA was subsequently entered by both parties on 5 December 2007. The Plaintiff claims that the new SPA does not comply with Jadual H Peraturan-Peraturan Kemajuan Perumahan (Kawalan dan Perlesenana) 1966 and also does not provide for period of delivery of vacant possession and defect liability period.

The Plaintiff claims from the Defendant

- (a) A declaration that the Sale and Purchase Agreement signed on has 5 December 2007 has to comply to Jadual H Peraturan-Peraturan Kemajuan Perumahan (Kawalan dan Perlesenan) 1966;
- (b) A declaration that the Defendant to pay to the Plaintiff specific claims of RM13,008.56;
- (c) A declaration that the Defendant to pay interest of 10% per annum on RM13,008.56 which amounts to RM1,318.68 from 13.12.2007 till 17.12.2008 until full settlement;
- (d) A declaration that the Defendant to pay compensation of RM11,850.00;

- (e) A declaration that the Defendant to pay interest on RM11,850.00 from 13.12.2007 till 17.12.2008 amounting to RM879.82 until full settlement;
- (f) A declaration that the Defendant to pay compensation of RM23,000; and
- (g) Any other relief costs deem fit by the Court.

The Board wishes to inform that the Company had never signed any SPA in 2001 as alleged by the Plaintiff. As for the SPA dated 5 December 2007, the Company had delivered vacant possession of the property to the Plaintiff in accordance of the SPA dated 5 December 2007. The Plaintiff had fully settled the purchase price and the property were delivered to the Plaintiff on 13 December 2007. Hence there was no breach of contract.

The Session Court has no jurisdiction to hear the case and hence struck out the Plaintiff's suit on 22 December 2011.

On 13 April 2012, the Plaintiff re-filed a fresh Summons and Statement of Claims at the Kuala Lumpur Sessions Court.

The Company had filed application to strike out the Plaintiff's claim on the ground that the subordinate Court does not have jurisdiction to grant any declaratory orders. However, the Court had struck off the application.

The Court had fixed for trial on 6 February 2013. The Court on 29 March 2013 dismissed the Plaintiff's claim with costs.

The Plaintiff has on 8 April 2013 filed an appeal. The Court has fixed for hearing on 21 February 2014, which was postponed to 25 March 2014.

- (iv) Rimaflex Sdn Bhd ("Plaintiff"), a wholly owned subsidiary of the Company had on 19 September 2013 filed at Kuala Lumpur High Court, the Writ of Summons and Statement of Claims against Chong Sze San, Len Yoong Chan and Lim Beng Koon ("Defendant"). Defendant 2 and 3 are guarantors for Defendant 1. The outstanding claims amounted to RM17,654,977.31 with 8% interest commencing from 17 September 2013 until date of full settlement due under MoneyLending Agreement signed by the Defendant with the Plaintiff on 19 January 2009 and 24 May 2010.

The defendants had on 15 November 2013 applied for Order 33 r.2 Rules of Court 2012 for the Court to determine the preliminary issues regarding the legality of the MoneyLending Agreement. This has been fixed for case management on 13 December 2013.

During the hearing held on 14 February 2014, the Court allowed Rimaflex Sdn. Bhd.'s application for Summary Judgment (Order 14) filed against the defendant(s) and at the same time the defendant(s) withdrew their application for Order 33 r.2 of Court 2012 filed against Rimaflex Sdn. Bhd..

B9 Dividend

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

B10 Earnings per shares

	3 months ended 31-Dec-13 RM'000	3 months ended 31-Dec-12 RM'000	Year-to-date 31-Dec-13 RM'000	Year-to-date 31-Dec-12 RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	<u>(1,331)</u>	<u>(761)</u>	<u>5,074</u>	<u>1,307</u>
	<u>(1,331)</u>	<u>(761)</u>	<u>5,074</u>	<u>1,307</u>
Number of ordinary share in issue ('000)	245,668	223,335	245,668	223,335
Earnings/(Loss) per share (sen)				
Basic, for profit/(loss) from				
- continuing operations	<u>(0.54)</u>	<u>(0.34)</u>	<u>2.07</u>	<u>0.59</u>
Basic, for profit/(loss) for the period	<u>(0.54)</u>	<u>(0.34)</u>	<u>2.07</u>	<u>0.59</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 31 December 2013, into realised and unrealised profits is as follows:

	12 months ended 31-Dec-12 RM'000	12 months ended 31-Dec-13 RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	41,584	48,686
- Unrealised	<u>37,981</u>	<u>38,229</u>
	<u>79,565</u>	<u>86,915</u>
Total share of retained profits/(accumulated losses) from associate:		
- Realised	(400)	(400)
- Unrealised	<u>-</u>	<u>-</u>
	<u>79,165</u>	<u>86,515</u>
Consolidation adjustments	<u>(137,520)</u>	<u>(139,797)</u>
Total Group accumulated losses	<u>(58,355)</u>	<u>(53,282)</u>

B12 Profit for the period

Current Quarter RM'000	Year-to-date RM'000
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This is arrived at after (charging)/crediting:

Interest income	1	59
Depreciation and amortization	(153)	(590)
Provision for and write off of receivables	(22)	(25)
Provision for late penalty interest, LAD	(1,783)	(1,783)
Foreign exchange loss	(11)	(63)

Other disclosure items pursuant to Appendix 9B, Part A(16) of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.