

**EASTLAND EQUITY BHD (“EASTLND”)  
INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2014**

**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 2013. 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 2013.

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 2013.

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.

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 2013 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
<b>Revenue</b>	1,442	-	5,132	-	1,481	-	8,055
<b>Results</b>							
Segment profit/(loss)	64	(39)	323	26	89	-	463
Interest income	8	-	-	-	1	-	9
Finance cost	(91)	-	-	(2)	(36)	-	(129)
Share of result of associate							-
Profit before taxation							<u>343</u>
Income tax expense							<u>(333)</u>
Profit for the period							<u><u>10</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 2013 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 2013, 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 RM8.06 million for the current quarter, compared to the revenue of RM8.84 million recorded in previous year corresponding quarter.

In the Investment Properties segment, the Group recorded revenue of RM1.4 million in both this quarter and the previous year corresponding quarter.

In the Hospitality segment, there were slight reduction in revenue of RM5.13 million of Renaissance Kota Bharu Hotel in the current quarter compared to previous year corresponding quarter of RM5.30 million. Except for banquets which recorded higher revenue as compared to previous year corresponding quarter, other revenue components of namely rooms, restaurants and lounges registered lower revenue.

In the property segment, the Group recorded a revenue of RM1.48 million compared to RM2.10 million in previous year corresponding quarter. Lower revenue is mainly due to slower sales and work-in-progress of the Bandar Tasek Raja project in Pasir Mas, Kelantan.

In the Leasing and Financing segment, similar to the previous corresponding quarter, no revenue was recorded in the current quarter as there were no active or new customers.

**B2 Material changes in the profit before taxation**

The Group recorded profit before tax for the current quarter of RM343 thousand compared to previous quarter loss before tax of RM2.05 million. Current quarter profit is mainly attributed to the gain on disposal of a non-current asset held for sale of RM750 thousand. However, the Group also recorded depreciation of hotel building of RM763 thousand. Previous quarter loss was mainly due to the RM1.8 million LAD related to the delay of the Bandar Tasek Raja project in Pasir Mas, Kelantan and the reversal of sales of condominium of RM438 thousand.

**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-Mar-14 RM'000	3 months ended 31-Mar-13 RM'000	Year-to-date 31-Mar-14 RM'000	Year-to-date 31-Mar-13 RM'000
Tax (expense)/income				
Income tax				
-current year	(206)	-	(206)	-
-prior year	-	-	-	-
Deferred tax				
-current year	(127)	(300)	(127)	(300)
-prior year	-	-	-	-
	<u>(333)</u>	<u>(300)</u>	<u>(333)</u>	<u>(300)</u>

The effective income tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

## B6 Status of corporate proposal

- (i) 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 March 2014 are as follows: -

	Secured RM'000	Total RM'000
<b>Current:</b>		
Term loans	3,799	3,799
Hire-purchase payables	84	84
	<u>3,883</u>	<u>3,883</u>
<b>Non-current:</b>		
Term loans	2,088	2,088
Hire-purchase payables	32	32
	<u>2,120</u>	<u>2,120</u>
<b>Total</b>	<u>6,003</u>	<u>6,003</u>

## B8 Changes in material litigation

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

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

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

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

The Plaintiff had withdrawn the suits against the 13<sup>th</sup> to 15<sup>th</sup> 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 12<sup>th</sup> 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 1<sup>st</sup> to 10<sup>th</sup>.

Defendants 1<sup>st</sup> to 10<sup>th</sup> 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 of Appeal has now fixed on 17 June 2014 for the hearing on the Defendants' appeal against the High Court ruling.

- (ii) 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 Summons 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;
- (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 have struck off the application.

The High Court on 25 March 2014 dismissed the Plaintiff's appeal with costs of RM5,000.00

- (iii) 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 claims of outstanding of RM17,654,977.31 with 8% interest commencing from 17 September 2013 until date of full settlement due under Money Lending Agreement signed by the Defendant with the Plaintiff on 19 January 2009 and 24 May 2010. The claims against guarantors of outstanding of RM17,404,977.31 with 8% interest commencing from 17 September 2013 until date of full settlement.

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 Money Lending Agreement.

The High Court granted the Plaintiff Summary Judgement against the Defendants on 14 February 2014 and at the same time dismissed the defendants application for Order 33r.2 Rules of Court. The sealed Summary of Judgment was extracted from Court on 10 March 2014 and served on the Defendants' lawyer accordingly on 11 March 2014. On the same date, the defendants have filed an appeal to the Court of Appeal against the Summary Judgement granted to the Plaintiff, which will be fixed for hearing on 7 July 2014.

In view of non compliance by the Defendants, the Plaintiff via its lawyer have filed an extracted sealed copies of the Judgment Notices and served on the Defendants on 5 May 2014. The Court fixed on 6 August 2014 for the case management.

**B9 Dividend**

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

**B10 Earnings per shares**

	3 months ended 31-Mar-14 RM'000	3 months ended 31-Mar-13 RM'000	Year-to-date 31-Mar-14 RM'000	Year-to-date 31-Mar-13 RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	<u>10</u>	<u>858</u>	<u>10</u>	<u>858</u>
	<u>10</u>	<u>858</u>	<u>10</u>	<u>858</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>0.00</u>	<u>0.38</u>	<u>0.00</u>	<u>0.38</u>
Basic, for profit/(loss) for the period	<u>0.00</u>	<u>0.38</u>	<u>0.00</u>	<u>0.38</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 March 2014, into realised and unrealised profits is as follows:

	12 months ended 31-Dec-13 RM'000	3 months ended 31-Mar-14 RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	74,349	73,473
- Unrealised	<u>12,566</u>	<u>13,452</u>
	86,915	86,925
Total share of retained profits/(accumulated losses) from associate:		
- Realised	(400)	(400)
- Unrealised	<u>-</u>	<u>-</u>
	86,515	86,525
Consolidation adjustments	<u>(139,797)</u>	<u>(139,797)</u>
Total Group accumulated losses	<u>(53,282)</u>	<u>(53,272)</u>

**B12 Profit for the period**

	Current Quarter RM'000	Year-to-date RM'000
This is arrived at after (charging)/crediting:		
Interest income	9	9
Depreciation and amortization	(880)	(880)
Provision for and write off of receivables	(3)	(3)
Foreign exchange loss	(5)	(5)
	<u>          </u>	<u>          </u>

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