

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

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 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	Leasing & financing	Hospitality	Investment holding	Property development	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,954	1,339	11,142	-	2,454	-	17,889
Results							
Segment profit/(loss)	692	1,335	1,195	(855)	35	(7)	2,395
Interest income	28	-	-	-	2	-	30
Finance cost	(124)	-	-	(4)	(68)	-	(196)
Share of result of associate							-
Profit before taxation							2,229
Income tax expense							(1,593)
Profit for the period							636

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 RM9.83 million for the current quarter, compared to the revenue of RM11.78 million recorded in previous year corresponding quarter.

In the Investment Properties segment, the Group recorded revenue of RM1.5 million in both this quarter and the previous year corresponding quarter.

In the Hospitality segment, there were slight reduction in revenue of RM6.01 million of Renaissance Kota Bharu Hotel in the current quarter compared to previous year corresponding quarter of RM6.90 million. In general, all major components of room, banquets and restaurant registered lower revenue in current quarter as compared to previous year corresponding quarter.

In the current quarter, the Group recorded a revenue of RM973 thousand for Property Development segment compared to RM3.34 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, the Group recovered an amount due from a default lending customer from an auction of its property charged as security for the loan in the quarter. From the recovered amount, the portion of interest on the loan amounting to RM1.34 million which was not recognized in the past due to uncertainty on recovery, is recognised as income in the quarter upon recovery of the amount. No revenue recorded in previous year corresponding quarter, as there were no active or new customers.

B2 Material changes in the profit before taxation

The Group recorded a profit before tax for the current quarter of RM1.89 million compared to previous quarter profit before tax of RM343 thousand. The higher profit is mainly attributed to the RM1.34 million of interest income recognized upon the recovery of the amount due from a default lending customer as mentioned earlier. In addition, there is increase in hotel revenue of RM878 thousand; waiver of term loan interest/write back of over-accrued interest of RM385 thousand upon settlement of a term loan and a reduction in interest expense of RM58 thousand upon settlement of a term loan. This is offset by a reduction in revenue from the Bandar Tasek Raja project in Pasir Mas of RM509 thousand as compared to last quarter, and the gain on disposal of a non-current asset held for sale of RM750 thousand registered in the previous quarter.

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 other business opportunity.

B4 Variance of profit forecast and profit guarantee

Not applicable.

B5 Taxation

	3 months ended	3 months ended	Year-to-date	Year-to-date
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Tax (expense)/income				
Income tax				
-current year	(787)	(750)	(993)	(750)
-prior year	-	-	-	-
Deferred tax				
-current year	(473)	(300)	(600)	(600)
-prior year	-	-	-	-
	<u>(1,260)</u>	<u>(1,050)</u>	<u>(1,593)</u>	<u>(1,350)</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

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. As at the date of this announcement, the Ruler-in-Council has approved the land transfer. The debt restructuring exercise is now pending 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 30 June 2014 are as follows: -

	Secured	Total
	RM'000	RM'000
Current:		
Term loans	2,889	2,889
Hire-purchase payables	86	86
	<u>2,975</u>	<u>2,975</u>
Non-current:		
Term loans	2,088	2,088
Hire-purchase payables	10	10
	<u>2,098</u>	<u>2,098</u>
Total	<u>5,073</u>	<u>5,073</u>

B8 Changes in material litigation

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

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 1st Tow Kong Liang, 2nd Aubrey George Menezes, 3rd Chow Lye Khoo, 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.

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 High Court made an order that neither the Plaintiff nor the Defendants are allowed to transfer the properties and that the rental collection for the properties concerned since the date of the High Court Ruling on 30 April 2012 are to be deposited by the Defendants into the account of the Defendants' solicitor as stakeholder pending the Court of Appeal's decision.

The Court of Appeal has now fixed on 18 November 2014 for the hearing on the Defendants' appeal against the High Court ruling.

- (ii) 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 MoneyLending 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 MoneyLending 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 was served on the Defendants' lawyer accordingly on 11 March 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 but the Defendants refused to accept service. The Plaintiff via its lawyer then obtained Substitute of Service Order from Court and advertised the Judgement Notices in the newspaper on 10 June 2014.

The Defendants filed application in High Court to set aside the Bankruptcy Notices filed against them. At the hearing on 17 July 2014, the Court of Appeal dismissed the applications by 2nd and 3rd Defendants. The 1st Defendant, Chong Sze San's application was fixed for hearing on 6 August 2014. At the hearing, the Court of Appeal has set for decision on 21 August 2014 on Chong Sze San's application to set aside the Bankruptcy Notice filed against him. The Court has now fixed on 13 October 2014 and 12 January 2015 as case management for Len Yoong Chan and Lim Beng Koon's bankruptcy proceedings.

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

B10 Earnings per shares

	3 months ended	3 months ended	Year-to-date	Year-to-date
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	627	1,197	636	2,054
	<u>627</u>	<u>1,197</u>	<u>636</u>	<u>2,054</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	0.26	0.54	0.26	0.92
Basic, for profit/(loss) for the period	<u>0.26</u>	<u>0.54</u>	<u>0.26</u>	<u>0.92</u>
Diluted	-	-	-	-

B11 Disclosure of realised and unrealised profits/losses

The breakdown of accumulated losses of the Group as at 30 June 2014, into realised and unrealised profits is as follows:

	12 months ended	6 months ended
	31-Dec-13	30-Jun-14
	RM'000	RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	74,349	74,220
- Unrealised	12,566	13,332
	<u>86,915</u>	<u>87,552</u>
Total share of retained profits/(accumulated losses) from associate:		
- Realised	(400)	(400)
- Unrealised	-	-
	<u>86,515</u>	<u>87,152</u>
Consolidation adjustments	(139,797)	(139,797)
Total Group accumulated losses	<u>(53,282)</u>	<u>(52,645)</u>

B12 Profit for the period

	Current	
	Quarter	Year-to-date
	RM'000	RM'000
This is arrived at after (charging)/crediting:		
Interest income	21	30
Depreciation and amortization	(896)	(1,777)
Provision for and write off of receivables	(3)	(6)
Foreign exchange loss	(13)	(18)

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