

**EASTLAND EQUITY BHD (“EASTLND”)
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 01 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 01 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities and are allowed to defer the adoption of the new MFRS framework for an additional five years, have chosen to defer the adoption of the MFRSs framework to financial year beginning on 01 January 2017. The Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2017.

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
Revenue	5,970	1,339	23,196	-	3,484	-	33,989
Results							
Segment profit/(loss)	4,589	1,236	2,661	87	(2,212)	1,314	7,675
Interest income	36	-	-	-	5	-	41
Finance cost	(145)	-	-	(7)	(131)	-	(283)
Share of result of associate							-
Profit before taxation							<u>7,433</u>
Income tax expense							<u>(878)</u>
Profit for the period							<u><u>6,555</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 RM6.70 million for the current quarter, compared to the revenue of RM8.46 million recorded in previous year corresponding quarter.

In the Investment Properties segment, the Group recorded revenue of RM1.55 million in current quarter compared to RM998 thousand in previous year corresponding quarter. The difference is mainly due to the reversal of sale of a condominium and a shop-lot amounting RM473 thousand in previous year corresponding quarter.

In the Hospitality segment, a revenue of RM5.39 million was recorded compared to RM5.44 million in previous year corresponding quarter. The difference mainly come from reduce in banquet and recreation revenue. However, there were slight increase in food & beverages revenue.

In the current quarter, the Group recorded a deficit amount of RM248 thousand for Property Development segment compared to RM2.02 million in previous year corresponding quarter. Lower revenue as compared to previous year corresponding quarter is mainly due to the incurrence of non-budgeted expenditure in the Bandar Tasek Raja project and the termination of two units of properties sold due to non-approval of purchasers' banking facilities application.

There were no Leasing and Financing revenue recorded in both this quarter and previous year corresponding quarter.

B2 Material changes in the profit before taxation

The Group recorded a profit before tax for the current quarter of RM4.54 million compared to previous quarter profit before tax of RM665 thousand. The higher profit is mainly attributed to the RM3.84 million of revaluation on investment properties; the waiver of term loan interest of RM2.36 million upon early-settlement of a term loan; the write-back of creditors balance prior to the year 2003 of RM1.36 million due to the Limitation Act. However, the Group suffered current quarter loss of RM2.2 million in the Bandar Tasek Raja project due to the incurrence of non-budgeted expenditure and the termination of two units of properties sold due to non-approval of purchasers' loan application.

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	3 months ended	Year-to-date	Year-to-date
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Tax (expense)/income				
Income tax				
-current year	(111)	(174)	(1,406)	(1,581)
-prior year	36	509	36	509
Deferred tax				
-current year	822	393	(78)	(507)
-prior year	570	(12)	570	(12)
	<u>1,317</u>	<u>716</u>	<u>(878)</u>	<u>(1,591)</u>

The effective income tax rate of the Group for the current financial year-to-date is lower than the statutory tax rate mainly due to the gain on revaluation of investment properties recognized as profit in current quarter.

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. The process for the release of charge is expected to be completed by 1st quarter 2015.

B7 Group borrowings and debts securities

The Group borrowings, all denominated in Ringgit Malaysia, as at 31 December 2014 are as follows: -

	Secured RM'000	Total RM'000
Current:		
Term loans	5,343	5,343
Hire-purchase payables	54	54
Bank overdraft	11,091	11,091
	<u>16,488</u>	<u>16,488</u>
Non-current:		
Term loans	19,815	19,815
	<u>19,815</u>	<u>19,815</u>
Total	<u>36,303</u>	<u>36,303</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 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.

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 fixed the hearing on the Defendants' appeal against the High Court ruling to 01 April 2015.

- (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 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 granted Bankruptcy Order against Len Yoong Chan on 24 November 2014, Lim Beng Koon on 25 November 2014 and Chong Sze San on 1 December 2014.

B9 Dividend

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

B10 Earnings per shares

	3 months ended 31-Dec-14 RM'000	3 months ended 31-Dec-13 RM'000	Year-to-date 31-Dec-14 RM'000	Year-to-date 31-Dec-13 RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	<u>5,856</u>	<u>(1,331)</u>	<u>6,555</u>	<u>5,074</u>
	<u>5,856</u>	<u>(1,331)</u>	<u>6,555</u>	<u>5,074</u>
Number of ordinary share in issue ('000)	245,668	245,668	245,668	245,668
Earnings/(Loss) per share (sen)				
Basic, for profit/(loss) from				
- continuing operations	<u>2.38</u>	<u>(0.54)</u>	<u>2.67</u>	<u>2.22</u>
Basic, for profit/(loss) for the period	<u>2.38</u>	<u>(0.54)</u>	<u>2.67</u>	<u>2.22</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 2014, into realised and unrealised profits is as follows:

	12 months ended 31-Dec-14 RM'000	12 months ended 31-Dec-13 RM'000
Total retained profits of the Group:		
- Realised	55,012	74,349
- Unrealised	<u>42,539</u>	<u>12,566</u>
	<u>97,551</u>	<u>86,915</u>
Total share of accumulated losses from associate:		
- Realised	(400)	(400)
- Unrealised	<u>-</u>	<u>-</u>
	<u>97,151</u>	<u>86,515</u>
Consolidation adjustments	<u>(143,877)</u>	<u>(139,797)</u>
Total Group accumulated losses	<u>(46,726)</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	41
Depreciation and amortization	(910)	(3,608)
Provision for and write off of receivables	(24)	(22)
Foreign exchange loss	(72)	(77)
	<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.