

EASTLAND EQUITY BHD ("EASTLND")
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31-Dec-2017 RM <u>Unaudited</u>	As at 31-Dec-2016 RM <u>Audited</u>
ASSETS		
Non-Current Assets		
Property, plant and equipment	111,812,798	115,819,203
Investment properties	85,112,000	87,450,000
Prepaid land lease payments	2,049,344	2,060,528
Other investments	484,725	494,268
Total Non-Current Assets	<u>199,458,867</u>	<u>205,823,999</u>
Current Assets		
Property development expenditure	57,490,022	53,262,901
Inventories	13,517,735	11,218,834
Trade and other receivables	3,232,117	7,287,287
Tax recoverable	1,300,720	2,077,398
Deposits placed with licensed banks	3,054,362	2,389,655
Cash and bank balances	1,175,574	2,046,533
Total Current Assets	<u>79,770,530</u>	<u>78,282,608</u>
	<u>79,770,530</u>	<u>78,282,608</u>
TOTAL ASSETS	<u>279,229,397</u>	<u>284,106,607</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	123,168,989	122,833,988
Share premium	-	335,001
Reserves	60,192,571	68,142,961
Total Equity	<u>183,361,560</u>	<u>191,311,950</u>
Non-Current Liabilities		
Hire-purchase payables	206,141	309,556
Term loans	25,548,046	27,152,045
Deferred tax liabilities	12,301,811	12,610,650
Total Non-Current Liabilities	<u>38,055,998</u>	<u>40,072,251</u>
Current Liabilities		
Trade and other payables	20,445,212	16,440,416
Provisions for liabilities	4,208,039	5,632,968
Hire-purchase payables	103,415	98,227
Term loans	2,913,831	2,913,831
Bank overdraft	30,141,342	27,636,964
Total Current Liabilities	<u>57,811,839</u>	<u>52,722,406</u>
	<u>57,811,839</u>	<u>52,722,406</u>
Total Liabilities	<u>95,867,837</u>	<u>92,794,657</u>
TOTAL EQUITY AND LIABILITIES	<u>279,229,397</u>	<u>284,106,607</u>
Net asset per share (sen)	74	78

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**EASTLAND EQUITY BHD ("EASTLND")
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017**

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended 31-Dec-2017 RM	3 months ended 31-Dec-2016 RM	Year-to-date 31-Dec-2017 RM	Year-to-date 31-Dec-2016 RM
<u>Continuing Operations</u>				
Revenue	1,973,841	5,203,522	17,736,891	24,155,672
Expenses excluding finance cost	(4,652,779)	(6,632,031)	(25,376,787)	(29,014,618)
Other operating income	833,437	726,664	1,378,366	2,149,505
Profit/(loss) from operations	(1,845,501)	(701,845)	(6,261,530)	(2,709,441)
Finance cost	(580,375)	(403,555)	(1,964,702)	(1,881,668)
Profit/(loss) before taxation	(2,425,876)	(1,105,400)	(8,226,232)	(4,591,109)
Income tax expense	475,842	208,489	275,842	(192,744)
Net profit/(loss) for the period	(1,950,034)	(896,911)	(7,950,390)	(4,783,853)
Earnings per ordinary share attributable to equity holders of the Company (sen)				
Basic, for profit/(loss) for the period	<u>(0.79)</u>	<u>(0.37)</u>	<u>(3.24)</u>	<u>(1.95)</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

EASTLAND EQUITY BHD ("EASTLND")

INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← <u>Non-distributable</u> →				<u>Distributable</u>	Total RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Revaluation Reserve	Retained Profits/ (Accumulated Losses) RM	
At 1 January 2016	122,833,988	335,001	110,238,037	524,794	(37,836,017)	196,095,803
Total comprehensive loss	-	-	-	-	(4,783,853)	(4,783,853)
At 31 December 2016	122,833,988	335,001	110,238,037	524,794	(42,619,870)	191,311,950
Total comprehensive loss	-	-	-	-	(7,950,390)	(7,950,390)
Transfer in accordance with Section 618(2) of CA 2016 (Note 1)	335,001	(335,001)	-	-	-	-
At 31 December 2017	123,168,989	-	110,238,037	524,794	(50,570,260)	183,361,560

Note 1

The new Companies Act 2016 ("CA 2016"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the CA 2016. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

EASTLAND EQUITY BHD ("EASTLND")
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31-December-2017 RM	12 months ended 31-December-2016 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before income tax expense for the period	(8,226,232)	(4,591,109)
Adjustments for:		
Gain on disposal of:		
- Property, plant and equipment	-	(78,000)
- Land held for development	-	(1,300,000)
Interest income	(88,713)	(47,518)
Interest expense	1,964,702	1,881,668
Unrealised forex gain	9,543	(16,980)
Fair value loss on investment properties	2,338,000	-
Write back of payables	(370,824)	(681,545)
Impairment loss on receivables	470,461	-
Impairment loss no longer required on trade receivables	(536,031)	(21,032)
Depreciation of property, plant and equipment	4,101,195	4,075,453
Amortisation of prepaid lease payments	11,184	11,184
Operating Loss Before Working Capital Changes	(326,715)	(767,879)
(Increase)/Decrease in:		
Property development expenditure	(4,227,121)	(4,142,209)
Inventories	(2,298,901)	218,390
Trade and other receivables	4,120,740	1,314,865
Increase/(Decrease) in:		
Trade and other payables	4,375,622	(2,100,577)
Provision for liabilities	(1,424,929)	178,831
Income tax (paid)/refunded, net	218,696	(5,298,579)
	743,681	(232,015)
Net Cash Flows From/(Used In) Operating Activities	962,377	(5,530,594)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Additions to property, plant and equipment	(94,792)	(621,222)
Proceed from disposal of property, plant & equipment	-	78,000
Proceed from disposal of land held for development	-	3,300,000
Interest received	88,713	47,518
Deposit held as security value	(664,707)	(471,227)
Net Cash Flows Generated From/(Used In) Investing Activities	(670,786)	2,333,069
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of term loans	(1,603,999)	(2,205,981)
Interest paid	(1,964,702)	(1,881,668)
Drawdown of term loans	-	4,922,647
Payment of hire-purchase payables	(98,227)	(79,116)
Net Cash Flows Generated From/(Used In) Financing Activities	(3,666,928)	755,882
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,375,337)	(2,441,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(25,590,431)	(23,148,788)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(28,965,768)	(25,590,431)
CASH AND CASH EQUIVALENTS AT END OF PERIOD COMPRISE THE FOLLOWING:		
Cash and bank balances	941,640	1,815,979
Housing Development Account	233,934	230,554
Deposits placed with licensed banks	3,054,362	2,389,655
Bank overdrafts	(30,141,342)	(27,636,964)
	(25,911,406)	(23,200,776)
Less : Deposits pledged with licensed bank	(3,054,362)	(2,389,655)
	(28,965,768)	(25,590,431)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**EASTLAND EQUITY BHD (“EASTLND”)
INTERIM REPORT FOR THE FORTH QUARTER ENDED 31 DECEMBER 2017**

EXPLANATORY NOTES

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements of Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s annual audited financial statements for the financial year ended 31 December 2016. These explanatory notes provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements of the Group for the financial year ended 31 December 2016 except for the adoption of the relevant new FRSs, amendments to FRSs and IC Interpretations that are effective for annual periods beginning on or after 1 January 2018 respectively. The Group has not early adopted the standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) which are effective for the accounting periods beginning 1 January 2018. The adoption of the new FRSs, amendments to FRSs and IC Interpretations does not have any material impact on the financial position and results of the Group.

On 19 November 2011, the MASB issued a new MASB approved accounting standards, Malaysian Financial Reporting Standards (“MFRSs Framework”). The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual period beginning on or after 1 January 2012, with the exception of entities subject to the application of FRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate (“Transitioning Entities”).

The Transitioning Entities are given an option to defer adoption of the MFRSs framework. Accordingly, the Group which is a Transitioning Entity has chosen to defer the adoption of MFRSs framework. The Group will prepare its first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2018.

A2 Audit qualifications

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2016 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	4,541	-	15,712	-	(2,516)	-	17,737
Results							
Segment profit/(loss)	(3,498)	71	(2,232)	(2,698)	2,025	(18)	(6,350)
Interest income	84	-	-	-	5	-	89
Finance cost	(397)	-	-	(1,568)	-	-	(1,965)
Loss before taxation							(8,226)
Income tax expense							276
Loss for the period							<u><u>(7,950)</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 2016 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 2016, 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

Financial review for current quarter and financial year to date

	Individual Period			Cumulative Period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (%)	Current Year To-Date	Preceding Year Corresponding Period	Changes (%)
	31/12/2017 (RM '000)	31/12/2016 (RM '000)		31/12/2017 (RM '000)	31/12/2016 (RM '000)	
Revenue	1,974	5,204	(62)	17,737	24,156	(27)
Operating Loss	(1,846)	(702)	163	(6,262)	(2,709)	131
Loss Before Interest and Tax	(1,846)	(702)	163	(6,262)	(2,709)	131
Loss Before Tax	(2,426)	(1,105)	120	(8,226)	(4,591)	79
Loss After Tax	(1,950)	(897)	117	(7,950)	(4,784)	66
Loss Attributable to Ordinary Equity Holders of the Parent	(1,950)	(897)	117	(7,950)	(4,784)	66

The Group recorded a revenue of RM1.97 million for the current quarter, compared to the revenue of RM5.2 million recorded in previous year corresponding quarter.

In the Investment Properties segment, the Group recorded a revenue of RM0.90 million and RM1.42 million in the current quarter and previous year corresponding quarter respectively. The drop is mainly attributed to the transfer of management of the condominium and shopping complex building to Kota Sri Mutiara Management Corporation in April 2017.

In the Hospitality segment, the Group registered a revenue of RM3.92 million in the current quarter as compared to previous year corresponding quarter of RM4.23 million. The reduction in revenue is mainly attributed to the reduction in room sales, vis-à-vis occupancy rate and average room rate, and mainly due to stiff competition, and the transitional effect of changing hotel brand name from an international brand name (Renaissance Kota Bharu) to an in-house brand name (The Grand Renai).

In the Property Development segment, the Group recorded negative revenue of RM 2.85 million in this quarter as compared to the previous year corresponding quarter's negative revenue of RM447 thousand. This is mainly attributed to the reversal of sales of a few shoplots in Bandar Tasek Raja Phase 1 due to the cancellation of sales during the period.

B2 Material changes in the loss before taxation

Financial review for the current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/12/2017 (RM '000)	30/09/2017 (RM '000)	
Revenue	1,974	4,988	(60)
Operating Loss	(1,846)	(1,439)	28
Loss Before Interest and Tax	(1,846)	(1,439)	28
Loss Before Tax	(2,426)	(1,887)	29
Loss After Tax	(1,950)	(1,887)	3
Loss Attributable to Ordinary Equity Holders of the Parent	(1,950)	(1,887)	3

The Group recorded loss before tax of RM 2.43 million and RM 1.89 million for the current and previous quarter respectively. This is mainly attributed to a write down in fair value of RM2.34 million of the investment properties in this quarter pursuant to a certificate of valuation dated 15 February 2018 issued by the valuer; the write back of Liquidated and Ascertained Damages (“LAD”) of RM 1.1 million no longer necessary due to the cancellation of sales and settlement of LAD during the quarter; and the write back of budgeted project development cost of RM 0.94 million during the period.

B3 Group prospects

For the financial year 2018, the Group is expected to continue to focus on the current businesses in Investment Property segment, Hospitality segment and Property Development segment. The Group had launched Phase 2 of the Bandar Tasek Raja at the beginning of the year. Consistent with the plan to turnaround the Group, it has on 6 November 2017 announced a proposed fund raising exercise and a proposed acquisition of a land at a strategic location within the high-growth area of central Kota Kinabalu. This announcement includes a proposed development project on the land for a mixed commercial development consisting of a 28 storey (318 rooms) 3-star hotel and another block of 28 storey (354 units) hotel suites with 4 levels of retail lots with estimated gross development value and gross development costs of approximately RM356.92 million and RM282.05 million respectively. This project is expected to commence in 2018.

B4 Variance of profit forecast and profit guarantee

Not applicable.

B5 Corporate proposal

The Company made an announcement on 6 November 2017 of a corporate proposal to undertake a renounceable rights issue of up to 294,801,570 new ordinary shares in Eastland (“Eastland Shares”) (“Rights Shares”) together with up to 147,400,785 free detachable warrants (“Warrants”) on the basis of 6 Rights Shares for every 5 existing Eastland Shares held and 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later (“Entitlement Date”) (“Proposed Rights Issue with Warrants”).

In the same announcement, FBO Land (Setapak) Sdn Bhd (“FBO”), a wholly-owned subsidiary of Eastland, entered into a conditional sale and purchase agreement with P.C.K. Properties Sdn Bhd (“PCK” or the “Vendor”) for the acquisition of a parcel of leasehold development land situated at Jalan Pantai, Kota Kinabalu, Sabah measuring approximately 2,181.80 square meters (“Land”), for a purchase consideration of RM23,265,000 (“Purchase Consideration”) to be satisfied in full via cash (“SPA”) (“Proposed Acquisition”).

Collectively, the Proposed Rights Issue with Warrants and Proposed Acquisition are referred to as the “Proposals”. Further details of the Proposals are set out in the Company’s announcement on 6 November 2017.

The Company is currently preparing for the submission of the Proposals to Bursa Malaysia.

B6 Taxation

	3 months ended 31-Dec-17 RM'000	3 months ended 31-Dec-16 RM'000	Year-to-date 31-Dec-17 RM'000	Year-to-date 31-Dec-16 RM'000
Tax (expense)/income				
Income tax				
-current year	178	70	(22)	(225)
-prior year	(11)	(52)	(11)	(52)
Deferred tax				
-current year	283	262	283	156
-prior year	26	(72)	26	(72)
	<u>476</u>	<u>208</u>	<u>276</u>	<u>(193)</u>

The write back of tax provision is mainly the reversal of deferred tax as at 31 December 2017.

B7 Group borrowings and debts securities

The Group borrowings, all denominated in Ringgit Malaysia, as at 31 December 2017 are as follows: -

	31/12/2017		31/12/2016	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Secured				
Hire-purchase payables	103	206	98	310
Term Loan	2,914	25,548	2,914	27,152
Bank overdraft	30,141	-	27,637	-
	<u>33,158</u>	<u>25,754</u>	<u>30,649</u>	<u>27,462</u>

B8 Changes in material litigation

There were no material litigations for the financial period under review other than a suit by FBO Land (Setapak) Sdn Bhd ("FBOL") as described below:

FBOL, a wholly owned subsidiary of the Company had on 3 March 2006 filed a suit against the previous management and nine other parties ("the defendants") for the return of 9 units of shoplots belonging to FBOL. On 30 April 2012, the High Court ruled in favour of FBOL claim with costs. The defendants had filed an appeal to the Court of Appeal against the High Court ruling. On 1 April 2015, the Court of Appeal held hearing and heard submissions from FBOL and the defendants. On 15 May 2015, The Court of Appeal allowed the defendants' appeal. FBOL have filed for Motion for Leave from the Federal Court to appeal against the Court of Appeal's decision. The Federal Court has fixed for case management on 24 May 2016 pending the release of Grounds of Judgment from the Court of Appeal. In addition to the above suit for the return of 9 units of shoplots, FBOL had also filed for Assessment of Damages to claim from the defendants for the recovery of rental income generated from the 9 units of shoplots from the time the shoplots were transferred from FBOL. The Federal Court has postponed the Case Management date for FBOL's application for Leave to 13 April 2018 pending the Grounds of Judgment from the Court of Appeal.

B9 Dividend

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

B10 Earnings per shares

	3 months ended 31-Dec-17 RM'000	3 months ended 31-Dec-16 RM'000	Year-to-date 31-Dec-17 RM'000	Year-to-date 31-Dec-16 RM'000
Net loss attributable to equity holders of the Company				
- from continuing operation	<u>(1,950)</u>	<u>(897)</u>	<u>(7,950)</u>	<u>(4,784)</u>
	<u>(1,950)</u>	<u>(897)</u>	<u>(7,950)</u>	<u>(4,784)</u>
Number of ordinary share in issue ('000)	245,668	245,668	245,668	245,668
Loss per share (sen)				
Basic, loss from - continuing operations	<u>(0.79)</u>	<u>(0.37)</u>	<u>(3.24)</u>	<u>(1.95)</u>
Basic, loss for the period	<u>(0.79)</u>	<u>(0.37)</u>	<u>(3.24)</u>	<u>(1.95)</u>

B11 Loss for the period

	Current Quarter RM'000	Year-to-date RM'000
This is arrived at after (charging)/crediting:		
Interest income	10	89
Interest expense	(580)	(1,965)
Depreciation and amortization	(1,023)	(4,112)
Fair value loss on investment properties	(2,338)	(2,338)
Provision for and write off of receivables	(481)	(471)
Foreign exchange loss (unrealised)	(22)	(10)
Foreign exchange gain/(loss) (realised)	<u>12</u>	<u>(12)</u>

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