

EASTERN AND ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the Three-Month Period Ended 30 June 2006

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/06 RM'000	Comparative quarter ended 30/06/05 RM'000	Current year to date 30/06/06 RM'000	Comparative year to date 30/06/05 RM'000
Revenue	192,837	4,930	192,837	4,930
Cost of sales	<u>(147,558)</u>	<u>(2,982)</u>	<u>(147,558)</u>	<u>(2,982)</u>
Gross profit	45,279	1,948	45,279	1,948
Other operating income	2,329	404	2,329	404
Selling and marketing expenses	(1,541)	(232)	(1,541)	(232)
Administrative expenses	(8,620)	(1,527)	(8,620)	(1,527)
Other operating expenses	(2,501)	(1,564)	(2,501)	(1,564)
Finance cost	(10,932)	(2,842)	(10,932)	(2,842)
Share of (loss)/profit of associates	<u>(652)</u>	<u>4,597</u>	<u>(652)</u>	<u>4,597</u>
Profit before tax	23,362	784	23,362	784
Income tax expense	<u>(7,239)</u>	<u>(82)</u>	<u>(7,239)</u>	<u>(82)</u>
Profit for the period	<u>16,123</u>	<u>702</u>	<u>16,123</u>	<u>702</u>
Attributable to:				
Equity holders of the parent	10,144	945	10,144	945
Minority interest	<u>5,979</u>	<u>(243)</u>	<u>5,979</u>	<u>(243)</u>
	<u>16,123</u>	<u>702</u>	<u>16,123</u>	<u>702</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period	(sen) <u>4.25</u>	<u>0.41</u>	<u>4.25</u>	<u>0.41</u>
Diluted, for profit for the period	(sen) <u>4.07</u>	<u>-</u>	<u>4.07</u>	<u>-</u>

The condensed consolidated income statements should be read in conjunction with the audited financial report for the year ended 31 March 2006 and accompanying explanatory notes attached to the interim financial statements.

EASTERN AND ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	As at 30/06/06 RM'000	Audited As at 31/03/06 RM'000
Non-current assets		
Property, plant and equipment	150,270	150,668
Investments in associates	17,402	18,054
Other investments	40,662	40,964
Land held for property development	878,388	914,524
Investment properties	10,906	10,906
Long term receivable	3,932	3,829
Deferred tax assets	16,429	16,429
	<u>1,117,989</u>	<u>1,155,374</u>
Current assets		
Property development costs	369,814	333,822
Inventories	42,970	44,132
Trade receivables	220,955	200,213
Other receivables	59,950	51,529
Tax recoverable	12,793	10,309
Amount due from customers on construction works	33,734	34,253
Accrued billings in respect of property development costs	60,888	47,195
Deposits with licensed banks and financial institutions	64,033	129,861
Cash and bank balances	57,462	74,829
	<u>922,599</u>	<u>926,143</u>
TOTAL ASSETS	<u>2,040,588</u>	<u>2,081,517</u>
 EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	241,951	232,472
Reserves		
Share premium	132,273	129,212
Revaluation reserves	26,679	26,757
Exchange reserves	90	66
Treasury stock units	(214)	(6,281)
Retained earnings	(24,883)	(35,105)
Stockholders' funds	<u>375,896</u>	<u>347,121</u>
Minority interests	207,974	214,242
Total equity	<u>583,870</u>	<u>561,363</u>

EASTERN AND ORIENTAL BERHAD (555-K)**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2006

	As at 30/06/06 RM'000	Audited As at 31/03/06 RM'000
Non-current liabilities		
Provision for retirement benefits	37	49
Borrowings	644,870	659,275
Long term liabilities	3,188	3,188
Deferred tax liabilities	67,748	69,113
	<u>715,843</u>	<u>731,625</u>
Current liabilities		
Trade payables	227,962	266,549
Payables	79,202	63,797
Amount due to customers on construction works	921	2,054
Progress billing in respect of property development costs	-	268
Provisions	39,961	41,914
Provision for retirement benefits	82	82
Borrowings	384,441	408,766
Taxation	8,306	5,099
	<u>740,875</u>	<u>788,529</u>
Total Liabilities	<u>1,456,718</u>	<u>1,520,154</u>
TOTAL EQUITY AND LIABILITIES	<u>2,040,588</u>	<u>2,081,517</u>
Net tangible assets per share (RM)	<u>1.56</u>	<u>1.55</u>
Net assets per share (RM)	<u>2.42</u>	<u>2.50</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial report for the year ended 31 March 2006 and accompanying explanatory notes attached to the interim financial statements.

EASTERN AND ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three-Month Period Ended 30 June 2006

	← Attributable to Equity Holders of the Parent →						Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Non-Distributable Treasury Stock Units RM'000	Revaluation Reserve RM'000	Exchange Reserve RM'000	Distributable Retained Profits RM'000			
Period ended 30 June 2005									
At 1 April 2005	232,472	128,004	(9,968)	8,610	-	29,053	388,171	(13,047)	375,124
Net profit for the period	-	-	-	-	-	945	945	(243)	702
Total recognised income and expenses for the period	232,472	128,004	(9,968)	8,610	-	29,998	389,116	(13,290)	375,826
At 30 June 2005	232,472	128,004	(9,968)	8,610	-	29,998	389,116	(13,290)	375,826
Period ended 30 June 2006									
At 1 April 2006	232,472	129,212	(6,281)	26,757	66	(35,105)	347,121	214,242	561,363
Currency translation differences	-	-	-	-	24	-	24	-	24
Net profit for the period	-	-	-	-	-	10,144	10,144	5,979	16,123
Total recognised income and expenses for the period	232,472	129,212	(6,281)	26,757	90	(24,961)	357,289	220,221	577,510
Sale of treasury stock units	-	3,061	6,067	-	-	-	9,128	-	9,128
Transfer from revaluation reserve	-	-	-	(78)	-	78	-	-	-
Issuance of ordinary stock units	9,479	-	-	-	-	-	9,479	-	9,479
Dividend paid	-	-	-	-	-	-	-	(12,096)	(12,096)
Acquisition of equity interest by equity holders of parent	-	-	-	-	-	-	-	(151)	(151)
At 30 June 2006	241,951	132,273	(214)	26,679	90	(24,883)	375,896	207,974	583,870

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial report for the year ended 31 March 2006 and accompanying explanatory notes attached to the interim financial statements.

EASTERN AND ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Three-Month Period Ended 30 June 2006

	3 mths ended 30/06/06 RM'000	3 mths ended 30/06/05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	23,362	784
Depreciation and amortisation	2,057	881
Non-cash items	(31,305)	(4,892)
Non-operation items	9,739	2,834
Operating profit/(loss) before working capital changes	3,853	(393)
Changes in working capital:		
Land held for property development	(19,796)	-
Property development cost	(44,537)	-
Changes in inventories	1,162	(44)
Changes in receivables	61,395	(647)
Changes in payables	(24,305)	(8,162)
Interest paid	(18,963)	(2,202)
Payment for retirement benefits	(12)	(1)
Income tax paid	(7,828)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(49,031)	(11,449)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(13,320)	(2,539)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(14,340)	3,805
Exchange translation differences	24	-
DECREASE IN CASH AND CASH EQUIVALENTS	(76,667)	(10,183)
CASH AND CASH EQUIVALENTS AT 1 APRIL	170,489	(19,812)
CASH AND CASH EQUIVALENTS AT 31 MARCH	93,822	(29,995)

The condensed consolidated cash flow statement should be read in conjunction with the audited financial report for the year ended 31 March 2006 and accompanying explanatory notes attached to the interim financial statements.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

A. Explanatory Notes Pursuant to FRS 134

1. Basis of preparation

This interim report is unaudited and has been prepared in accordance with the requirements of FRS134, 'Interim Financial Reporting' and paragraph 9.22 of the Bursa Malaysia's Listing Requirements.

This interim report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2006.

The following notes provide an explanation of the 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 March 2006.

2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 March 2006 except for the adoption of the new and revised Financial Reporting Standards ("FRS") issued by MASB that are effective for the Groups financial period beginning 1 April 2006:

The principal effect of the changes in accounting policies resulting from the adoption of the new and revised FRS are summarised as below:

a) FRS 101 - Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

b) FRS 3 - Business Combinations

The adoption of FRS 3 required that, after reassessment, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as "negative goodwill"), should be recognised immediately in the consolidated income statements. Previously, the Group had reflected the negative goodwill as reserve on consolidation.

3. Auditors' report

The auditors' report for the annual financial statements of the Group for the financial year ended 31 March 2006 was not subject to any qualification.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

A. Explanatory Notes Pursuant to FRS 134 (cont'd)

4. Seasonality or cyclical of operations

The Directors are of the opinion that the business of the Group is not affected in any material way by seasonal or cyclical factors or influence, apart from the general economic conditions in which it operates.

5. Material and unusual items

There were no material or unusual items during the current quarter ended 30 June 2006 except as disclosed in Note 2 and Note 6.

6. Changes in estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of each component of property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of certain plant and equipment from fifty years to a range of ten to twenty years, with effect from 1 April 2006.

The revisions were accounted for, as changes in accounting estimates, and have been applied for prospectively. As a result, the depreciation charges for the current quarter increased by RM500,000.

There were no other changes in estimates that have had material effect in the current quarter results.

7. Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities:

a) Employee Share Options Scheme ("ESOS")

During the financial period ended 30 June 2006, the Company ("EOB") issued 1,169,400 ordinary stock units of RM1.00 each for cash pursuant to the Company's ESOS at an exercise price of RM1.05 per ordinary stock unit.

b) Special Bumi Issue

On 26 May 2006, the Company allotted and issued 8.3 million new ordinary stock units of RM1.00 each out of the approved 33.709 million new ordinary stock units, at an issue price of RM1.00 per new ordinary stock unit.

c) Warrants

On 29 May 2006, 10,000 units of warrant were converted into ordinary stock units at the exercise price of RM1.03 per ordinary stock unit. The number of outstanding warrants after the conversion was 61,166,298. On 9 June 2006, an additional 11,786,357 new warrants were issued and allotted to each entitled warrant holder pursuant to adjustment arising from the EOB Fund Raising Exercise disclosed in Note A11. The number of outstanding warrants as at 30 June 2006 after the adjustment was 72,952,655. The new exercise price was adjusted to RM1.00 per ordinary stock unit.

d) Treasury Shares

During the financial period ended 30 June 2006, the Company sold 7,920,400 units of its treasury shares in the open market for a consideration of RM9,128,716.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

A. Explanatory Notes Pursuant to FRS 134 (cont'd)

8. Dividends paid

There were no dividends paid in the current financial period.

9. Segmental information

<u>3 month ended</u> <u>30 June 2006</u> RM'000	Construction and related activities	Properties	Hotel Operations	Investment Holding and others	Total	Elimination	Consolidated
REVENUE							
External sales	76,817	109,595	5,926	499	192,837	-	192,837
Inter-segment sales	3,454	-	-	39,394	42,848	(42,848)	-
Total revenue	80,271	109,595	5,926	39,893	235,685		192,837
RESULT							
Segment profit/(loss)	10,037	28,705	(324)	35,996	74,414	(39,468)	34,946
Finance cost							(10,932)
Share of net profit of associated companies							(652)
Profit before tax							23,362

<u>3 month ended</u> <u>30 June 2005</u> RM'000	Construction and related activities	Properties	Hotel Operations	Investment Holding and others	Total	Elimination	Consolidated
REVENUE							
External sales	-	-	4,930	-	4,930	-	4,930
Inter-segment sales	-	-	67	2,609	2,676	(2,676)	-
Total revenue	-	-	4,997	2,609	7,606		4,930
RESULT							
Segment profit/(loss)	-	-	(303)	3,337	3,034	(4,005)	(971)
Finance cost							(2,842)
Share of net profit of associated companies							4,597
Profit before tax							784

Analysis of geographical location is not applicable as the Group operates in a single geographical segment, namely Malaysia.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

A. Explanatory Notes Pursuant to FRS 134 (cont'd)

10. Valuation of property, plant and equipment

Valuation of property, plant and equipment have been brought forward without amendment from the previous annual financial statements as the Group has availed itself to the transitional provision covered under IAS 16 (revised), Property, Plant and Equipment.

11. Material subsequent event

On 3 August 2006, the Company had completed the EOB Fund Raising exercise which comprised of:

- i) Renounceable two-call rights issue of 80,556,964 new ordinary stock units of RM1.00 each in EOB ("Rights Stock Units") at an issue price of RM1.00 each ("Rights Issue") together with an offer for sale of 80,556,964 E & O Property Development Berhad ("E&OPROP") shares by EOB at an offer price of RM0.65 per share on the basis of one (1) Rights Stock Unit and one (1) E&OPROP share for every three (3) existing stock units held;
- ii) Renounceable rights issue of RM120,835,446 nominal value of ICULS in EOB at 100% of its nominal value on the basis of RM1.00 nominal value of ICULS for every two(2) existing E&O stock units held.
- iii) Restricted Issue of RM35,000,000 nominal value of ICULS to the eligible management staff of EOB at 100% of its nominal value.

The Company had also issue of 11,786,357 additional warrants pursuant to adjustments arising from the Fund Raising.

The new securities of 80,556,964 EOB new stock units, 155,835,446 ICULS and an additional 11,786,357 new warrants issued were granted listing and quotation on 3 August 2006.

On 22 August 2006, EOB exercised 83,165,655 Warrants 2003/2007 in E & O Property Development Berhad at the exercise price of RM0.63 per share.

12. Changes in composition of the Group

- i) KCB Holdings Sdn Bhd ("KCB Holdings"), a wholly-owned subsidiary of the Company had on 3 April 2006 entered into a Share Sale Agreement for the acquisition of the remaining 150,000 ordinary shares of RM1.00 each representing 30% equity interest in KCB Geotechnics Sdn Bhd ("KCB Geotechnics"), a subsidiary of the Company for a cash consideration of RM145,000 and accordingly, KCB Geotechnics became a wholly-owned subsidiary of KCB Holdings.
- ii) The Company has on 9 May 2006 entered into a Share Sale Agreement with Tinggi Murni Sdn Bhd ("TMSB"), to dispose off its entire equity interest in Samudra Pelangi Sdn Bhd ("SPSB") for a consideration of RM120,846,000 to be satisfied via the issuance of 120,846 redeemable preference shares of nominal value of RM1.00 each ("RPS") in TMSB at an issue price of RM1,000 per RPS. TMSB and SPSB are wholly-owned subsidiary companies of the Company.
- iii) Ribuan Imbang Sdn Bhd ("RISB"), a wholly-owned subsidiary of the Company has on 16 May 2006 entered into a conditional Joint Venture Agreement for Joint Venture Company with Lion Courts Sdn Bhd ("LCSB") to establish Mergexcel Property Development Sdn Bhd ("MPDSB") on a 50:50 basis. Accordingly, MPDSB ceased to be a subsidiary of E&OPROP.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

A. Explanatory Notes Pursuant to FRS 134 (cont'd)

13. Contingent Liabilities

Details of contingent liabilities as at 22 August 2006 (the latest practicable date which is not earlier than 7 days from the issue of this quarterly report) are as follows:

	Company	
	21/08/06	31/03/06
	RM'000	RM'000
i) Guarantees issued to financial institutions for banking facilities granted to subsidiaries:		
- Secured	33,256	34,346

B. Explanatory Notes required by the Bursa Malaysia's Listing Requirements

1. Review of performance

The Group achieved a revenue of RM192.837 million for the financial quarter ended 30 June 2006 compared to RM4.930 million recorded in the previous year corresponding quarter ended 30 June 2005.

The substantial increase in revenue for the current quarter of RM187.907 million was largely due to consolidation of the revenue generated by E & O Property Development Bhd. ("E&OPROP") which became a subsidiary since 19 September 2005. The hotel division generated a 18.6% increase in revenue compared to the previous year corresponding quarter.

The Group recorded a profit before tax of RM23.362 million which represented an increase of RM22.578 million for the financial quarter ended 30 June 2006 compared to the previous year corresponding quarter. This is primarily due to contribution from its subsidiary, E&OPROP. Prior to 19 September 2005, E&OPROP was accounted for as an associated company.

2. Variation of results against preceding quarter

For the first quarter ended 30 June 2006, the Group recorded a revenue of RM192.837 million and a profit before tax of RM23.362 million as compared to the immediate preceding quarter where Group revenue was RM308.958 million and a profit before tax of RM17.721 million.

Despite the lower revenue, the Group results before tax have increased by RM5.641 million or 31.8% as compared to the results of the immediate preceding quarter mainly due to contributions from the property development division.

3. Current year prospects

Upon the completion of the proposed corporate exercises as mentioned in the last quarter, the Group will emerge as a complete real estate group with direct interest in its complementary businesses of property development, construction, hospitality and property investment/commercial. This allows the Group to build up its market presence which will enhance the Group's earnings potential.

The Group expects improvement in its results for the financial year ending 31 March 2007 with improvement in contribution from all its business activities which includes consolidation of a full year's earnings from its property development division in E&OPROP.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

B. Explanatory Notes required by the Bursa Malaysia's Listing Requirements (cont'd)

4. Variance in profit forecast/profit guarantee

The Group and Company did not issue any profit forecast/profit guarantee during the current financial year to date.

5. Taxation

	Current quarter ended 30/06/06 RM'000	Current financial year to date 30/06/06 RM'000
Malaysian income tax - current		
- Company and subsidiary companies	8,472	8,472
In respect of prior years		
- Company and subsidiary companies	-	-
Deferred tax	<u>(1,233)</u>	<u>(1,233)</u>
	<u>7,239</u>	<u>7,239</u>

6. Sale of unquoted investments and or properties

No unquoted investments or investment properties were sold in the current financial quarter and in the financial year to date.

7. Investment in quoted securities

Particulars of investment in quoted securities:

(a) Purchases / disposals

	Current quarter ended 30/06/06 RM'000	Current financial year to date 30/06/06 RM'000
Total Purchases	-	-
Total Sale Proceeds	274	274
Total Profit/(Loss) on Disposal	(26)	(26)

(b) Balances as at 31 March 2005

Total investments at cost		<u>51,422</u>
Total investments at carrying value/book value (after impairment loss)		<u>17,759</u>
Total investment at market value at end of reporting period		<u>18,462</u>

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

B. Explanatory Notes required by the Bursa Malaysia's Listing Requirements (cont'd)

8. Status of corporate proposals and utilisation of proceeds raised from corporate proposals

a) Status of corporate proposals announced but not completed as at 22 August 2006

i) EOB Proposed Special Issue

On 26 July 2004, Hwang-DBS Securities Berhad ("Hwang-DBS") on behalf of the Company announced that the Company proposed to undertake a special issue of 33.709 million new stock units of RM1.00 each in EOB ("New Stock Units"), representing 14.5% of the issued and paid-up share capital of the Company as at 30 June 2004, to identified Bumiputera investors ("Proposed Special Issue").

The Securities Commission ("SC") had, vide a letter dated 13 August 2003, imposed a condition requiring EOB to increase the Bumiputera equity interest in EOB to at least 30% (which was originally imposed by the Foreign Investment Committee ("FIC")) by 12 August 2004 which was subsequently extended to 31 December 2004 ("Bumiputera Equity Condition").

The SC had vide a letter dated 10 January 2005, approved a further extension of time to 31 December 2005 to comply with the Bumiputera Equity Condition.

The Proposed Special Issue is conditional upon the approvals/consents being obtained from the following:

- SC for the Proposed Special Issue under the Securities Commission Act, 1993 and FIC's guidelines;
- Ministry of International Trade and Industry ("MITI") for the allocation of the New Stock Units pursuant to the Proposed Special Issue;
- Stockholders of the Company in an extraordinary general meeting to be convened;
- Bursa Securities for the listing of and quotation for the New Stock Units;
- certain lenders of EOB for a variation of its issued and paid-up share capital resulting from the Proposed Special Issue; and
- any other relevant authorities/parties.

The Proposed Special Issue was approved by the stockholders at the EGM held on 29 September 2004. The approval was renewed by the stockholders at the AGM held on 28 September 2005.

SC had, vide a letter dated 3 January 2005, approved the Proposed Special Issue. The approval is subject to the terms and conditions as mentioned in our announcement on 6 January 2005.

SC had vide a letter dated 23 December 2005 approved an extension of time from 3 January 2006 to 2 January 2007 to implement the Proposed Special Issue.

MITI had, vide its letter dated 29 April 2006, approved the allocation of 18,900,000 out of an aggregate of 33,709,000 New Stock Units to the proposed Bumiputera investors at an issue price of RM1.00 per New Stock Unit. The approval of MITI for the allocation of the balance 14,809,000 New Stock Units will be sought later.

Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 5 May 2006 approved in principle the listing of 33,709,000 New Stock Units to be issued pursuant to the Proposed Special issue.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

B. Explanatory Notes required by the Bursa Malaysia's Listing Requirements (cont'd)

8. Status of corporate proposals and utilisation of proceeds raised from corporate proposals (cont'd)

a) Status of corporate proposals announced but not completed as at 22 August 2006 (cont'd)

(ii) E&OPROP Proposed Special Issue

On 26 July 2004, E&OPROP has proposed to undertake a special issue of an aggregate of 95,000,000 new ordinary shares of RM0.50 each in E&OPROP ("Special Issue Shares") representing approximately 8.52% of the issued and paid-up capital of E&OPROP as at 30 June 2004 to identified Bumiputera investors at an issue price to be determined and announced later ("E&OPROP Proposed Special Issue").

The E&OPROP Proposed Special Issue also involved an allotment and issuance of up to 55,721,000 Special Issue Shares, being not more than 5% of the issued and paid-up capital of E&OPROP to two directors of the Company respectively, namely Kamil Ahmad Merican and Professor Datuk Dr. Nik Mohd Zain bin Nik Yusof.

Save for the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation for the Special Issue Shares and the Ministry of International Trade and Industry for the allocation of the Special Issue Shares to the Bumiputra investors, all other relevant approvals, including the approval for extension of time from the Securities Commission to implement the E&OPROP Proposed Special Issue have been obtained.

(iii) Proposed Listing of Putrajaya Perdana Berhad

On 10 November 2005, E&OPROP has proposed to list its subsidiary company, Putrajaya Perdana Berhad ("PPB") on the Main Board of Bursa Securities ("Proposed Listing of PPB").

In conjunction with the Proposed Listing of PPB, E&OPROP has proposed to undertake a consolidation of its entire share capital into ordinary shares of RM1.00 each from the existing ordinary shares of RM0.50 each ("Proposed Share Consolidation"), and to amend its Memorandum and Articles of Association ("Proposed Amendment") in view of the Proposed Share Consolidation. The Proposed Share Consolidation and Proposed Amendment are interconditional.

The Proposed Listing of PPB and Proposed Share Consolidation will be subject to the approvals being obtained from the relevant authorities.

The SC had via its letter dated 7 April 2006, approved the application for an exemption for E&OPROP, EOB, Dynamic Degree Sdn Bhd ("DDSB"), Major Liberty Sdn Bhd, Matrix Promenade Sdn Bhd and K.L Land Development Sdn Bhd, collectively as parties acting in concert with E&OPROP from undertaking a mandatory offer for shares in PPB pursuant to the Proposed Listing.

The SC had via its letter dated 27 April 2006, approved the proposed listing of PPB subject to certain terms and conditions as mentioned in E&OPROP's announcement dated 28 April 2006.

The SC has via its letter dated 10 May 2006 approved the proposed declaration of special dividend by E&OPROP (which is an integral part of the Proposed Listing of PPB) ("Proposed Declaration of Special Dividend") will be effected as follows:-

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

B. Explanatory Notes required by the Bursa Malaysia's Listing Requirements (cont'd)

8. Status of corporate proposals and utilisation of proceeds raised from corporate proposals (cont'd)

a) Status of corporate proposals announced but not completed as at 22 August 2006 (cont'd)

(iii) Proposed Listing of Putrajaya Perdana Berhad (cont'd)

- i) EOB and its subsidiary DDSB will receive PPB Shares; and
- ii) the remaining shareholders of the E&OPROP will receive cash in lieu of PPB Shares. The amount of cash to be received will be equivalent to each PPB Shares valued at the Offer Price.

Subsequently, E&OPROP has on 28 June 2006 announced its proposal to give the other E&OPROP shareholders a choice of either to receive the special dividend in PPB shares or to receive the Special Dividend in cash (in lieu of PPB shares)

On 28 July 2006, E&OPROP shareholders have approved the Proposed Listing of PPB and Proposed Share Consolidation at the Extraordinary General Meeting of the Company.

(iv) Proposed Acquisition of Lands & Joint Venture

The Company, had on 16 May 2006 entered into the conditional Supplemental Sale and Purchase Agreement cum Transfer Agreement (SSPA) with Lion Courts Sdn Bhd (LCSB) , Mergexcel Property Development Sdn Bhd (Mergexcel or JVC) and the Synod of the Diocese of West Malaysia (Synod), essentially for the JVC to acquire for the purposes of development of certain lands in Jalan Tengah from the Synod and to simultaneously nominate EOB or its subsidiary to receive the transfer and conveyance of part of such lands from the Synod upon certain agreed terms.

Consequent to the above and also on 16 May 2006, EOB through its wholly owned subsidiary, Radiant Kiara Sdn Bhd (RKSB), entered into the conditional Land Purchase Agreement (LPA) with the JVC to formalise such transfer and conveyance of that part of such lands as envisaged in the SSPA. Details of this proposal is mentioned in our announcement dated 16 May 2006.

In conjunction with the above proposal, and in a simultaneous announcement, E&OPROP, through its wholly owned subsidiary, Ribuan Imbang Sdn Bhd ("RISB") entered into the conditional Joint Venture Agreement for a Joint Venture Company with LCSB to establish the JVC. Details of this proposal is mentioned in E&OPROP's announcement dated 16 May 2006.

The above Proposals are subject to FIC's approval.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

8. Status of corporate proposals and utilisation of proceeds raised from corporate proposals (cont'd)

b) Utilisation of proceeds from corporate proposals

i) EOB Fund Raising

As at 22 August 2006, cash proceeds amounting to RM236.392 million arising from completion of the corporate proposal as disclosed in Note A11, partially utilised as follows:

	RM'000
Repayment of borrowings	153,501
Exercise of warrants in E&OPROP	52,394
Expenses for corporate proposal	2,393
Working capital	5,387
	<u>213,675</u>

ii) EOB Special Bumi Issue

As at 22 August 2006, the utilisation of the cash proceeds arising from the Special Bumi Issue of RM8.3 million are as follows:

	RM'000
Working capital:	
- Financing expenses	7,440
- Expenses for Corporate proposals	565
- Others	295
	<u>8,300</u>

9. Group Borrowings

a) The Group borrowings were as follows:-

	As at 30/06/06 RM'000
Short Term - Secured	381,190
- Unsecured	3,251
Long Term - Secured	594,870
- Unsecured	50,000

Included in long term borrowings are 116,000,000 4-year secured bonds 2003/2007 at a nominal value of RM1.00 each, with a carrying value of approximately RM114,717,000.

b) All the borrowings were denominated in Ringgit Malaysia

10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 22 August 2006.

11. Material Litigation

There was no material litigation which affects the financial position or business of the Group as at 22 August 2006.

EASTERN AND ORIENTAL BERHAD (555-K)
For the Three-Month Period Ended 30 June 2006

12. Dividend

The Board of Directors propose the payment of a first and final dividend of 2% less 28% income tax on the ordinary stock units in issue at book closure date in respect of the financial year ended 31 March 2006.

The proposal is subject to the approval of stockholders at the forthcoming Annual General Meeting. The book closure and payments dates will be determined at a later date.

13. Earnings Per Stock Unit

	Individual Quarter		Cumulative Quarter	
	Current qtr ended 30/06/06	Comparative qtr ended 30/06/05	Current year to date 30/06/06	Comparative year to date 30/06/05
a) Basic earnings per stock units				
Profit from continuing operations attributable to equity holders of the parent (RM'000)	10,144	945	10,144	945
Weighted average number of ordinary shares in issue (unit '000)	238,504	229,384	238,504	229,384
Basic earnings per share for profit from continuing operations for the period (sen)	4.25	0.41	4.25	0.41
b) Diluted earnings per stock units				
Profit from continuing operations attributable to equity holders of the parent (RM'000)	10,144	945	10,144	945
Weighted average number of ordinary shares in issue (unit '000)	238,504	229,384	238,504	229,384
Effect of dilution of Warrants (unit '000)*	8,602	-	8,602	-
Effect of dilution of ESOS (unit '000)*	2,217	-	2,217	-
	249,323	229,384	249,323	229,384
Diluted earnings per share for profit from continuing operations for the period (sen)	4.07	0.41	4.07	0.41

* In the previous financial year, the diluted earnings per share is not applicable as the exercise price of the warrants and share options based on the assumed exercise of the warrants and share options are higher than the average market price of the stock units as at 30 June 2005.

14. Net Tangible Assets And Net Assets Per Stock Unit

The net tangible asset and the net asset per stock unit are calculated based on the Group's net tangible asset of RM375.896 million (31.3.2006 : RM347.121 million) and Group's net assets of RM583.870 million (31.3.2006 : RM561.363 million) over the outstanding stock units in issue of 241.671 million after deducting the 280,000 EOB shares bought back and held as treasury shares as at 30 June 2006 (31.3.2006 : 8.200 million).