EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017 (Unaudited)

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30.9.2017 RM'000	Comparative quarter ended 30.9.2016 RM'000	Current six months ended 30.9.2017 RM'000	Comparative six months ended 30.9.2016 RM'000
Revenue	195,880	79,275	369,319	242,587
Cost of sales	(126,947)	(44,068)	(234,922)	(157,808)
Gross profit	68,933	35,207	134,397	84,779
Other income	14,681	15,121	31,412	32,511
Administrative expenses	(15,274)	(19,186)	(30,985)	(30,581)
Selling and marketing expenses	(6,822)	(6,125)	(12,291)	(16,522)
Other expenses	(15,231)	(16,865)	(27,851)	(43,277)
Operating profit	46,287	8,152	94,682	26,910
Finance costs	(14,833)	(13,340)	(29,685)	(25,342)
Share of results of an associate	-	50	-	100
Share of results of joint ventures	840	11,623	2,091	15,456
Profit before tax	32,294	6,485	67,088	17,124
Income tax expense	(11,252)	(2,640)	(23,307)	(9,467)
Profit for the period	21,042	3,845	43,781	7,657
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Foreign currency translation	469	(71)	703	(918)
Other comprehensive income for the period	469	(71)	703	(918)
Total comprehensive income for the period	21,511	3,774	44,484	6,739
Profit attributable to:				
Owners of the parent	19,675	3,832	40,915	7,069
Non-controlling interests	1,367	13	2,866	588
	21,042	3,845	43,781	7,657
Total comprehensive income attributable to:				
Owners of the parent	20,144	3,761	41,618	6,151
Non-controlling interests	1,367	13	2,866	588
	21,511	3,774	44,484	6,739
Earnings per stock unit attributable to owners of the parent:				
Basic (sen)	1.49	0.30	3.11	0.56
Diluted (sen)	1.49	0.30	3.11	0.56

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017 (Unaudited)

	AS AT 30.9.2017 RM'000	AS AT 31.03.2017 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	249,045	255,779
Land held for property development	1,372,493	1,229,360
Investment properties	531,274	528,143
Intangible assets	210	256
Investment in associate	-	-
Investment in joint ventures	144,279	141,856
Investment securities	4,291	2,929
Deferred tax assets	4,590	4,387
Trade and other receivables	5,989	3,610
	2,312,171	2,166,320
Current assets		
Property development costs	609,826	634,561
Inventories	434,373	456,639
Trade and other receivables	203,328	136,188
Prepayments	17,261	14,682
Tax recoverable	3,984	5,470
Accrued billings in respect of property development costs	107,254	103,061
Cash and bank balances	614,314	298,929
	1,990,340	1,649,530
Assets of disposal group classified as held for sale	79,317	81,127
TOTAL ASSETS	4,381,828	3,896,977
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	330,377	281,650
Provisions	4,901	4,303
Trade and other payables	395,971	208,739
Provision for retirement benefits	5	5
Income tax payable	19,382	5,334
	750,636	500,031
Liabilities directly associated with disposal group classified as held for sale	21,699	24,214
Net current assets	1,297,322	1,206,412

EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017 (Unaudited)

	AS AT 30.9.2017 RM'000	AS AT 31.03.2017 RM'000 (Audited)
EQUITY AND LIABILITIES (CONT'D)		
Non-current liabilities		
Loans and borrowings	1,361,538	1,250,699
Provisions	152	152
Trade and other payables	336,899	328,111
Provision for retirement benefits	418	395
Deferred tax liabilities	41,252	41,481
	1,740,259	1,620,838
TOTAL LIABILITIES	2,512,594	2,145,083
Net assets	1,869,234	1,751,894
Equity attributable to owners of the parent		
Share capital	1,394,163	1,274,879
Treasury stock units	(7,196)	(5,031)
Reserves	426,338	428,983
	1,813,305	1,698,831
Non-controlling interests	55,929	53,063
Total Equity	1,869,234	1,751,894
TOTAL EQUITY AND LIABILITIES	4,381,828	3,896,977
Net assets per stock unit attributable to owners of the parent (RM)	1.37	1.35

Based on number of stock units net of treasury stock units

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (Unaudited)

	Attributable to owners of the parent								
	<--------- Non-Distributable ------------>				Distributable				
	Share Capital	Treasury Stock Units	LTIP Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial period ended 30 September 2017									
At 1 April 2017	1,274,879	(5,031)	4,644	(2,808)	956	426,191	1,698,831	53,063	1,751,894
Profit for the financial period	-	-	-	-	-	40,915	40,915	2,866	43,781
Other comprehensive income	-	-	-	703	-	-	703	-	703
Total comprehensive income for the financial period	-	-	-	703	-	40,915	41,618	2,866	44,484
Transactions with owners									
Issue of ordinary stock units:									
- Pursuant to LTIP	3,364	-	(3,364)	-	-	-	-	-	-
- New issuance	115,920	-	-	-	-	-	115,920	-	115,920
Purchase of treasury stock units	-	(2,165)	-	-	-	-	(2,165)	-	(2,165)
Redemption of preference shares	-	-	-	-	1	(1)	-	-	-
LTIP expenses	-	-	(1,280)	-	-	-	(1,280)	-	(1,280)
Dividend on ordinary stock units	-	-	-	-	-	(39,619)	(39,619)	-	(39,619)
Total transactions with owners	119,284	(2,165)	(4,644)	-	1	(39,620)	72,856	-	72,856
At 30 September 2017	1,394,163	(7,196)	-	(2,105)	957	427,486	1,813,305	55,929	1,869,234

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 (Unaudited)

	Attributable to owners of the parent									
			<--------------	Non-Distributable		-------------->	Distributable			
	Share Capital	Share Premium	Treasury Stock Units	LTIP Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial period ended 30 September 2016</u>										
At 1 April 2016	1,259,784	10,821	(4,557)	7,832	(2,485)	956	366,054	1,638,405	48,751	1,687,156
Profit for the financial period	-	-	-	-	-		7,069	7,069	588	7,657
Other comprehensive income	-	-	-	-	(918)	-	-	(918)	-	(918)
Total comprehensive income for the financial period	-	-	-	-	(918)	-	7,069	6,151	588	6,739
Transactions with owners										
Issue of ordinary stock units:										
- pursuant to LTIP	2,535	1,739	-	(4,274)	-	-	-	-	-	-
Purchase of treasury stock units	-	-	(450)	-	-	-	-	(450)	-	(450)
Disposal of subsidiary	-	-	-	-	1,504	-	(1,504)	-	-	-
LTIP expenses	-	-	-	193	-	-	-	193	-	193
Dividend on ordinary stock units	-	-	-	-	-	-	(25,145)	(25,145)	-	(25,145)
Total transactions with owners	2,535	1,739	(450)	(4,081)	1,504	-	(26,649)	(25,402)	-	(25,402)
At 30 September 2016	1,262,319	12,560	(5,007)	3,751	(1,899)	956	346,474	1,619,154	49,339	1,668,493

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (Unaudited)

	Six months ended 30.9.2017 RM'000	Six months ended 30.9.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	67,088	17,124
Adjustments for:-		
Net of impairment loss on financial assets:		
trade receivables	288	(143)
other receivables	(186)	-
property, plant and equipment	(1)	(1,798)
Amortisation of intangible assets	46	59
Depreciation of property, plant and equipment	8,817	9,460
Bad debts written off	186	467
Inventories written off	99	-
Interest expense	29,547	24,454
Property, plant and equipment written off	7	1,853
Net (gain)/loss on disposal of:		
property, plant and equipment	(101)	126
subsidiary	-	(551)
Unrealised (gain)/loss on foreign exchange	(8,982)	15,245
Net gain from fair value adjustment of investment properties	(1,664)	(2,812)
Unwinding of discounts - net	(1,551)	(84)
Fair value (gain)/loss on investment securities at fair value through profit or loss	(1,362)	29
Interest income	(6,367)	(4,236)
Share of results of an associate	-	(100)
Share of results of joint ventures	(2,091)	(15,456)
Long-term Stock Incentive Plan expenses	(1,371)	234
Provision for retirement benefits	46	45
Operating profit before changes in working capital	82,448	43,916
Changes in working capital:-		
Land held for property development	(139,409)	(33,278)
Property development cost	7,352	30,427
Inventories	47,443	27,277
Receivables	(71,621)	36,348
Payables	164,723	(29,258)
Cash flows from operations	90,936	75,432
Interest received	7,432	3,697
Interest paid	(34,663)	(29,863)
Income taxes refunded	4,426	261
Income taxes paid	(12,673)	(11,803)
Retirement benefits paid	-	(4)
NET CASH FLOWS FROM OPERATING ACTIVITIES	55,458	37,720

EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (Unaudited)

	Six months ended 30.9.2017 RM'000	Six months ended 30.9.2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(669)	(480)
Purchase of investment properties:		
- subsequent expenditure	1,664	(13,925)
Proceeds from disposal of property, plant and equipment	109	338
Net cash outflows from disposal of subsidiary	-	(17)
Profit distribution from a joint ventures	-	2
Additional investment in a joint ventures	-	(10,000)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	1,104	(24,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of stock units	115,920	-
Purchase of treasury stock units	(2,165)	(450)
Drawdown of borrowings	191,732	100,796
Repayment of borrowings	(47,612)	(63,262)
Repayment of obligations under finance lease	(233)	(216)
Withdrawal of deposits with licensed banks	327	896
Dividend paid	-	(25,145)
NET CASH FLOWS FROM FINANCING ACTIVITIES	257,969	12,619
Effects of exchange rate changes	703	(918)
NET INCREASE IN CASH AND CASH EQUIVALENTS	315,234	25,339
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	285,826	237,057
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	601,060	262,396

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:-

Cash and bank balances	614,314	273,627
Bank overdrafts	(433)	(707)
Assets of disposal group classified as held for sale	556	-
Less: Restricted cash and bank balances	(13,377)	(10,524)
	601,060	262,396

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

A. Explanatory Notes Pursuant to FRS 134

1. Basis of preparation

The interim financial statements have been prepared on the historical cost convention except for investment properties and investment securities which have been stated at fair value.

This interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2017 and the explanatory notes. These explanatory 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 2017.

2. Changes in Accounting Policies

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: Agriculture and IC Interpretation 15: Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 8 September 2015, the MASB announced that the effective date of MFRS 15: Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities to apply to Malaysian Financial Reporting Standards ("MFRSs") will also be deferred to annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2019.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2017, except for the adoption of the following new Financial Reporting Standards ("FRS") and Amendments to FRSs which are applicable for the Group's financial period beginning 1 April 2017, as disclosed below:

Adoption of FRSs and Amendments to FRSs

		Effective for annual periods beginning on or after
FRS 107	: Disclosure Initiatives	1 January 2017
FRS 112	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRSs 2014 - 2016 Cycle	: Amendments to FRS 12 Disclosure of Interests in Other Entities	1 January 2017

Adoption of the above standard does not has any significant effect on the financial performance and position of the Group.

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

2. Changes in Accounting Policies (cont'd)

Standards and interpretation issued but not yet effective

		Effective for annual periods beginning on or after
FRS 2	: Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 January 2018
FRS 9	: Financial Instruments	1 January 2018
FRS 4	: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
FRS 140	: Transfers of Investment Property	1 January 2018
IC Interpretation 22	: Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to FRSs 2014 - 2016 Cycle	: Amendments to FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2018
	: Amendments to FRS 128 Investments in Associates and Joint Ventures	1 January 2018
MFRS 15	: Revenue from Contracts with Customers	1 January 2018
MFRS 16	: Leases	1 January 2019
FRS 10 and FRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

At the date of authorisation of these interim financial reports, the above FRSs, Amendment to FRSs and Interpretation were issued but not yet effective and have not been applied by the Group for the financial year ending 31 March 2018. The Group expects that the adoption of the standards and interpretation above will have no material impact on the financial statements in the period of initial application, except as discussed below:

FRS 9: Financial Instruments

FRS 9 reflects all the phases of the financial instruments project and replaces FRS 139: Financial Instruments - Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but no impact on classification and measurements of financial liabilities.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers of which it will supersede current revenue recognition guidance. The core principle is that an entity should recognised revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services when a performance obligation is satisfied. The Group plans to adopt the new standard on the required effective date.

MFRS 16 : Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under FRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and depreciation expense on the right-of-use asset.

Lessor accounting is substantially the same as the accounting under FRS 117. Lessors will continue to classifiy all leases using the same classification principle as in FRS 117 and distinguish between two types of leases: operating and finance leases. The Group plans to adopt the new standard on the required effective date.

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

3. Auditors' report on preceding audited financial statements

The auditors' report for the annual financial statements of the Group for the financial year ended 31 March 2017 was not subject to any qualification.

4. Seasonality or cyclicality of operations

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. Exceptional or unusual items

There were no unusual items during the 6-month financial period ended 30 September 2017.

6. Changes in estimates

There were no material changes in estimates that have had a material effect in the 6-month financial period ended 30 September 2017.

7. Debt and equity securities

Save for the following, there were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the Company during the 6-month financial period ended 30 September 2017.

a) Ordinary stock units

On 18 May 2017, the Company issued 63,000,000 ordinary stock units of RM1.84 each pursuant to the Restricted Issue to Kumpulan Wang Persaraan (Diperbadankan) ("KWAP").

b) Long-Term Stock Incentive Plan (LTIP)

Issuance of shares pursuant to the LTIP

On 31 July 2017, the Company allotted 1,388,300 ordinary stock units at issue price of RM2.423 pursuant to the vesting of LTIP under the third grant of financial year 2014/15 Restricted Stock Unit Incentive Plan ("RSU Award").

c) Treasury Stock Units

During the 6-month financial period ended 30 September 2017, the Company bought back 1,385,700 of its issued ordinary stock units in the open market for a considerations of RM2,165,652. As at 30 September 2017, the total stock units repurchased and held as treasury stock units amount to 6,506,347 ordinary stock units at a total costs of RM7,196,559.

8. Dividends paid

No dividend was paid during the 6-month financial period.

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

9. Segmental information by business segment

6-month ended 30 September 2017 RM'000	Property	Hospitality	Investments and others	Elimination	Total
REVENUE					
External sales	316,646	51,111	1,562	-	369,319
Inter-segment sales	293	-	2,578	(2,871)	-
Total revenue	316,939	51,111	4,140		369,319
RESULTS					
Segment results	103,731	877	(6,330)	(3,596)	94,682
Share of results of an associate	-	-	-	-	-
Share of results of joint ventures	2,091	-	-	-	2,091
Finance cost					(29,685)
Profit before tax					67,088

6-month ended 30 September 2016 RM'000	Property	Hospitality	Investments and others	Elimination	Total
REVENUE					
External sales	185,686	55,615	1,286	-	242,587
Inter-segment sales	834	-	1,452	(2,286)	-
Total revenue	186,520	55,615	2,738		242,587
RESULTS					
Segment results	51,838	1,342	(28,154)	1,884	26,910
Share of results of an associate	100	-	-	-	100
Share of results of joint ventures	15,456	-	-	-	15,456
Finance cost					(25,342)
Profit before tax					17,124

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Property - development and investment in residential and commercial properties
(ii) Hospitality - management and operation of hotels and restaurants
(iii) Investments and others

Segment performance for the 6-month financial period as compared to the previous period's corresponding financial period

(i) Property

During the 6-month financial period ended 30 September 2017, the property segment recorded a revenue of RM316.646 million as compared to RM185.686 million recorded in the 6-month financial period ended 30 September 2016, an increase of RM130.960 million or 70.53%. The increase in revenue was mainly due to higher revenue recognition from the ongoing projects namely The Tamarind, the Amaris Terraces and the Ariza Seafront Terrace in Seri Tanjung Pinang ("STP"). Higher sales of completed properties such as the Andaman condominiums in STP, Penang and Princes House in London, also contributed to higher revenue recognition.

The joint venture ("JV") projects, The Mews and Avira Garden Terraces, contributed a total revenue of RM58.677 million in the 6-month financial period ended 30 September 2017 as compared to total revenue of RM99.523 million in the 6-month financial period ended 30 September 2016. The lower revenue recognised is mainly due to the completion of Avira Garden Terraces in the previous financial year and The Mews project which is nearing its completion.

After incorporating revenue recognised for the JV, the Group's property segment recorded an adjusted revenue of RM375.323 million in the 6-month financial period ended 30 September 2017 as compared to an adjusted revenue of RM285.209 million in the 6-month financial period ended 30 September 2016.

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

9. Segmental information by business segment (cont'd)

Segment performance for the 6-month financial period as compared to the previous period's corresponding financial period (cont'd)

(i) Property (cont'd)

The property segment recorded an operating profit of RM103.731 million for the 6-month financial period ended 30 September 2017 as compared to the operating profit of RM51.838 million in the 6-month financial period ended 30 September 2016. This represented an increase in profit of RM51.893 million or 100.11% on the back of higher revenue recognised with higher margin achieved.

The JV contributed RM2.091 million profit for the 6-month financial period ended 30 September 2017 as compared to the 6-month financial period ended 30 September 2016 of RM15.456 million, a decrease of RM13.365 million as The Mews project is to complete by the end of this year.

(ii) Hospitality

The hospitality segment recorded a revenue of RM51.111 million for the 6-month financial period ended 30 September 2017 as compared to RM55.615 million in the 6-month financial period ended 30 September 2016, a decrease of RM4.504 million or 8.10%. The decrease was mainly due to reduced revenue recognised from the food & beverage ("F&B") division following the disposal of The Delicious Group Sdn. Bhd. ("TDG") in the previous financial year.

The segment recorded a slight decrease in operating profit of RM0.465 million from RM1.342 million for the 6-month financial period ended 30 September 2016 to RM0.877 million for the 6-month financial period ended 30 September 2017.

(iii) Investments and others

The investments and others segment recorded an operating loss of RM6.330 million for the 6-month financial period ended 30 September 2017 as compared to an operating loss of RM28.154 million in the 6-month financial period ended 30 September 2016, an improvement of RM21.824 million. The lower operating loss was due to the strengthening of Sterling Pound against Ringgit Malaysia that resulted in an unrealised foreign exchange gain of RM8.982 million in the 6-month financial period ended 30 September 2017 as compared to an unrealised foreign exchange loss of RM15.245 million in the 6-month financial period ended 30 September 2016.

The fluctuation of the foreign exchange is merely a translation loss or gain and poses no financial burden to the Group's cash flow. Given that the foreign exchange is unrealised and is a non-cash item, the Group does not hedge the currency risk.

10. Valuation of investment properties

The Group adopts the fair value model for its investment properties. Investment properties under construction are classified as investment properties and are measured at cost until either the fair value becomes reliably determinable or construction is completed.

During the 6-month financial period, there was net fair value gain in the investment properties of RM1.664 million which was recognised in the statement of comprehensive income.

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

11. Material subsequent events

On 16 June 2017, the Eastern & Oriental Hotel Sdn Berhad ("EOH"), a wholly-owned subsidiary of E&O, entered into a Share Sale Agreement with third parties for the disposal of all its 10,000,000 ordinary shares of RM1 each and 41,500 preference shares of RM0.10 each in E&O Express Sdn Bhd ("EOE"), representing its entire shareholding interest in EOE for a total consideration of RM85,000,000.

On 16 October 2017, EOH has completed its proposed sale of 100% equity interest in EOE following the settlement of the balance purchase price.

12. Changes in composition of the Group

There were no changes in the composition of the Group at the end of the 6-month financial period ended 30 September 2017.

13. Contingent Liabilities

There were no contingent liabilities as at 7 November 2017 (the latest practicable date which is not earlier than 7 days from the issue of this quarterly report), except for the Company which has issued corporate guarantees to banks and financial institutions for banking facilities granted to certain subsidiaries as follows:

	RM'000
Corporate guarantees issued by the Company for banking facilities granted to subsidiaries:	
- Secured	1,234,783

14. Capital Commitments

Capital commitments of the Group in respect of capital expenditure are as follows:

	As at 30.09.2017 RM'000	**As at 31.03.2017 RM'000**
Capital expenditure		
Approved and contracted for		
Land reclamation	775,626	901,992
Investment property	4,782	3,461
Acquisition of freehold land	17,642	21,170
Approved but not contracted for		
Property, plant and equipment	2,774	3,033
Share of joint venture's capital commitments in relation to:		
- Acquisition of land	125,241	125,241
- Property, plant and equipment	-	804

15. Significant Related Party Transactions

Recurrent related party transactions conducted during the 6-month financial period ended 30 September 2017 are in accordance with the stockholders' mandate obtained at the last Annual General Meeting of the Company.

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

1. Review of performance

The Group achieved a revenue of RM369.319 million for the 6-month financial period ended 30 September 2017 as compared to RM242.587 million recorded in the 6-month financial period ended 30 September 2016. This represented an increase of RM126.732 million or 52.24%. The increase is mainly due to an increase of RM130.960 million which was registered by the property segment.

The Group posted profit before tax of RM67.088 million for the 6-month financial period ended 30 September 2017 as compared to profit before tax of RM17.124 million in the 6-month financial period ended 30 September 2016. This represented an increase in profit before tax of RM49.964 million or 291.78%.

The higher profit before tax was mainly due to higher operating profit from the property segment on the back of higher revenue recognised and steady progress in construction from the on-going projects. However, the profit before tax was mitigated by higher finance costs and lower contribution from joint ventures.

Futher explanatory comments on the performance of each of the Group's business segments are provided in Note A9.

2. Variation of results against preceding quarter

	Current quarter ended 30.09.2017 RM'000	Immediate preceding quarter ended 30.06.2017 RM'000	Variance RM'000
Revenue	195,880	173,439	22,441
Operating profit	46,287	48,395	(2,108)
Profit before tax	32,294	34,794	(2,500)

The Group recorded a revenue of RM195.880 million and profit before tax of RM32.294 million for the current financial quarter ended 30 September 2017 as compared to a revenue of RM173.439 million and profit before tax of RM34.794 million in the preceding financial quarter ended 30 June 2017. The increase in revenue is mainly contributed by the property segment.

3. Group's prospects

In the Budget 2018, the focus of the government continues to be in the development of more affordable housing projects.The high end residential market remains challenging.

Nevertheless, in the past months we are beginning to see more enquiries and bookings for our existing projects in STP1 namely Andaman and Tamarind. Besides selling down our inventory to improve our cash position and net gearing levels, we are heartened by the numerous unsolicited interest in our non-core assets which we have identified for disposal.

These are encouraging early signs of the property market bottoming out which augurs well for our future launches in STP2A of which the first is expected in mid 2019.

4. Variance in profit forecast/profit guarantee

The Group did not issue any profit forecast/profit guarantee for the 6-month financial period ended 30 September 2017.

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

5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30.9.2017 RM'000	Comparative quarter ended 30.9.2016 RM'000	Current six months ended 30.9.2017 RM'000	Comparative six months ended 30.9.2016 RM'000
Malaysian income tax				
- current	11,446	1,455	23,737	10,065
- in respect of prior years	-	(61)	-	(61)
Deferred tax	(194)	1,246	(430)	(537)
	11,252	2,640	23,307	9,467

The effective tax rate of the Group for the 6-month financial period ended 30 September 2017 under review is higher than the statutory rate of 24% mainly due to certain expenses of the Group are not deductible.

6. Retained profits

	As at 30.9.2017 RM'000	As at 31.03.2017 RM'000
Total retained profits of the Company and its subsidiaries		
Realised	295,357	289,698
Unrealised	94,979	90,465
	390,336	380,163
Share of retained profits of an associate		
Realised	962	962
Share of retained profits from joint ventures		
Realised	48,538	46,447
Unrealised	1,349	1,017
	441,185	428,589
Add: Consolidated adjustments	(13,699)	(2,398)
Total Group's retained profits as per consolidated accounts	427,486	426,191

7. Additional disclosures

Included in the condensed consolidated statements of comprehensive income for the quarter are the followings:

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30.9.2017 RM'000	Comparative quarter ended 30.9.2016 RM'000	Current six months ended 30.9.2017 RM'000	Comparative six months ended 30.9.2016 RM'000
Interest income	3,416	2,039	6,367	4,236
Net of impairment loss on receivables	(11)	(175)	(102)	(143)
Impairment/write off of inventories	-	-	(99)	-
Interest expense	(14,768)	(12,496)	(29,547)	(24,454)
Depreciation and amortisation	(4,432)	(4,689)	(8,863)	(9,519)
Bad debts written off	(186)	-	(186)	(467)
Property, plant and equipment written off	(1)	(1,853)	(7)	(1,853)
Reversal of impairment loss on property, plant and equipment	1	1,680	1	1,798
Unrealised gain/(loss) on foreign exchange	5,882	(996)	8,982	(15,245)
Net (loss)/gain on disposal of property, plant and equipment	(5)	(45)	101	(126)
(Loss)/gain from fair value movement of investment properties	(10)	(97)	1,664	2,812
Unwinding of discounts - net	634	(229)	1,551	84
Fair value (loss)/gain on investment securities	(1,869)	112	1,362	(29)

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

8. Status of Corporate Proposals

a) There were no corporate proposal announced but not completed as at 7 November 2017.

b) Utilisation of proceeds from Restricted Issue as at 7 November 2017.

On 18 May 2017, the restricted issue of 63,000,000 E&O stock units ("Restricted Issue") at the issue price of RM1.84 per stock unit amounted to RM115.920 million was subscribed by Kumpulan Wang Persaraan (Diperbadankan) ("KWAP").

The cash proceeds from the Restricted Issue was partially utilised as follows:

	Proposed utilisation RM'000	Utilised to date RM'000	Deviations * RM'000	Balance to utilised RM'000	Estimated Timeframe for utilisation
Loan repayment	30,000	20,000	-	10,000	Within 12 months
Working capital	34,296	28,527	238	6,007	Within 12 months
Acquisition of properties	50,374	48,533	-	1,841	Within 36 months
Estimated expenses for Restricted Issue and disposal of STP2A Development Land	1,250	1,012	(238)	-	Within 3 months
	115,920	98,072	-	17,848	

* All the estimated expenses for Restricted Issue and disposal of STP2A Development Land have been fully paid. Accordingly, the balance of RM0.238 million will be utilised for working capital of the Group.

9. Group Borrowings

a) The Group borrowings were as follows:-

	As at 30.9.2017 RM'000	As at 30.9.2016 RM'000
Short Term - Secured		
- Revolving credit	60,000	110,000
- Term loan	269,487	188,107
- Obligations under finance leases	457	378
- Bank overdraft	433	707
	330,377	299,192
Long Term - Secured		
- Revolving credit	268,679	79,485
- Term loan	776,162	859,931
- Obligations under finance leases	1,105	834
	1,045,946	940,250
Long Term - Unsecured - RCMTNs	315,592	302,941
	1,361,538	1,243,191

The increase in the borrowings mainly due to additional drawdown made for the reclamation of land.

b) All the borrowings above were denominated in Ringgit Malaysia, except for the following:-

Short Term Term Loan - Secured	
Denominated in Pound Sterling (£'000)	29,367
Long Term Term Loan - Secured	
Denominated in Pound Sterling (£'000)	37,378

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

10. Material Litigation

There were no material litigation which affect the financial position or business of the Group as at 7 November 2017.

11. Dividend

The Board of Directors does not recommend any interim dividend for the 6-month financial period ended 30 September 2017.

On 19 August 2017, the stockholders approved the payment of a first and final single-tier dividend of 3.0 sen on the ordinary stock units in issuance at book closure date on 28 September 2017, in respect of financial year ended 31 March 2017. The dividend was paid on 13 October 2017.

12. Earnings Per Stock Unit

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30.9.2017	**Comparative quarter ended 30.9.2016**	**Current six months ended 30.9.2017**	**Comparative six months ended 30.9.2016**
a) Basic earnings per stock unit				
Profit attributable to owners of the parent (RM'000)	19,675	3,832	40,915	7,069
Weighted average number of ordinary stock units in issue (unit '000)	1,320,611	1,256,416	1,315,052	1,255,658
Adjusted weighted average number of ordinary stock units (unit '000)	1,320,611	1,256,416	1,315,052	1,255,658
Basic earnings per stock unit for the period (sen)	1.49	0.30	3.11	0.56

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

12. Earnings Per Stock Unit (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30.9.2017	**Comparative quarter ended 30.9.2016**	**Current six months ended 30.9.2017**	**Comparative six months ended 30.9.2016**
b) Diluted earnings per stock unit				
Profit attributable to owners of the parent (RM'000)	19,675	3,832	40,915	7,069
Weighted average number of ordinary stock units in issue (unit '000)	1,320,611	1,256,416	1,315,052	1,255,658
Effect of dilution of LTIP (unit '000)	-	2,245	-	2,245
	1,320,611	1,258,661	1,315,052	1,257,903
Diluted earnings per stock unit for the period (sen)	1.49	0.30	3.11	0.56

The outstanding warrants and Redeemable Convertible Medium Term Notes ("RCMTNs") have been excluded from the computation of fully diluted earnings per stock unit as the exercise of warrants and RCMTNs to ordinary stock units would be anti-dilutive.

BY ORDER OF THE BOARD

Ang Hong Mai
Company Secretary

Kuala Lumpur
14 November 2017