EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 MARCH 2018 (Unaudited)

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2018 RM'000	Comparative quarter ended 31.03.2017 RM'000	Current year ended 31.03.2018 RM'000	Comparative year ended 31.03.2017 RM'000 (Audited)
Revenue	280,050	218,861	981,265	704,764
Cost of sales	(174,362)	(139,191)	(607,051)	(451,648)
Gross profit	105,688	79,670	374,214	253,116
Other income	26,224	40,897	84,462	82,741
Administrative expenses	(15,228)	(17,358)	(65,835)	(71,013)
Selling and marketing expenses	(7,954)	(5,671)	(25,897)	(31,331)
Other expenses	(25,760)	(23,418)	(105,751)	(76,427)
Operating profit	82,970	74,120	261,193	157,086
Finance costs	(15,814)	(10,765)	(61,045)	(50,672)
Share of results of an associate	-	-	-	103
Share of results of joint ventures	(4,311)	(4,470)	(2,876)	18,779
Profit before tax	62,845	58,885	197,272	125,296
Income tax expense	(23,997)	(8,574)	(81,011)	(34,380)
Profit for the year	38,848	50,311	116,261	90,916
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Foreign currency translation	(226)	(1,230)	(689)	(1,827)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Acturial gain recognised in retirements benefits	-	182	-	182
Total comprehensive income for the year	38,622	49,263	115,572	89,271
Profit attributable to:				
Owners of the parent	37,898	48,461	100,790	86,604
Non-controlling interests	950	1,850	15,471	4,312
	38,848	50,311	116,261	90,916
Total comprehensive income attributable to:				
Owners of the parent	37,672	47,413	100,101	84,959
Non-controlling interests	950	1,850	15,471	4,312
	38,622	49,263	115,572	89,271
Earnings per stock unit attributable to owners of the parent:				
Basic (sen)	2.91	3.85	7.71	6.89
Diluted (sen)	2.91	3.85	7.71	6.88

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 31 MARCH 2018 (Unaudited)

	AS AT 31.03.2018 RM'000	AS AT 31.03.2017 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	243,404	255,779
Land held for property development	1,402,592	1,229,360
Investment properties	489,373	528,143
Intangible assets	181	256
Investment in an associate	-	-
Investment in joint ventures	130,621	141,856
Investment securities	3,371	2,929
Deferred tax assets	3,054	4,387
Trade and other receivables	4,614	3,610
	2,277,210	2,166,320
Current assets		
Property development costs	593,875	634,561
Inventories	324,417	456,639
Trade and other receivables	165,640	136,188
Prepayments	12,707	14,682
Tax recoverable	2,649	5,470
Accrued billings in respect of property development costs	196,666	103,061
Cash and bank balances	531,568	298,929
	1,827,522	1,649,530
Assets of disposal group classified as held for sale	-	81,127
	1,827,522	1,730,657
TOTAL ASSETS	4,104,732	3,896,977
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	395,593	281,650
Provisions	39	4,303
Trade and other payables	197,749	208,739
Provision for retirement benefits	2	5
Income tax payable	30,397	5,334
	623,780	500,031
Liabilities directly associated with disposal group classified as held for sale	-	24,214
	623,780	524,245
Net current assets	1,203,742	1,206,412

EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018 (Unaudited)

	AS AT 31.03.2018 RM'000	AS AT 31.03.2017 RM'000 (Audited)
EQUITY AND LIABILITIES (CONT'D)		
Non-current liabilities		
Loans and borrowings	1,254,980	1,250,699
Provisions	152	152
Trade and other payables	305,423	328,111
Provision for retirement benefits	246	395
Deferred tax liabilities	42,595	41,481
	1,603,396	1,620,838
TOTAL LIABILITIES	2,227,176	2,145,083
Net assets	1,877,556	1,751,894
Equity attributable to owners of the parent		
Share capital	1,394,163	1,274,879
Treasury stock units	(37,962)	(5,031)
Reserves	494,337	428,983
	1,850,538	1,698,831
Non-controlling interests	27,018	53,063
Total Equity	1,877,556	1,751,894
TOTAL EQUITY AND LIABILITIES	4,104,732	3,896,977
Net assets per stock unit attributable to owners of the parent (RM)	1.42	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 FINANCIAL YEAR ENDED 31 MARCH 2018 (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 year ended 31 March 2018									
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 year	-	-	-	-	-	100,790	100,790	15,471	116,261
Other comprehensive income	-	-	-	(689)	-	-	(689)	-	(689)
Total comprehensive income for the financial year	-	-	-	(689)	-	100,790	100,101	15,471	115,572
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	-	(32,931)	-	-	-	-	(32,931)	-	(32,931)
Redemption of preference shares	-	-	-	-	2	(2)	-	-	-
Subscription of equity interest in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	1,000	1,000
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	9,516	9,516	(42,516)	(33,000)
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	(32,931)	(4,644)	-	2	(30,105)	51,606	(41,516)	10,090
At 31 March 2018	1,394,163	(37,962)	-	(3,497)	958	496,876	1,850,538	27,018	1,877,556

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (Audited)

	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
Financial year ended 31 March 2017										
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 year	-	-	-	-	-		86,604	86,604	4,312	90,916
Other comprehensive income	-	-	-	-	(1,827)	-	182	(1,645)	-	(1,645)
Total comprehensive income for the financial year	-	-	-	-	(1,827)	-	86,786	84,959	4,312	89,271
Transactions with owners										
Issue of ordinary stock units:										
- Pursuant to LTIP	2,535	1,739	-	(4,274)	-	-	-	-	-	-
Purchase of treasury stock units	-	-	(474)	-	-	-	-	(474)	-	(474)
Disposal of subsidiary	-	-	-	-	1,504	-	(1,504)	-	-	-
LTIP expenses	-	-	-	1,086	-	-	-	1,086	-	1,086
Dividend on ordinary stock units	-	-	-	-	-	-	(25,145)	(25,145)	-	(25,145)
Total transactions with owners	2,535	1,739	(474)	(3,188)	1,504	-	(26,649)	(24,533)	-	(24,533)
Effect of implementation of the Companies Act 2016	12,560	(12,560)	-	-	-	-	-	-	-	-
At 31 March 2017	1,274,879	-	(5,031)	4,644	(2,808)	956	426,191	1,698,831	53,063	1,751,894

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 FINANCIAL YEAR ENDED 31 MARCH 2018 (Unaudited)

	Year ended 31.03.2018 RM'000	Year ended 31.03.2017 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	197,272	125,296
Adjustments for:-		
Net of impairment loss on financial assets:		
trade receivables	890	293
other receivables	(183)	2
investment in an associate	-	(906)
property, plant and equipment	20	2,010
land held for development	571	-
property development costs	(7,331)	-
Property development cost written down	-	15,136
Amortisation of intangible assets	91	110
Depreciation of property, plant and equipment	16,325	17,966
Bad debts written off	190	643
Inventories written off	99	-
Inventories written down	4,075	543
Interest expense	60,682	50,580
Property, plant and equipment written off	12	1,893
Net gain on disposal of:		
property, plant and equipment	(92)	(19)
subsidiary	(24,493)	(4)
investment property	-	(10,785)
Unrealised loss on foreign exchange	7,533	4,387
Net loss/(gain) from fair value adjustment of investment properties	30,821	(14,297)
Unwinding of discounts - net	(747)	(3,077)
Fair value gain on investment securities at fair value through profit or loss	(442)	(547)
Interest income	(18,673)	(9,254)
Dividend income	(11)	(11)
Share of results of an associate	-	(103)
Share of results of joint ventures	2,876	(18,779)
Long-term Stock Incentive Plan expenses	(1,371)	1,328
Provision for retirement benefits	331	92
Operating profit before changes in working capital	268,445	162,497
Changes in working capital:-		
Land held for property development	(146,526)	(162,282)
Property development cost	38,504	85,827
Inventories	153,368	56,086
Receivables	(128,825)	(29,098)
Payables	(71,493)	30,514
Cash flows from operations	113,473	143,544
Interest received	20,118	6,442
Interest paid	(72,831)	(64,444)
Income taxes refunded	6,486	240
Income taxes paid	(54,025)	(19,916)
Real property gains tax paid	(1,675)	-
Retirement benefits paid	(483)	(11)
NET CASH FLOWS FROM OPERATING ACTIVITIES	11,063	65,855

EASTERN & ORIENTAL BERHAD (555-K)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (Unaudited)

	Year ended 31.03.2018 RM'000	Year ended 31.03.2017 RM'000 (Audited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,488)	(4,290)
Purchase of intangible assets	(16)	-
Purchase of investment properties:		
- subsequent expenditure	-	(26,839)
Proceeds from disposal of property, plant and equipment	102	376
Proceeds from disposal of investment property	-	17,607
Net cashflows from disposal of subsidiary	51,742	(580)
Proceeds from subscription of equity interest in a subsidiary by non-controlling interests	1,000	-
Profit distribution from a joint ventures	10,053	2
Acquisition of remaining equity interest in a subsidiary from non-controlling interests	(33,000)	-
Additional investment in a joint ventures	-	(15,000)
Distribution from an associate	-	7,350
Other dividends received	11	11
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	27,404	(21,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of stock units	115,920	-
Purchase of treasury stock units	(32,931)	(474)
Drawdown of borrowings	280,522	219,852
Repayment of borrowings	(156,373)	(185,394)
Repayment of obligations under finance lease	(471)	(451)
Placement of deposits with licensed banks	(501)	(2,284)
Dividend paid	(39,619)	(25,145)
NET CASH FLOWS FROM FINANCING ACTIVITIES	166,547	6,104
Effects of exchange rate changes	(689)	(1,827)
NET INCREASE IN CASH AND CASH EQUIVALENTS	204,325	48,769
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	285,826	237,057
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	490,151	285,826

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

Cash and bank balances	531,568	298,929
Bank overdrafts	(27,212)	-
Assets of disposal group classified as held for sale	-	601
Less: Restricted cash and bank balances	(14,205)	(13,704)
	490,151	285,826

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 Group considers that it is achieving its scheduled milestones and expects to be in position to fully comply with the requirements of the MFRS framework for the financial year ending 31 March 2019.

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

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
MFRS 119	: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
MFRS 9	: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128	: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
IC Interpretation 23	: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle	: Amendments to MFRS 3 Business Combinations	1 January 2019
	: Amendments to MFRS 11 Joint Arrangements	1 January 2019
	: Amendments to MFRS 112 Income Taxes	1 January 2019
	: Amendments to MFRS 123 Borrowing Costs	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 ended 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:

<u>FRS 9: Financial Instruments</u>

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.

<u>MFRS 15: Revenue from Contracts with Customers</u>

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 recognise 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 will adopt the new standard on the required effective date.

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

2. Changes in Accounting Policies (cont'd)

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 will adopt the new standard on the required effective date.

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 financial year ended 31 March 2018.

6. Changes in estimates

There were no material changes in estimates that have had a material effect in the financial year ended 31 March 2018.

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 financial year ended 31 March 2018.

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 financial year ended 31 March 2018, the Company bought back 22,218,100 of its issued ordinary stock units in the open market for a considerations of RM32,931,316. As at 31 March 2018, the total stock units repurchased and held as treasury stock units amount to 27,338,747 ordinary stock units at a total costs of RM37,962,223.

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

8. Dividends paid

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.

9. Segmental information by business segment

12-month ended 31 March 2018 RM'000	Property	Hospitality	Investments and others	Elimination	Total
REVENUE					
External sales	878,567	98,872	3,826	-	981,265
Inter-segment sales	505	-	212,046	(212,551)	-
Total revenue	879,072	98,872	215,872		981,265
RESULTS					
Segment results	270,488	30,382	170,059	(209,736)	261,193
Share of results of an associate	-	-	-	-	-
Share of results of joint ventures	(2,876)	-	-	-	(2,876)
Finance cost					(61,045)
Profit before tax					197,272

12-month ended 31 March 2017 RM'000	Property	Hospitality	Investments and others	Elimination	Total
REVENUE					
External sales	593,655	108,968	2,141	-	704,764
Inter-segment sales	1,335	-	23,905	(25,240)	-
Total revenue	594,990	108,968	26,046		704,764
RESULTS					
Segment results	181,494	4,191	(17,646)	(10,953)	157,086
Share of results of an associate	103	-	-	-	103
Share of results of joint ventures	18,779	-	-	-	18,779
Finance cost					(50,672)
Profit before tax					125,296

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 financial year as compared to the previous corresponding financial year

(i) Property

During the financial year ended 31 March 2018, the property segment recorded a revenue of RM878.567 million as compared to RM593.655 million recorded in the financial year ended 31 March 2017, an increase of RM284.912 million or 47.99%. The increase in revenue was mainly due to maiden revenue recognition from the sale of the 20% reclaimed land in Seri Tanjung Pinang ("STP") 2A project to KWAP. Higher sales of completed properties in STP1 namely Andaman condominiums and in Princes House, London also contributed to higher revenue recognition.

The joint venture ("JV") projects, The Mews and Avira Garden Terraces, contributed a total revenue of RM101.046 million in the financial year ended 31 March 2018 as compared to total revenue of RM160.695 million in the financial year ended 31 March 2017. The lower revenue recognised is mainly due to the completion of Phase 1 of Avira Garden Terraces in the previous financial year and the recent completion of The Mews project in the current financial year.

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

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

Segment performance for the financial year as compared to the previous corresponding financial year (cont'd)

(i) Property (cont'd)

After incorporating revenue recognised for the JV, the Group's property segment recorded an adjusted revenue of RM979.613 million in the financial year ended 31 March 2018 as compared to an adjusted revenue of RM754.350 million in the financial year ended 31 March 2017, an increase of 29.86%.

The property segment recorded an operating profit of RM270.488 million for the financial year ended 31 March 2018 as compared to the operating profit of RM181.494 million in the financial year ended 31 March 2017. This represented an increase in profit of RM88.994 million or 49.03% on the back of higher revenue recognised with higher margin achieved.

The JV suffered a loss of RM2.876 million for the financial year ended 31 March 2018 as compared to a profit of RM18.779 million for the financial year ended 31 March 2017, a lower share of results of RM21.655 million following the completion of the Phase 1 of the Avira Garden Terraces and The Mews.

(ii) Hospitality

The hospitality segment recorded a revenue of RM98.872 million for the financial year ended 31 March 2018 as compared to RM108.968 million in the financial year ended 31 March 2017, a decrease of RM10.096 million or 9.27%. The decrease was mainly due to reduced revenue recognised following the disposal of The Delicious Group Sdn Bhd ("TDG") and E&O Express Sdn Bhd ("EOE") which owned the Lone Pine Hotel. The disposal of EOE was completed in the current financial year, while TDG was disposed off in the previous financial year.

The disposal of EOE contributed a gain of RM24.493 million, which resulted in an increase in operating profit of RM26.191 million from RM4.191 million for the financial year ended 31 March 2017 to RM30.382 million for the financial year ended 31 March 2018.

(iii) Investments and others

The investments and others segment recorded an operating profit of RM170.059 million for the financial year ended 31 March 2018 as compared to an operating loss of RM17.646 million in the financial year ended 31 March 2017, an improvement of RM187.705 million. The higher operating profit was mainly due to dividend income received from subsidiaries of RM207.606 million in the current financial year as compared to dividend of RM14.600 million in the previous financial year, which compensated the higher operating costs incurred during the current financial year.

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 fair value (when the fair value becomes reliably determinable).

During the current financial year, there was net fair value loss in the investment properties of RM30.821 million which was recognised in the statement of comprehensive income.

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

11. Material subsequent events

As at 18 May 2018 (the latest practicable date which is not earlier than 7 days from the issue of this quarterly report), there were no material subsequent events at the end of the financial year ended 31 March 2018.

12. Changes in composition of the Group

On 23 April 2017, Prime-Lite Sdn. Bhd. and Senna Sdn. Bhd., both indirect wholly-owned subsidiaries of Eastern & Oriental Berhad ("E&O") were dissolved by way of Members' Voluntary Winding-Up.

On 27 June 2017, Major Liberty Sdn. Bhd., a wholly-owned subsidiary of E&O, was dissolved by way of Members' Voluntary Winding-Up.

On 10 October 2017, Persada Mentari Sdn Bhd, a wholly-owned subsidiary of Tanjung Pinang Development Sdn Bhd (“TPD”), had increased its paid-up capital to 5,000,000 ordinary shares to effect the shareholding of TPD and KWAP in the proportion of 80% and 20% respectively pursuant to the shareholders' agreement entered into on 30 March 2017.

On 16 October 2017, Eastern & Oriental Hotel Sdn Berhad, had completed the disposal of 10,000,000 ordinary shares and 41,500 preference shares in EOE, both which are wholly-owned subsidiaries of E&O, for a total consideration of RM85,000,000.

On 27 November 2017, Kamunting Management Services Sdn Bhd had completed the acquisition of 4,400 ordinary shares of Bridgecrest Resources Sdn Bhd ("BRSB"), both which are indirect subsidiaries of E&O, for an acquisition price of RM33,000,000, thus making BRSB an indirect wholly-owned subsidiary of E&O.

On 11 December 2017, Kamunting Management (HK) Limited, an indirect wholly-owned subsidiary of E&O, was placed under Members' Voluntary Liquidation.

On 8 January 2018, KCB (Guernsey) Limited, an indirect wholly-owned subsidiary of E&O had been voluntarily struck-off from the Guernsey Registry pursuant to Section 357 of the Companies (Guernsey) Law, 2008 (as amended).

On 1 February 2018, Renown Heritage Sdn Bhd, an associate company of E&O was dissolved by way of Members' Voluntary Winding-Up.

On 15 March 2018, E&O Restaurants Sdn. Bhd., an indirect wholly-owned subsidiary of E&O held an Extraordinary General Meeting to voluntarily wind-up the company.

On 29 March 2018, Pelicrest Sdn. Bhd., an indirect wholly-owned subsidiary of E&O held an Extraordinary General Meeting to voluntarily wind-up the company.

13. Contingent Liabilities

There were no contingent liabilities as at 18 May 2018 (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	1,163,081

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

14. Capital Commitments

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

	As at 31.03.2018 RM'000	As at 31.03.2017 RM'000
Capital expenditure		
Approved and contracted for		
Land reclamation	661,423	901,992
Investment property	4,403	3,461
Property, plant and equipment	1,508	-
Acquisition of freehold land	7,057	21,170
Approved but not contracted for		
Property, plant and equipment	3,086	3,033
Share of joint venture's capital commitments in relation to:		
- Acquisition of land	125,321	125,241
- Property, plant and equipment	-	804

15. Significant Related Party Transactions

Recurrent related party transactions conducted during the financial year ended 31 March 2018 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 RM981.265 million for the financial year ended 31 March 2018 as compared to RM704.764 million recorded in the financial year ended 31 March 2017. This represented an increase of RM276.501 million or 39.23%. The increase is mainly due to an increase of RM284.912 million which was registered by the property segment.

The Group posted profit before tax of RM197.272 million for the financial year ended 31 March 2018 as compared to profit before tax of RM125.296 million in the financial year ended 31 March 2017. This represented an increase in profit before tax of RM71.976 million or 57.44%.

The higher profit before tax was mainly due to higher operating profit from the property segment on the back of higher revenue recognised on the progress of work done from the land reclamation projects in STP2A and higher sales from completed properties. The hospitality segment also contributed higher operating profit following the disposal of EOE. The significantly higher operating profit achieved in the current financial year mitigated the effects of the higher finance costs and the lower share of results from the joint ventures.

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

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

2. Variation of results against preceding quarter

	Current quarter ended 31.03.2018 RM'000	Immediate preceding quarter ended 31.12.2017 RM'000	Variance RM'000
Revenue	280,050	331,896	(51,846)
Operating profit	82,970	83,541	(571)
Profit before tax	62,845	67,339	(4,494)

The Group recorded a revenue of RM280.050 million and profit before tax of RM62.845 million for the current financial quarter ended 31 March 2018 as compared to a revenue of RM331.896 million and profit before tax of RM67.339 million in the preceding financial quarter ended 31 December 2017. The higher revenue in the previous quarter reflected a higher work done on the reclamation project which resulted in higher revenue and profit recognition from the sale of the 20% reclaimed land in STP2A project to KWAP.

3. Group's prospects

With the conclusion of the 14th General Election, we believe the policies driving economic growth will become clearer over the next few months. We are of the opinion that house buyers who were holding back from buying will be in the market to purchase their homes. Properties in strategic locations by reputable developers will possess an advantage and sustain buyer interest.

In our view, E&O Group is well positioned to tap onto the opportunities when the market recovers as the reclamation of STP2A will be completed soon. The first launch on STP2A is expected in the first half of 2019. Besides STP2A, we continue to focus on selling down our inventory with more innovative pricing packages.

4. Variance in profit forecast/profit guarantee

The Group did not issue any profit forecast/profit guarantee for the financial year ended 31 March 2018.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2018 RM'000	Comparative quarter ended 31.03.2017 RM'000	Current year ended 31.03.2018 RM'000	Comparative year ended 31.03.2017 RM'000
Malaysian income tax				
- current	18,740	5,149	69,661	29,715
- in respect of prior years	2,149	(528)	5,500	(570)
Foreign tax	(257)	5,235	1,727	5,235
Deferred tax	3,365	(1,282)	2,448	-
Real property gains tax	-	-	1,675	-
	23,997	8,574	81,011	34,380

The effective tax rate of the Group for the financial year ended 31 March 2018 under review is higher than the statutory rate of 24% mainly due to certain expenses of the Group are not deductible.

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

6. Additional disclosures

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2018 RM'000	Comparative quarter ended 31.03.2017 RM'000	Current year ended 31.03.2018 RM'000	Comparative year ended 31.03.2017 RM'000
Interest income	7,657	2,605	18,673	9,254
Net of impairment loss on receivables	(486)	(329)	(707)	(295)
Inventories written down	(4,075)	(543)	(4,075)	(543)
Inventories written off	-	-	(99)	-
Interest expense	(15,688)	(10,865)	(60,682)	(50,580)
Depreciation and amortisation	(3,662)	(3,878)	(16,416)	(18,076)
Bad debts written off	10	(176)	(190)	(643)
Property, plant and equipment written off	(4)	(20)	(12)	(1,893)
Net of impairment loss on property, plant and equipment	(21)	(325)	(20)	(2,010)
Impairment loss on land held for development	(571)	-	(571)	-
Reversal of/(Impairment loss) on property development costs	7,331	(10,940)	7,331	(15,136)
Unrealised (loss)/gain on foreign exchange	(5,620)	2,533	(7,533)	(4,387)
Net gain on disposal of property, plant and equipment	-	173	92	19
(Loss)/gain from fair value movement of investment properties	(2,485)	11,510	(30,821)	14,297
(Loss)/gain from disposal of subsidiary	(796)	-	24,493	4
Unwinding of discounts - net	(269)	1,549	747	3,077
Fair value (loss)/gain on investment securities	(49)	791	442	547

7. Status of Corporate Proposals

a) There were no corporate proposal announced but not completed as at 18 May 2018.

b) Utilisation of proceeds from Restricted Issue as at 18 May 2018.

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 fully 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	30,000	-	-	Within 12 months
General working capital	34,296	34,534	238	-	Within 12 months
Investments, land acquisition and/or property development	50,374	50,374	-	-	Within 36 months
Estimated expenses for the proposals	1,250	1,012	(238)	-	Within 3 months
	115,920	115,920	-	-	

* All the estimated expenses for the proposals have been fully paid. Accordingly, the balance of RM0.238 million had been utilised for general working capital of the Group.

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

8. Group Borrowings

a) The Group borrowings were as follows:-

	As at 31.03.2018 RM'000	As at 31.03.2017 RM'000
Short Term - Secured		
- Revolving credit	40,000	110,000
- Term loan	327,940	171,199
- Obligations under finance leases	441	451
- Bank overdraft	27,212	-
	395,593	281,650
Long Term - Secured		
- Revolving credit	293,146	129,009
- Term loan	638,720	811,304
- Obligations under finance leases	884	1,197
	932,750	941,510
Long Term - Unsecured - RCMTNs	322,230	309,189
	1,254,980	1,250,699

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)	37,344
Long Term Term Loan - Secured Denominated in Pound Sterling (£'000)	19,912

9. Material Litigation

There were no material litigation which affect the financial position or business of the Group as at 18 May 2018.

10. Dividend

The Board of Directors has recommended for the stockholders' approval at the forthcoming Annual General Meeting a first and final dividend via distribution of treasury stock units on the basis of one (1) stock unit for every fifty (50) existing ordinary stock units held in the Company for financial year ended 31 March 2018, which is equivalent to a 3.0 sen distribution per stock unit. The details of the entitlement date and payment date will be announced later.

11. Earnings Per Stock Unit

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2018	Comparative quarter ended 31.03.2017	Current year ended 31.03.2018	Comparative year ended 31.03.2017
a) Basic earnings per stock unit				
Profit attributable to owners of the parent (RM'000)	37,898	48,461	100,790	86,604
Weighted average number of ordinary stock units in issue (unit '000)	1,300,983	1,257,199	1,307,535	1,256,430
Adjusted weighted average number of ordinary stock units (unit '000)	1,300,983	1,257,199	1,307,535	1,256,430
Basic earnings per stock unit for the year (sen)	2.91	3.85	7.71	6.89

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

11. Earnings Per Stock Unit (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2018	**Comparative quarter ended 31.03.2017**	**Current year ended 31.03.2018**	**Comparative year ended 31.03.2017**
b) Diluted earnings per stock unit				
Profit attributable to owners of the parent (RM'000)	37,898	48,461	100,790	86,604
Weighted average number of ordinary stock units in issue (unit '000)	1,300,983	1,257,199	1,307,535	1,256,430
Effect of dilution of LTIP (unit '000)	-	2,181	-	2,181
	1,300,983	1,259,380	1,307,535	1,258,611
Diluted earnings per stock unit for the year (sen)	2.91	3.85	7.71	6.88

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

Wong Yah Yee
Company Secretary

Kuala Lumpur
25 May 2018