

# OVERSEA ENTERPRISE BERHAD (317155-U)

(Formerly known as Restoran Oversea Corporation Sdn Bhd)

## QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010

### NOTES TO THE QUARTERLY REPORT

#### PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

##### A1. Basis Of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computation adopted by Oversea Enterprise Berhad (“Oversea” or the “Company”) and its subsidiaries (“Group”) for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board.

The interim financial statements should be read in conjunction with the proforma consolidated financial information and the Accountants’ Report for the financial year ended 31 December 2009 as disclosed in the Prospectus of the Company dated 15 March 2010 and the accompanying explanatory notes attached to the interim financial report.

##### A2. Adoption Of New And Revised Accounting Policies

The accounting policies and methods of computation adopted by the Group in these condensed consolidated interim financial statements are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2009, except for adoption of the following new/revised FRSs effective for financial period beginning 1 January 2010:

(a) FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101 (2009)	Presentation of Financial Statements
FRS 123 (2009)	Borrowing Costs
FRS 139 (2010)	Financial Instruments: Recognition and Measurement

(b) Amendments to FRSs

Amendment to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 117	Leases
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial instruments: Disclosures and IC interpretation 9 Reassessment of Embedded Derivatives

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## QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010

### A2. Adoption Of New And Revised Accounting Policies (Cont'd)

#### (c) IC Interpretations

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

#### (d) Amendments to FRSs contained in the documents entitled "Improvement to FRS (2009)"

The above FRSs, IC Interpretation and amendments are not relevant to the Group's operation except for FRS 7, FRS 101, Amendments to FRS 1 and FRS 127, IC Interpretation 9, IC Interpretation 10 and Amendment to FRSs contained in the documents entitled "Improvement to FRS (2009)".

Other than for the application of amendments to FRS 117 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretation did not result in any significant changes in the accounting policies and presentation of the financial result of the Group.

#### Amendment to FRS 117

The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of this amendment will result in a change in accounting policy which will be applied retrospectively in accordance with transitional provisions. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively and certain comparatives as at 31 December 2009 have been restated as follows:

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
<b>Non-current assets</b>			
Property, plant and equipment	26,869	2,746	29,615
Prepaid land lease payments	2,746	(2,746)	-

#### FRS 139 – Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments.

A financial instrument is recognized in the financial statements when, and only when, the Group becomes a party to the contractual provision of the instruments.

A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

## **OVERSEA ENTERPRISE BERHAD (317155-U)**

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### **QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

#### **A2. Changes In Accounting Policies (Cont'd)**

Financial assets – marketable securities

Prior to the adoption of FRS 139, investment in equity securities, other than investments in subsidiaries and associates were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equities securities, other than investment in subsidiaries are now categorized and measured as fair value through profit and loss.

In accordance with the transitional provisions of FRS 139, the financial assets of the Group as at 1 January 2010 have been identified and remeasured in accordance with the provision of FRS 139. The difference between the remeasured amount and the previous carrying amount has been recognized as an adjustment to the opening retained earnings as at 1 January 2010 as follows:

<b>Group</b>	<b>Retained Earnings in RM(000)</b>
As at 1 January 2010	
- as previously stated	1,910
- Remeasurement of quoted securities to available for sale	<u>(41)</u>
- as restated	<u>1,869</u>

#### **A3. Auditors' Report On Preceding Annual Financial Statements**

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2009 were not subject to any qualification.

#### **A4. Seasonal Or Cyclical Factors**

Save for the slight increase in banquet operation which normally peak from October to March, the operations of the Group were not materially affected by any seasonal or cyclical factors in the current financial quarter under review.

#### **A5. Unusual items due to their nature, size and incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow of the Group in the current financial quarter under review.

#### **A6. Changes In Estimates**

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter under review.

**OVERSEA ENTERPRISE BERHAD (317155-U)**

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010****A7. Changes In Debt and Equity Securities**

There were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter under review.

**A8. Dividend Paid**

There were no dividends paid in the current financial quarter under review.

**A9. Segmental Information**

The Group is organized into the following operating segments:-

- a) Restaurant
- b) Manufacturing of baked products (Manufacturing)
- c) Others i.e. selling of high value stocks such as shellfish, shark's fin, dried seafood, meat and other consumables.

## Segmental Reporting

Quarter ended 31 March 2010	Restaurant RM' 000	Manufacturing RM' 000	Others RM' 000	Eliminations RM' 000	Consolidated RM' 000
Revenue from External customers	18,666	(43)	25	-	<b>18,648</b>
Inter-segment revenue	35	51	1,127	(1,213)	-
<b>Total revenue</b>	<b>18,701</b>	<b>8</b>	<b>1,152</b>	<b>(1,213)</b>	<b>18,648</b>
<b>Profit/(Loss) before taxation</b>	<b>3,293</b>	<b>(715)<sup>*1</sup></b>	<b>(445)<sup>*2</sup></b>		<b>2,133</b>
Income tax expenses					(588)
<b>Profit after taxation</b>					<b>1,545</b>
Other Comprehensive Income					129
<b>Total Comprehensive Income</b>					<b>1,674</b>

**Notes:-**

<sup>\*1</sup> The loss was mainly due to the fixed costs i.e. depreciation costs and staff costs of three (3) of its subsidiaries.

<sup>\*2</sup> The loss was mainly due to the Group's listing expenses, as disclosed in Note B1.

**A10. Valuation Of Property, Plant and Equipment**

There was no valuation of the property, plant and equipment in the current financial quarter review.

## **OVERSEA ENTERPRISE BERHAD (317155-U)**

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### **QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

#### **A11. Capital Commitments**

There are no material capital commitments as at 31 March 2010.

#### **A12. Material Events Subsequent To The End Of The Current Financial Quarter**

On 15 March 2010, the Company issued its prospectus for its Initial Public Offering in conjunction with its listing on the ACE Market of Bursa Securities involving the following:

##### **a) Public Issue**

The Public Issue of 56,900,000 new ordinary shares of RM0.20 each in the Company at an issue price of RM0.23 per ordinary share comprising:

- (i) 12,000,000 ordinary shares of RM0.20 each available for application by the Malaysian Public;
- (ii) 9,500,000 ordinary shares of RM0.20 each available for application by eligible directors, employees and person who have contributed to the success of the Group; and
- (iii) 35,400,000 ordinary shares of RM0.20 each available for private placement to identified investors.

##### **b) Offer for sale**

The offer for sale of 9,500,000 ordinary shares of RM0.20 each at an offer price of RM0.23 per ordinary share to be placed out to identified investors.

The entire issued and paid-up share capital of the Company comprising 245,000,000 ordinary shares of RM0.20 each was listed and quoted on the ACE Market of Bursa Securities on 1 April 2010.

#### **A13. Changes In Composition Of The Group**

There were no changes in composition of the Group for the current financial quarter under review.

#### **A14. Contingent Liabilities Or Contingent Assets**

There were no material changes in contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2009.

**OVERSEA ENTERPRISE BERHAD (317155-U)**

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010****A15. Significant Related Party Transactions**

<b>Transactions</b>	<b>RM'000</b>
Rental paid to Director	25
Rental received from related companies <sup>(1)</sup>	2
Rental paid to related companies <sup>(1)</sup>	234
Sales to related companies <sup>(1)</sup>	33

Note:

<sup>(1)</sup> These companies are owned by some directors who are also substantial shareholders of Oversea.

All the above transactions were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties and in the ordinary course of business of the Company.

**OVERSEA ENTERPRISE BERHAD (317155-U)**  
(Formerly known as Restoran Oversea Corporation Sdn Bhd)  
**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Review Of Performance**

The Group achieved revenue of RM18.65 million and profit before tax of RM2.13 million for the three months ended 31 March 2010. Included in the profit before tax are expenses incurred pursuant to our Listing amounting to approximately RM386,000, which was recognized in accordance with FRSIC Consensus 13.

**B2. Comparison To The Results Of The Preceding Quarter**

No comparative figures are presented for the immediate preceding quarter as this is the first interim financial report being announced by the Company.

**B3. Current Year Prospects**

The Group strategic objective is to continue to be one of the most highly regarded Chinese restaurant group which provide quality food, service and dining experiences. Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's ability to continue to achieve satisfactory performance for the financial year ending 31 December 2010.

**B4. Profit Forecast And Profit Estimate**

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

**B5. Taxation**

	<b>Current quarter ended 31 March 2010 RM' 000</b>	<b>Current period to-date 31 March 2010 RM' 000</b>
Current tax	588	588
Deferred tax	-	-
	588	588

The effective tax rate for current quarter and the current period of 28% were higher than the statutory rate of 25%. These were mainly due certain expenses disallowed for tax purpose.

**B6. Profit On Sale Of Unquoted Investments And/Or Properties**

There were no sales of unquoted investments and/or properties during the current financial quarter under review.

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010****B7. Purchase Or Disposal Of Quoted Securities**

There were no purchases or disposals of quoted securities for the current financial quarter.

Total investments in quoted securities as at 31 March 2010 were as follows:-

	<b>RM'000</b>
At Cost	586
At book value	633
At market value	633

**B8. (a) Status Of Corporate Proposals****Initial Public Offering ("IPO")**

In conjunction with the IPO and pursuant to the Prospectus dated 15 March 2010, the Company carried a Public Issue and Offer for Sale, the details of which are described in Note A12 of the Notes to the Quarterly Report.

**(b) Status Of Utilization Of Proceeds Of Public Issue**

Subsequent to the listing on the ACE Market of Bursa Securities, the gross proceeds from the public issue amounting to RM13.09 million will be utilised in the following manner:

Purposes	RM'000	Time frame for Utilisation
(i) Business expansion purposes	6,050	Within two (2) years after Listing
(ii) Working capital	3,310	Within two (2) year after Listing
(iii) Repayment of borrowings	2,000	Within one (1) year after Listing
(iv) Estimated listing expenses	1,727	Within one (1) month after Listing
<b>Total</b>	<b>13,087</b>	

**B9. Group Borrowings And Debts Securities**

The Group's borrowings and debts securities as at 31 March 2010 are as follows:

	Short Term (Secured) RM'000	Long Term (Secured) RM'000
Hire Purchase	116	166
Term loan	545	7,058
Total	<u>661</u>	<u>7,224</u>

**B10. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this announcement.



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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010****B11. Material Litigation**

There was no material litigation as at the date of issuance of this announcement.

**B12. Dividends**

No interim dividend has been declared in respect of the current financial quarter under review.

**B13. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year to Date Ended	Preceding Year Corresponding Period Ended
	31-Mar-10 RM'000	31-Mar-09 RM'000	31-Mar-10 RM'000	31-Mar-09 RM'000
<b>BASIC EARNINGS PER SHARE</b>				
Profit for the period attributable to ordinary equity holders of the company	1,545	N/A	1,545	N/A
Weighted average number of ordinary shares in issue ('000)	191,893	N/A	191,893	N/A
Basic Earnings per share (sen)	0.81	N/A	0.81	N/A

By Order of the Board

Ng Bee Lian  
Company Secretary

Date: 18 May 2010