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

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
Non-current assets			
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.

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:

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

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

For the financial quarter under review, there was a slow down in banquet operations in the month of April due to the inauspicious Lunar month.

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.

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 year to date.

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

Period ended 30 June 2010	Restaurant RM' 000	Manufacturing RM' 000	Others RM' 000	Eliminations RM' 000	Consolidated RM' 000
Revenue from					
External customers	29,764	1,053	25	-	**30,842**
Inter-segment revenue	59	307	1,632	(1,998)	-
Total revenue	29,823	1,360	1,657	(1,998)	**30,842**
Profit/(Loss) before taxation	2,574	(841) *1	(785) *2		**948**
Income tax expenses					(268)
Profit after taxation					**680**
Other Comprehensive Income					82
Total Comprehensive Income					**762**
Segmented assets	41,978	13,013	10,298	-	**65,289**
Unallocated assets					**2,226**
					67,515

Notes:-

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

*2 *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.

A11. Capital Commitments

Non-cancellable lease commitments of the Group as at 30th June 2010 is as follows

	RM'000
Current:	
- within one year	3,219
Non –current:	
- between one and two years	2,181
- between two and five years	352

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

On 6 July 2010, the Company had incorporated a wholly-owned subsidiary, namely Restoran Oversea JV (Singapore) Sdn Bhd ("OJV"). OJV was incorporated in Malaysia under the Companies Act, 1965 with an authorised capital of RM100,000.00 with an issued and fully paid up shares capital of RM2.00 divided into two (2) ordinary shares of RM1.00 each.

OJV will be utilized as a vehicle for the Company's future business expansion. OJV is currently dormant and has yet to commence operations.

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.

A15. Significant Related Party Transactions

The Group had the following transactions during the current financial quarter with related parties in which certain directors of the Company have substantial financial interest :-

Transactions	**Current financial quarter**	**Financial year to date**
	RM'000	**RM'000**
Rental paid to Director	25	50
Rental received from related companies[(1)]	*	*
Rental paid to related companies[(1)]	242	486
Purchase from related companies[(1)]	280	280

Note:
(1) These companies are owned by some directors who are also substantial shareholders of Oversea.
** Amount is less than RM1,000*

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.

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

B1. Review Of Performance

The Group recorded revenue of RM12.19 million and loss before tax of RM1.18 million for the three months ended 30 June 2010. Included in the loss before tax are expenses incurred pursuant to our listing on the Ace Market of Bursa Malaysia Securities Berhad on 1 April 2010 ("Listing") amounting to approximately RM228,000, which was recognized in accordance with FRSIC Consensus 13.

For the six months ended 30 June 2010, the Group recorded revenue of RM30.84 million and profit before tax of RM948,000. For the financial year to date, the Group's revenue and profit before tax was affected by the slow down in the banquet operations in the month of April due to the inauspicious Lunar month. Also included in the profit before tax were expenses incurred pursuant to the Listing amounting to approximately RM614,000.

B2. Comparison To The Results Of The Preceding Quarter

The Group registered a revenue of RM12.19 million for the current quarter under review representing a decrease of RM6.45 million or 34.6% from the RM18.65 million in the preceding quarter. The Group's loss before tax was RM1.18 million for the current quarter under review as compared to profit before tax of RM2.13 million in the preceding quarter.

The loss before tax recorded for the current quarter under review was mainly due to the low season in banquet sale. Revenue from the restaurant segment decreased from RM18.67 million in the preceding quarter to RM11.10 million. On the other hand, revenue from the manufacturing segment increased by RM1.1 million due to the commencement of mooncake production. Also included in the loss before tax are expenses incurred pursuant to the Listing amounting to approximately RM228,000, which was recognized this quarter in accordance with FRSIC Consensus 13.

B3. Current Year Prospects

The Group's 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

	Current quarter ended 30 June 2010 RM' 000	Current period to-date 30 June 2010 RM' 000
Current tax	(320)	268
Deferred tax	-	-
	(320)	268

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/(Loss) 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.

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 30 June 2010 were as follows:-

	RM'000
At Cost	545
At book value	586
At market value	586

B8. (a) Status Of Corporate Proposals

There was no corporate proposal announced or not completed by the Group as at the latest practicable date of 18 August 2010.

(b) Status Of Utilization Of Proceeds Of Public Issue

As at the end of the current quarter and financial year-to-date, the status of utilisation of the proceeds as compared to the actual utilisation is as follows:-

	Purposes	Proposed utilisation RM'000	Amount Utilised RM'000	Time frame	Balance unutilised RM'000
(i)	Capital Expenditure and business expansion plan	6,050	-	Within 2 years after listing	6,050
(ii)	Working Capital	3,310	204	Within 2 years after listing	3,106
(iii)	Repayment of borrowings	2,000	2,000	Within 1 year after listing	-
(iv)	Estimated listing expenses*	1,727	2,025	Upon listing	(298)
	Total	13,087	4,229		8,858

* The excess in listing expenses will be adjusted against the amount allocated for working capital purposes.

B9. Group Borrowings And Debts Securities

The Group's borrowings and debts securities as at 30 June 2010 are as follows:

	Short Term (Secured) RM'000	Long Term (Secured) RM'000
Hire Purchase	118	135
Term loan	768	4,812
Total	886	4,947

B10. Off Balance Sheet Financial Instruments

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

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. (Loss)/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
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	RM'000	RM'000	RM'000	RM'000
BASIC (LOSS)/EARNINGS PER SHARE				
(Loss)/Profit for the period attributable to ordinary equity holders of the company	(855)	N/A	680	N/A
Weighted average number of ordinary shares in issue ('000)	245,000	N/A	218,593	N/A
Basic (Loss)/ Earnings per share (sen)	(0.35)	N/A	0.31	N/A