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. Adoption Of New And Revised 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, the group are not being affected by any seasonal or cyclical factor except for the manufacturing division where the moon cake season normally fall in the month of September to October.

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

Year ended 31 December 2010	Restaurant RM' 000	Manufacturing RM' 000	Others RM' 000	Eliminations RM' 000	Consolidated RM' 000
Revenue from					
External customers	53,611	9,113	14	-	**62,738**
Inter-segment revenue	130	6,186	2,404	(8,720)	-
Total revenue	53,741	15,299	2,418	(8,720)	**62,738**
Profit/(Loss) before taxation	1,308	57	(882) *1		**483**
Income tax expenses					(807)
Loss after taxation					**(324)**
Other Comprehensive Income					409
Total Comprehensive Income					**85**
Segmented assets	45,218	12,567	6,346	-	**64,131**
Unallocated assets					**2,322**
					66,453

Notes:-

*1 *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 under review.

A11. Capital Commitments

Non-cancellable lease commitments of the Group as at 31 December 2010 is as follows:-

	RM'000
Current:	
- within one year	2,522
Non –current:	
- between one and two years	1,220
- between two and five years	35

Capital commitment for property, plant and equipment not provided for as at 31 December 2010 are as follows:-

	RM'000
Approved and contracted for	437

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

On 24 January 2011, the Company's wholly owned subsidiary, namely Restoran Oversea (Imbi) Sdn Bhd have disposed off four (4) units of two-storey shop offices, all situated in Kuchai Business Park, Off Jalan Klang Lama, 58200 Kuala Lumpur free from encumbrances, to Yayasan Dazhi (640772-A) of 250, Jalan Terasek, Bangsar Baru, 59100 Kuala lUmpur for a total cash consideration of RM5,650,000. As at the date of this announcement, the sales is pending completion.

A13. Changes In Composition Of The Group

The Company's wholly owned subsidiary, namely Restoran Oversea JV (Singapore) Sdn Bhd ("OJV") had on 15 October 2010 increased its issued and paid-up share capital from RM2.00 to RM100,000.00 through the allotment and issuance of 99,998 new ordinary shares of RM1.00 each at par for total consideration of RM99,998.00 which was fully subscribed by the Company.

On 21 October 2010, OJV acquired the entire share capital of Grand Ocean Restaurant Pte Ltd ("GOR") comprising of two (2) ordinary shares of S$1.00 each. On the even date, GOR had increased its issued and paid-up share capital from S$2.00 to S$100,000.00 through the allotment of 99,998 ordinary shares of S$1.00 each at par to OJV for cash consideration of S$99,998.00.

In line with the Company's oversea expansion plan,GOR have commenced operation of Oversea Restaurant in Singapore on 30 January 2011.

A14. Contingent Liabilities Or Contingent Assets

Contingent liabilities of the Group comprise the following:

	31.12.10 RM'000	31.12.09 RM'000
Corporate guarantees given by the Company to financial institutions for facilities granted to subsidiaries		
- Total facilities granted	8,243	N/A
- Current Exposure	2,257	N/A

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	100
Rental received from related parties[1]	*	3
Rental paid to related parties[1]	242	961
Purchase from related parties[1]	-	280
Sale to related parties[1]	-	33

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 RM10.51 million and loss before tax of RM1.77 million for the three months ended 31 December 2010.

For the financial year to date, the Group's revenue decreased from RM65.05 million to RM62.74 million, representing a decrease of 3.6% when compared to the proforma combined income statement of the preceding financial year as disclosed in the prospectus. The Group experienced a decline in revenue for both the restaurant and manufacturing segment in 2010 mainly due to competition. The restaurant segment experienced a slowdown in its banquet operations due to loss of customer through last minute cancellation of banquet bookings as well as a general decline in business. Year 2010, being the year of the tiger, was widely believed by many Chinese to be an inauspicious year for weddings. Less walk-in customers to its restaurants were due to increase in competition from operators of Chinese restaurants within the vicinity of its outlets. Revenue from the Group's manufacturing segment had also declined in view of lower demand for moon cakes in the market due to higher moon cake prices in the market as manufacturers passed on the higher cost of raw materials to the customers. Moon cake manufacturers have also engaged in price wars as a result of the lower demand in moon cakes. The slashing of prices in the market had adversely affected the demand for the Group's moon cakes.

Gross profit for the financial year to date has decreased from RM35.88 million to RM33.67 million, representing a decrease of 6.2%. The decrease in gross profit was mainly attributable to higher cost of raw materials for the manufacturing of moon cakes, namely lotus seed, sugar and flour. For example, the cost of lotus seed had increased from approximately RM14 per kilogram to approximately RM26 per kilogram.

For the financial year to date, the PBT of the Group declined from RM6.8 million to RM0.48 million, representing a decrease of 92.9% when compared to the preceding financial year. The decrease in revenue of approximately RM2.31 million coupled with higher expenses amounting to approximately RM1.9 million for the Group's outlet in Ipoh was the main reason for the decrease in results of the Group. The restaurant in Ipoh had recorded one (1) full financial year of operations since commencing operations in the fourth quarter of 2009. The company had increased labour expenses in 2010 to meet anticipated banquet sales in this outlet which did not materialise. In addition, this outlet had also recorded high depreciation costs from its renovation. In addition to the above, the expenses of the Group had increased due to higher overall labour expenses of other outlets by approximately RM505,000, listing expenses of approximately RM614,000, directors' remunerations and fees of approximately RM461,000 and pre-opening expenses of the Group's new restaurant in Singapore amounting to approximately RM213,000.

B2. Comparison To The Results Of The Preceding Quarter

The Group registered a revenue of RM10.51 million for the current quarter under review representing a decrease of RM10.87 million or 50.8% from the RM21.38 million in the preceding quarter. The Group's loss before tax was RM1.77 million for the current quarter under review as compared to profit before tax of RM1.31 million in the preceding quarter.

The decrease in revenue in the current quarter as compared to the preceding quarter is mainly due to the seasonal fluctuation in revenue as mooncake sale was recognised in the preceding quarter.

B3. Current Year Prospects

In view of the Group's performance in year 2010, the Board plans to re-strategise to focus on improving the results of its existing outlets in the immediate term. The Group intends to implement stricter cost control measures such as improving on existing banquet booking system and formulate strategies to improve the sales of the Group. The Group endeavours to remain competitive in the market by renovating some of its restaurants and introduce more variety of food products at competitive prices. The Group also plans to further strengthen the brand name by creating awareness and to promote brand loyalty for customers by way of advertising and promotion activities. For the manufacturing segment, the Group plans to monitor raw material prices closely and may formulate different recipes to produce new types of mooncake for 2011.

In addition, the Group's new restaurant located at Shaw Tower, Singapore, which commenced operations on 30 January 2011, has received positive response. The Singapore outlet has 25 tables and a seating capacity for about 200 diners. This restaurant has been performing well to date and is expected to contribute positively to the Group in the future.

Moving forward, with the successful implementation of the various strategies stated above, the Board remains positive of its results for 2011.

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 31 December 2010 RM' 000	**Current year to-date 31 December 2010 RM' 000**
Income tax:-		
Current period/year	252	880
Overprovision in prior year	(34)	(34)
Deferred tax	(39)	(39)
	179	807

The effective tax rate for current quarter and the current year to date were higher than the statutory rate of 25%. These were mainly due to 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 and financial year-to-date.

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 December 2010 were as follows:-

	RM'000
At Cost	545
At book value	914
At market value	914

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 22 February 2011.

(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	1,249	Within 2 years after listing	4,801
(ii)	Working Capital	3,310	*2,467	Within 2 years after listing	843
(iii)	Repayment of borrowings	2,000	2,000	Within 1 year after listing	-
(iv)	Estimated listing expenses	1,727	1,727	Upon listing	-
	Total	13,087	7,443		5,644

* Inclusive of excess in listing expenses amounting to RM298,000.

B9. Group Borrowings And Debts Securities

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

	Short Term (Secured) RM'000	Long Term (Secured) RM'000
Hire Purchase	132	64
Term loan	*3,310	1,859
Total	3,442	1,923

*Term loan of RM2,594,000 is being classified as short term due to sale of properties that it attached to as disclosed in note A12

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 (including status of any pending material litigation) as at the latest practicable date of 22 February 2011.

B12. Dividends

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

B13. Loss 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-Dec-10 RM'000	31-Dec-09 RM'000	31-Dec-10 RM'000	31-Dec-09 RM'000
BASIC LOSS PER SHARE				
Loss for the period attributable to ordinary equity holders of the company	(1,950)	N/A	(324)	N/A
Weighted average number of ordinary shares in issue ('000)	245,000	N/A	232,061	N/A
Basic Loss per share (sen)	(0.80)	N/A	(0.14)	N/A

B14. Realised and unrealised retained earnings

The retained profit may be analysed as follows:

	As at the end of current quarter 31.12.2010 RM'000	As at the end of preceding quarter 30.09.2010 RM'000
- Realised	1,559	3,536
- Unrealised	27	-
	1,586	3,536

By Order of the Board

Ng Bee Lian
Company Secretary
Date: 28 February 2011