

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

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 IAS 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements for year ended 31 March 2015 and the accompanying explanatory notes attached to the interim financial report.

A2. Adoption Of New And Revised Accounting Policies

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

A1. Adoption Of New And Revised Accounting Policies

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

- (a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

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 March 2015 were not subject to any qualification.

A4. Seasonal Or Cyclical Factors

For the financial quarter under review, there were no major seasonal nor cyclical factors affecting the Group's business operation other than the annual moon cake production.

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, repurchases 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

A tax exempt interim dividend of 0.3 sen per ordinary share of RM0.20 amounting to approximately RM723,000 was paid on 23 December 2015.

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

A9. Segmental Information

The Group is organized into the following operating segments:-

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

Segmental Reporting

	Restaurant		Manufacturing	Others	Eliminations	Consolidated
	Malaysia	Foreign*				
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
3 months period ended						
31 December 2015						
Revenue from						
External customers	11,230	1,014	(28)	-	-	12,216
Inter-segment revenue	68	-	13	-	(81)	-
Total revenue	11,298	1,014	(15)	-	(81)	12,216
Profit/(loss) before taxation	(279)	(145)	(827)	584	(457)	(1,124)
Income tax						(122)
Loss after taxation						(1,246)
Other comprehensive expenses						(5)
Total comprehensive expenses						(1,251)
9 months ended 31 December						
2015						
Revenue from						
External customers	30,778	3,256	8,997	-	-	43,031
Inter-segment revenue	123	-	6,037	7	(6,167)	-
Total revenue	30,901	3,256	15,034	7	(6,167)	43,031
Profit/(loss) before taxation	(2,220)	(349)	1,488	200	(457)	(1,338)
Income tax						(240)
Loss after taxation						(1,578)
Other comprehensive expenses						(117)
Total comprehensive expenses						(1,695)
Segmented assets	37,168	1,729	13,302	3,161	-	55,360
Unallocated assets						(950)
						54,410

*Note: Comprises Ipoh Group Limited (Hong Kong) and Taiwan Haewaytian Limited (Taiwan)

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

A10. Valuation Of Property, Plant and Equipment

There was no valuation exercise performed on the property, plant and equipment during the current financial quarter under review.

A11. Operating Lease Commitments

Non-cancellable lease commitments of the Group as at 31 December 2015 is as follows:-

	RM'000
Current:	
- within one year	3,452
Non-current:	
- between one and two years	1,914
- between two and five years	258
Total	<u>5,624</u>

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

There were no material events subsequent to the end of the current financial quarter.

A13. Changes In Composition Of The Group

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

A14. Contingent Liabilities Or Contingent Assets

Contingent liabilities of the Group comprise the following:

	As at 31.12.2015 RM'000	Audited 31.03.2015 RM'000
<u>Corporate guarantees given by the Company to financial institutions for facilities granted to subsidiaries</u>		
- Total facilities granted	6,743	6,743
- Current Exposure	1,668	1,999

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

A15. Significant Related Party Transactions

The Group had entered into 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 ended 31.12.2015 RM'000	Current financial year to-date 31.12.2015 RM'000
Rental paid to a Director	43	129
Rental paid to related parties ⁽¹⁾	278	835

Note:

(1) These parties are related to directors who are also substantial shareholders of Oversea Enterprise Berhad.

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

A16. Capital Commitments

There is no outstanding commitments in respect of capital expenditure at the end of the reporting period not provided for in the interim financial statements.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

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

B1. Review Of Performance

	Individual Quarter 3 Months ended		Cumulative Period ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
RM'000	Unaudited	Unaudited	Unaudited	Unaudited
Revenue				
Restaurant	12,243	12,183	34,034	35,040
Manufacturing	(27)	(209)	8,998	10,081
Others	-	(1)	-	9
Total	12,216	11,973	43,032	45,130
Profit/(Loss) before tax				
Restaurant	(424)	(104)	(2,569)	(910)
Manufacturing	(828)	(877)	1,487	1,761
Others	128	(213)	(256)	(404)
Total	(1,124)	(1,194)	(1,338)	447

3-month period (31.12.2015 vs. 31.12.2014)

The Group recorded revenue of RM12.2 million for the quarter ended 31 December 2015, representing an increase of 2.0% as compared to RM12.0 million in the quarter ended 31 December 2014.

The Loss before tax (LBT) for the quarter ended 31 December 2015 was RM1.1 million, representing a decrease of 5.8% from LBT of RM1.2 million in the quarter ended 31 December 2014.

The main reason for the decrease in losses of RM69 thousand were mainly due to increase in revenue by RM243 thousand.

Restaurant segment

The Group's restaurant segment recorded LBT of RM0.4 million for the quarter ended 31 December 2015, representing an additional losses of RM0.3 million compared to RM0.1 million in the quarter ended 31 December 2014. The higher losses was mainly due to waiver of debts in the other income amount to RM0.3 million recorded in the quarter ended 31 December 2014, which is non-recurring.

Manufacturing segment

Manufacturing division recorded LBT of RM0.8 million for the quarter ended 31 December 2015, represents a decrease of losses of RM49 thousand as compared to LBT RM0.9 million in the quarter ended 31 December 2014. The decrease in losses was mainly due to reduction in goods returns after season and expenses for factory upkeep.

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

B2. Comparison To The Results Of The Previous Quarter

<i>RM'000</i>	3 months ended	
	31.12.2015	30.09.2015
	Unaudited	Unaudited
Revenue		
<i>Restaurant</i>	12,243	10,912
<i>Manufacturing</i>	(27)	8,173
<i>Others</i>	-	-
Total	12,216	19,085
(Loss)/Profit before tax		
<i>Restaurant</i>	(424)	(852)
<i>Manufacturing</i>	(828)	2,839
<i>Others</i>	128	(285)
Total	(1,124)	1,702

3-month period (31.12.2015 vs. 30.09.2015)

The Group recorded revenue of RM12.2 million for the quarter ended 31 December 2015, representing a decrease of 36.0% as compared to RM19.1 million in the previous quarter ended 30 September 2015. The mooncake manufacturing operations contributed to the higher revenue in the previous quarter.

The Group recorded LBT of RM1.1 million for the quarter ended 31 December 2015, from profit before tax (PBT) of RM1.7 million in the previous quarter ended 30 September 2015 due to its cyclical nature of the industry.

Restaurant segment

The Group's restaurant segment recorded LBT of RM0.4 million for the 3-month ended 31 December 2015 as compared to LBT of RM0.9 million in the preceding quarter ended 30 September 2015. This decrease in losses is mainly due to higher sales during the quarter under review.

Manufacturing segment

The Group's manufacturing segment recorded LBT of RM0.8 million for the 3-month ended 31 December 2015 as compared to PBT of RM2.8 million in the preceding quarter ended 30 September 2015. This decrease in bottom line is mainly due to its cyclical nature of the industry.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

B3. Prospects

Restaurant Operations and Manufacturing

We are currently actively pursuing additional opportunities of the manufacturing of non-seasonal product to increase our plant utilisation. Due to the ever changing landscape of the consumer tastes and trends in tandem with their lifestyles, it is crucial to evolve and provide more relevant innovative product solutions in order to grow the business. In line with this, new product innovations and launches had been executed during the pre - Chinese New Year season on delicacies from our speciality dim sum outlet such as pork free steamed buns, radish cakes etc.

Prospects

OEB expects the challenging economic conditions to continue in 2016, and as such, have adopted a cautious approach for the short term. Moving forward, consumer sentiment will continue to be impacted post – Goods and Services Tax (GST) implementation and market conditions will remain tough. In 2016, commodity prices are expected to increase, and prices of raw materials are foreseen to be impacted by the weakening ringgit. The Company will need to be flexible and responsive to change by focusing on internal improvements to maintain prudent cost management and improve efficiency and productivity. The Company remains positive on the middle to long term prospects of the Malaysian market given the strong fundamentals of the country.

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 financial quarter ended 31.12.2015 RM'000	Current financial year to-date 31.12.2015 RM'000
Income tax:-		
Current period	(122)	(240)

During the current quarter, the Group had changed the basis of its tax computation from accounting profit to chargeable income. As such, the Group had taken into the account the unabsorbed losses, capital allowances and unutilized reinvestment allowances, which will largely affect its provisional amount.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

B6. Notes To The Statement of Comprehensive Income

Loss before taxation is arrived at after charging/(crediting):-

	Current financial quarter ended 31.12.2015 RM'000	Current financial year to-date 31.12.2015 RM'000
Interest income	(94)	(391)
Other income including investment income	(964)	(2,172)
Interest expenses	17	56
Depreciation and amortization	659	1,973
Provision for doubtful debt	-	13
Gain on disposal of quoted investment	(23)	(23)
Property, Plant & Equipment Written Off	9	9

Other than the items mentioned above which have been included in the statement of comprehensive income, there were no provision for and/or write off of inventories, gain or loss on derivatives, unquoted investments and/or properties, impairment of assets and any other exceptional items for the current quarter and financial period ended 31 December 2015.

B7. Status Of Corporate Proposals Announced But Not Yet Completed

Other than as disclosed below, there were no corporate proposals announced but not yet completed by the Group as at the latest practicable date of 19 February 2016.

On 17 April 2015, RHB Investment Bank Berhad had on behalf of the Board of Directors of Oversea announced that the Equity Compliance Unit of Securities Commission Malaysia had, vide its letter dated 16 April 2015, approved our application on the following:-

(i) the Proposed Special Bumiputera Issue; and

(ii) extension of time of twelve (12) months of up to 31 March 2016 for the Company to comply with the equity condition imposed pursuant to the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad.

Ministry of International Trade and Industry ('MITI') had, vide its letter dated 13 August 2015 agreed to take note and without objection, of the Proposed Special Bumiputera Issue, upon the following:-

(i) 35,000,000 Special Issue Shares are subject to MITI approving its allocation to the Bumiputera investors; and

(ii) there are currently 12,180,000 Oversea Shares held by MITI recognized Bumiputera Investors. Upon the allocation of the 35,000,000 Special Issue Shares, Oversea will be in compliance with the Bumiputera Equity Condition.

The Group had obtained approval for the proposal from its shareholders via an Extraordinary General Meeting on 24 August 2015.

Representative from RHB Investment Bank have meet up representative from MITI on 29 September 2015 and MITI confirmed that the allocation process to Bumiputera investors shall proceed in the first quarter of 2016.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

B8. Group Borrowings And Debts Securities

The Group's borrowings and debts securities as at 31 December 2015 are as follows:

	Short Term (Secured) RM'000	Long Term (Secured) RM'000
Hire Purchase Creditors	11	-
Term loan	100	1,146
Total	111	1,146

B9. Material Litigation

There was no material litigation (including status of any pending material litigation) as at the latest practicable date of 19 February 2016.

B10. Dividends

The directors do not recommend any interim dividend for the quarter under review.

B11. Losses Per Share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31.12.2015 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2014 RM'000	Current Year to Date Ended 31.12.2015 RM'000	Preceding Year Corresponding Period Ended 31.12.2014 RM'000
BASIC LOSSES PER SHARE				
Losses for the period attributable to owners of the company	(1,246)	(1,503)	(1,578)	(139)
Weighted average number of ordinary shares in issue ('000)	240,953	241,470	240,953	243,818
Basic losses per share (sen)	(0.52)	(0.62)	(0.65)	(0.06)

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2015

B12. Realised and unrealised retained earnings

The retained profit may be analysed as follows:

	As at the end of current quarter 31.12.2015 RM'000	Audited 31.03.2015 RM'000
Realised	26,031	30,379
Unrealised	913	757
	<hr/>	<hr/>
	26,944	31,136
Total share of losses of a jointly controlled entity: - Realised	-	(676)
Total share of losses of an associate: - Realised	(148)	(58)
	<hr/>	<hr/>
	26,796	30,402
Less: Consolidation adjustments	(29,683)	(30,471)
	<hr/>	<hr/>
	(2,887)	(69)
	<hr/>	<hr/>

By Order of the Board

Ng Bee Lian
 Company Secretary
 Date: 19 February 2016