

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

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
MFRS 16 Leases	1 January 2019
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 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

A2. Adoption Of New And Revised Accounting Policies

Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

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 Chinese New Year festive season.

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

No dividend was paid during the current financial quarter under review.

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

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 March 2016						
Revenue from						
External customers	16,182	1,615	228	-	-	18,025
Inter-segment revenue	26	-	159	6	(191)	-
Total revenue	16,208	1,615	387	6	(191)	18,025
Loss before taxation	(3,891)	(316)	(8,559)	(6,021)	17,980	(807)
Income tax						(696)
Loss after taxation						(1,503)
Other comprehensive incomes						17,725
Total comprehensive incomes						16,222
12 months ended 31 March 2016						
Revenue from						
External customers	46,959	4,871	9,226	-	-	61,056
Inter-segment revenue	150	-	6,196	13	(6,359)	-
Total revenue	47,109	4,871	15,422	13	(6,359)	61,056
Loss before taxation	(6,112)	(665)	(7,071)	(5,820)	17,523	(2,145)
Income tax						(936)
Loss after taxation						(3,081)
Other comprehensive incomes						17,608
Total comprehensive incomes						14,527
Segmented assets	53,085	(1,126)	26,946	(3,088)	-	75,817
Unallocated assets						(247)
						75,570

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

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

A10. Valuation Of Property, Plant and Equipment

There is a valuation exercise performed on the property, plant and equipment and investment properties to ascertain the market value of the properties as at the date of the financial report.

A11. Operating Lease Commitments

Non-cancellable lease commitments of the Group as at 31 March 2016 is as follows:-

	RM'000
Current:	
- within one year	3,559
Non-current:	
- between one and two years	1,701
- between two and five years	302
Total	<u>5,562</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 31.03.2016 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	1,601	1,999

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**OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016**

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 31.03.2016 RM'000	Current financial year to-date 31.03.2016 RM'000
Rental paid to a Director	43	172
Rental paid to related parties ⁽¹⁾	278	1,114

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.

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OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
RM'000	Unaudited	Unaudited	Unaudited	Unaudited
Revenue				
Restaurant	17,797	17,283	51,830	52,323
Manufacturing	228	(35)	9,226	10,045
Others	-	(7)	-	2
Total	18,025	17,241	61,056	62,370
Profit/(Loss) before tax				
Restaurant	1,956	2,429	(320)	1,519
Manufacturing	(645)	(716)	843	1,046
Others	(2,118)	(437)	(2,668)	(841)
Total	(807)	1,276	(2,145)	1,724

3-month period (31.03.2016 vs. 31.03.2015)

The Group recorded revenue of RM18.0 million for the quarter ended 31 March 2016, which represents a slight increase of 0.42% as compared to RM17.3 million in the quarter ended 31 March 2015.

The loss before tax (LBT) for the quarter ended 31 March 2016 was RM0.8 million. In the prior year same period, the Group recorded a profit before tax (PBT) of RM1.3 million.

The main reason for the LBT of RM0.8 million in this quarter were mainly due to one-off non-recurring expenses amounted to RM3.5 million in restaurant and others segment.

Restaurant segment

The Group restaurant segment recorded revenue of RM17.8 million for the quarter ended 31 March 2016, which represents a slight increase of 0.42% as compared to RM17.3 million in the quarter ended 31 March 2015.

The Group's restaurant segment recorded PBT of RM2.0 million for the quarter ended 31 March 2016, which represents 19.5% decrease as compared to PBT of RM2.4 million in the quarter ended 31 March 2015. The decrease in bottom line was mainly due to write off of plant and equipment from the closure of café outlets amount to RM0.9 million.

Manufacturing segment

Manufacturing segment recorded revenue of RM0.2 million for the quarter ended 31 March 2016, which represents an increase as compared to RM20 thousand in the quarter ended 31 March 2015.

Manufacturing segment recorded LBT of RM0.6 million for the quarter ended 31 March 2016, represents a decrease in losses by 9.9% as compared to LBT RM0.7 million in the quarter ended 31 March 2015.

**OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016**

12-months period (31.03.2016 vs. 31.03.2015)

The Group recorded revenue of RM61 million for the year ended 31 March 2016, representing a decrease of 2.2% as compared to RM62 million in the year ended 31 March 2015. Overall, decrease in revenue was attributable to both restaurant and manufacturing segment. The closure of café outlet in the current year also contributed to the decrease in revenue. The unfavorable economy condition have resulted a drop in sales of our existing outlets by 5.7%. This decrease in sales was compensated by additional sales of about RM2.5 million brought in by our new venture in Taiwan.

Gross margin has improved slightly from 59.4% in prior year to 60% in the current year as a result of constant cost monitoring and control.

The Group recorded LBT of RM2.1 million for the year ended 31 March 2016. The main reason for the losses were mainly due to some one-off non-recurring expenses amounted to RM3.5 million in others and restaurant segment. The details of these non-recurring expenses in others segment are namely provision for impairment for amount due from an associate company of RM1.9 million, provision for diminution for investment in associate amount to RM0.7 million and write off of plant and equipment for café which has closed down amount to RM0.9 million in restaurant segment. However, the Group also recognised a gain from revaluation of investment properties of RM0.8 million and unrealised foreign exchange gain from the amount owing from overseas subsidiaries amount to RM0.3 million.

Restaurant segment

The Group's restaurant segment recorded LBT of RM0.8 million for the year ended 31 March 2016. In prior year, the Group's restaurant segment recorded PBT of RM1.5 million.

The decrease was mainly due to the drop in sales performance by RM0.5 million in both Chinese restaurant and concept café, additional write off of fixed assets arising from closure of a concept café amounting to RM0.9 mil.

Manufacturing segment

The manufacturing segment recorded revenue of RM9.2 million for the year ended 31 March 2016, represents an 8.1% decrease compared to RM10.0 million in the year ended 31 March 2015.

Manufacturing segment recorded PBT of RM0.8 million for the year ended 31 March 2016. In prior year, the manufacturing segment recorded PBT of RM1.0 million. The decrease was mainly due to decrease in sales.

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OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

B2. Comparison To The Results Of The Previous Quarter

	3 months ended	
	31.03.2016	31.12.2015
<i>RM'000</i>	Unaudited	Unaudited
Revenue		
<i>Restaurant</i>	17,797	12,243
<i>Manufacturing</i>	228	(27)
<i>Others</i>	-	-
Total	18,025	12,216
(Loss)/Profit before tax		
<i>Restaurant</i>	1,956	(424)
<i>Manufacturing</i>	(645)	(828)
<i>Others</i>	(2,118)	128
Total	(807)	(1,124)

3-month period (31.03.2016 vs. 31.12.2015)

The Group recorded revenue of RM18.0 million for the quarter ended 31 March 2016, representing an increase of 47.6% as compared to RM12.2 million in the previous quarter ended 31 December 2015. The restaurant operations contributed to the higher revenue in the current quarter.

The Group recorded LBT of RM0.8 million for the quarter ended 31 March 2016, from LBT of RM1.1 million in the previous quarter ended 31 December.

The main reason for the LBT of RM0.8 million in this quarter were mainly due to one-off non-recurring expenses amounted to RM3.5 million in others and restaurant segment.

Restaurant segment

The Group's restaurant segment recorded PBT of RM2.0 million for the 3-month ended 31 March 2016 as compared to LBT of RM0.4 million in the preceding quarter ended 31 December 2015. The significant improvement was mainly due to the seasonal festive of Chinese New Year in the current quarter.

Manufacturing segment

The Group's manufacturing segment recorded LBT of RM0.6 million for the 3-month ended 31 March 2016 as compared to LBT of RM0.8 million in the preceding 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 and promote customer awareness of our brand name. In line with this, we are trying to increase our market penetration via more aggressive marketing strategies and to develop our product as all year round product.

Prospects

The Group 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 affected by the tough market conditions. 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 be 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 31.03.2016 RM'000	Current financial year to-date 31.03.2016 RM'000
Income tax:-		
Current period	(696)	(936)

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.

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OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

B6. Notes To The Statement of Comprehensive Income

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

	Current financial quarter ended 31.03.2016 RM'000	Current financial year to-date 31.03.2016 RM'000
Interest income	(59)	(450)
Other income including investment income	(1,662)	(3,834)
Gain on disposal of other investment	(23)	-
Gain from revaluation of property	(874)	(874)
Interest expenses	16	72
Depreciation and amortization	633	2,606
Provision for doubtful debt	1,985	1,998
Provision for diminution for investment in associate	662	662
Loss on disposal of other investment	365	365
Property, Plant & Equipment Written Off	935	944

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 March 2016.

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 30 May 2016.

On 17 April 2015, RHB Investment Bank Berhad had on behalf of the Board of Directors of Oversea Enterprise Berhad (“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.

OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

MITI has commenced the allocation process on 18 April 2016 and the process was closed on 19 May 2016. If there is no take-up, the Company will be deemed comply with the equity condition imposed. The Company is still waiting for written confirmation from the Equity Compliance Unit of Securities Commission Malaysia on the compliance status.

B8. Group Borrowings And Debts Securities

The Group's borrowings and debts securities as at 31 March 2016 are as follows:

	Short Term (Secured) RM'000	Long Term (Secured) RM'000
Hire Purchase Creditors	6	-
Term loan	38	1,136
Total	44	1,136

B9. Material Litigation

There was no material litigation (including status of any pending material litigation) as at the latest practicable date of 30 May 2016.

B10. Dividends

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

B11. Losses/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
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
BASIC (LOSSES)/EARNINGS PER SHARE				
(Loss)/profit for the period attributable to owners of the company	(1,503)	730	(3,081)	592
Weighted average number of ordinary shares in issue ('000)	240,953	240,953	240,953	243,112
Basic (losses)/earnings per share (sen)	(0.62)	0.30	(1.28)	0.24

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OVERSEA ENTERPRISE BERHAD (317155-U)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

B12. Realised and unrealised retained earnings

The retained profit may be analysed as follows:

	As at the end of current quarter 31.03.2016 RM'000	Audited 31.03.2015 RM'000
Realised	6,747	30,379
Unrealised	810	757
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	7,557	31,136
Total share of losses of a jointly controlled entity:		
- Realised	-	(676)
Total share of losses of an associate:		
- Realised	(179)	(58)
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	7,378	30,402
Less: Consolidation adjustments	(11,768)	(30,471)
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	(4,390)	(69)
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