

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 2016 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements for year ended 31 March 2019 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 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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.

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

MFRS 16 : Leases

The Group adopted MFRS 16 Leases ("MFRS 16") on 1 April 2019 which supersedes MFRS 117 Leases and the related interpretations.

MFRS 16 eliminates the classification of leases by the by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognize a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principles in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognized in the income statement.

As allowed by the transitional provision of MFRS 16, the Group elected to apply the simplified transition approach and not to restate the comparatives amounts for the year prior to first adoption. Right-of-use assets and the corresponding lease liabilities on right-of-use assets will be measured on transition as if the new rules had always been applied. The impact of adopting MFRS 16 to opening balance are as follows:

Balance sheet

Impact of adopting MFRS 16 at 1 April 2019:

	RM'000
Right-of-use assets	6,489
Lease liabilities	(6,489)

The finance lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of the prepaid or accrued lease payments. Accordingly, there is no impact to the accumulated losses of the Group as at 1 April 2019.

On the income statement, expenses which previously included operating lease rental within EBITDA were replaced by interest expenses on lease liabilities and depreciation of the right-of-use assets. On the statement of cash flows, operating lease rental outflows previously recorded within "net cash for operating activities" were reclassified as "net cash for financing activities" for repayment of principal and interest of lease liabilities.

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 2019 were not subject to any qualification.

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A4. Seasonal Or Cyclical Factors

For the financial quarter under review, manufacturing sales were higher compare to previous quarter ended 30 June 2019 due to moon cake festival in September 2019. For the restaurant segment, there were no major seasonal nor cyclical factors affecting the operation.

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.

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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				
3 months period ended						
30 September 2019						
Revenue from						
External customers	9,099	375	10,319	34	-	19,827
Inter-segment revenue	7	-	7,211	30	(7,248)	-
Total revenue	9,106	375	17,530	64	(7,248)	19,827
(Loss)/ Profit before taxation	(674)	(109)	3,535	257	(285)	2,724
Income tax						(515)
Profit after taxation						2,209
Other comprehensive expense						(46)
Total comprehensive income						2,163
6 months ended 30 September						
2019						
Revenue from						
External customers	17,719	789	12,342	34	-	30,884
Inter-segment revenue	14	-	7,443	51	(7,508)	-
Total revenue	17,733	789	19,785	85	(7,508)	30,884
(Loss)/Profit before taxation	(1,777)	(219)	3,341	581	(328)	1,598
Income tax						(518)
Profit after taxation						1,080
Other comprehensive expense						(110)
Total comprehensive income						970

*Note: Comprises Ipoh Group Limited (Hong Kong)

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A9. Segmental Information (Cont'd)

Segmental Reporting

	Restaurant		Manufacturing	Others	Eliminations	Consolidated
	Malaysia	Foreign*				
	RM' 000	RM' 000				
3 months period ended 30 September 2018						
Revenue from						
External customers	9,301	424	10,111	-	-	19,836
Inter-segment revenue	60	-	7,426	58	(7,544)	-
Total revenue	9,361	424	17,537	58	(7,544)	19,836
(Loss)/Profit before taxation	(1,213)	(113)	3,182	159	(113)	1,902
Income tax						(535)
Profit after taxation						1,367
Other comprehensive expense						(133)
Total comprehensive income						1,234
6 months ended September 2018						
Revenue from						
External customers	17,806	809	12,111	1	-	30,727
Inter-segment revenue	124	-	7,427	59	(7,610)	-
Total revenue	17,930	809	19,538	60	(7,610)	30,727
(Loss)/Profit before taxation	(2,644)	(267)	3,219	399	(96)	611
Income tax						(517)
Profit after taxation						94
Other comprehensive expense						(234)
Total comprehensive expense						(140)

*Note: Comprises Ipoh Group Limited (Hong Kong)

	Restaurant		Manufacturing	Others	Eliminations	Consolidated
	Malaysia	Foreign*				
	RM' 000	RM' 000				
As at 30 September 2019						
Segmented assets	41,904	138	33,577	2,574	-	78,193
Unallocated assets						360
						78,553
As at 30 September 2018						
Segmented assets	41,447	166	33,274	2,123	-	77,010
Unallocated assets						181
						77,191

*Note: Comprises Ipoh Group Limited (Hong Kong)

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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 30 September 2019 is as follows:-

	RM'000
Current:	
- within one year	4,457
Non-current:	
- between one and two years	1,446
- between two and five years	179
Total	<u>6,082</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 30.09.2019 RM'000	Audited 31.03.2019 RM'000
<u>Corporate guarantees given by the Company to financial institutions for facilities granted to subsidiaries</u>		
- Total facilities granted	3,891	3,890
- Current Exposure	1,742	1,743

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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 30.09.2019 RM'000	Current financial year to-date 30.09.2019 RM'000
Rental paid to a Director	28	56
Rental paid to related parties ⁽¹⁾	294	586

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 commitment in respect of capital expenditure at the end of the reporting period not provided for in the interim financial statements, other than as disclosed below:

	Amount (RM'000)
Authorised but not contracted for:	
Property, plant and equipment	<u>29</u>

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

B1. Review Of Group’s Performance and Segmental Analysis

(A) Overall Review of Group’s Financial Performance

	Individual Quarter 3 Months ended		Changes (%)	Cumulative Period ended		Changes (%)
	30.09.2019	30.09.2018		30.09.2019	30.09.2018	
RM'000	Unaudited	Unaudited		Unaudited	Audited	
Revenue	19,827	19,836	0.0%	30,884	30,727	0.5%
Operating Profit	2,762	1,816	52.1%	1,608	289	> 100%
Profit Before Interest and Tax	2,875	1,918	49.9%	1,903	643	> 100%
Profit Before Tax	2,724	1,902	43.2%	1,598	611	> 100%
Profit After tax	2,209	1,367	61.6%	1,080	94	> 100%
Profit Attributable to Ordinary Equity Holders of the Parent	2,209	1,367	61.6%	1,080	94	> 100%

(i) Statement of profit and loss and other comprehensive income

The Group recorded revenue of RM19.83 million for the quarter ended 30 September 2019, posted a slight decrease of RM9,000 as compared to RM19.84 million in the quarter ended 30 September 2018. Lower revenue for the period under review was due to increase in revenue for manufacturing segment and other segment; however it was off set against drop in revenue for restaurant segment.

Quarter on quarter, the Group’s profit before tax (PBT) was increase by RM822,000 against the previous year’s same quarter. This was mainly attributable to the lower losses by restaurant segment by RM397,000 and additional profit by manufacturing segment and other segment by RM353,000 and RM72,000 respectively.

Gross margin has slightly increased from 58.3% in prior year quarter ended 30 September 2018 to 59.5% in current year quarter 30 September 2019.

The Group recorded revenue of RM30.88 million for the 6 month ended 30 September 2019, recorded an 0.5% increase as compared to RM30.73 million in the 6 month ended 30 September 2018. Manufacturing segment and other segment has shown an increase of RM231,000 and RM33,000 respectively in revenue, however, this was offset by lower revenue by RM107,000 from restaurant segment.

The Group recorded a PBT of RM1.60 million for the 6 month ended 30 September 2019 compared to RM611,000 for the 6 month ended 30 September 2018. The increase in PBT was attributable to positive improvement from all of the segment.

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B1. Review Of Group's Performance and Segmental Analysis (Cont'd)

(A) Overall Review of Group's Financial Performance (Cont'd)

(ii) Statement of financial position

As at 30 September 2019, total equity attributable to owners of the Company stood at RM55.4 million, which is 2% higher than RM54.5 million as at 31 March 2019.

The increase in total assets and total liabilities was mainly due to the recognition of right-of-use assets upon the adoption of MRFS16, Leases. Besides, trade receivables and trade payables were increase due to Mid-Autumn Festival fall on the month of September and the Group manufacturing segment was at its peak operation.

(iii) Statement of cash flow

The net operating cash inflows for operations of the Group was RM3,523,000 for the 6 months ended 30 September 2019 against the outflow of RM1,357,000 for the corresponding period in 2018.

Net cash used in investing activities of the Group was RM136,000 for the 6 months ended 30 September 2019, as compared to RM3.06 million for the 6 months ended 30 September 2018. The significant cash outflow in investing activities in prior year was mainly due to purchase of equipment and deposit paid for renovation work for Skyplaza outlet.

Net cash for financing activities was RM2,037,000 in 6 months ended 30 September 2019. In prior year to date 6 months ended 30 September 2018, total net cash from financing activities was RM8,000. The huge increase in net cash for financing activities in current year were due to the recognition of MFRS 16, Leases which impact the interest paid and repayment of lease liabilities on right-of-use assets.

Cash and cash equivalent increases by RM1.35 million as compared with the opening cash and cash equivalent as at 1 April 2019. The total cash and cash equivalent stood at RM6.80 million as at 30 September 2019.

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B1. Review Of Group's Performance and Segmental Analysis (Cont'd)

(B) Segmental Analysis

	Individual Quarter 3 Months ended		Change (%)	Cumulative Period ended		Change (%)
	30.09.2019	30.09.2018		30.09.2019	30.09.2018	
RM'000	Unaudited	Unaudited		Unaudited	Audited	
Revenue						
Restaurant	9,474	9,725	-2.6%	18,508	18,615	-0.6%
Manufacturing	10,319	10,111	2.1%	12,342	12,111	1.9%
Others	34	-	100.0%	34	1	> 100%
Total	19,827	19,836	0.0%	30,884	30,727	0.5%
(Loss)/Profit before tax						
Restaurant	(897)	(1,294)	30.7%	(2,091)	(2,848)	26.6%
Manufacturing	3,535	3,182	11.1%	3,341	3,219	3.8%
Others	86	14	> 100%	348	240	45.0%
Total	2,724	1,902	43.2%	1,598	611	> 100%

3-month period (30.09.2019 vs. 30.09.2018)

Restaurant segment

The Group restaurant segment recorded revenue of RM9.47 million for the quarter ended 30 September 2019, which represents a decrease of 2.6% as compared to RM9.73 million in the quarter ended 30 September 2018. The decrease in revenue was mainly due to cessation of Subang Parade and Tsim Tung outlet business from January 2019 onwards. The decrease was however offset with the opening of outlet at Skyplaza , Genting in October 2018.

The Group's restaurant segment recorded Loss Before Tax ("LBT") of RM897,000 for the quarter ended 30 September 2019. The lower LBT by RM397,000 was mainly attributable from the closure of non-profit making outlet.

Manufacturing segment

Manufacturing segment recorded revenue of RM10.32 million for the quarter ended 30 September 2019, which represents an increase of 2.1% as compared to RM10.11 million in the quarter ended 30 September 2018. The revenue growth was mainly due to increase in moon cake sales from domestic market.

Manufacturing segment recorded PBT of RM3.54 million for the quarter ended 30 September 2019, which represents an 11.1% increase as compared to RM3.18 million in the quarter ended 30 September 2018. The increase in PBT was due to saving in operating expenses.

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B1. Review Of Group's Performance and Segmental Analysis (Cont'd)

(B) Segmental Analysis (Cont'd)

6-month period (30.09.2019 vs. 30.09.2018)

Restaurant segment

The Group restaurant segment recorded a half yearly revenue of RM18.51 million for the 6 months ended 30 September 2019, versus RM18.62 million in last year. The 0.6% decrease in revenue was as a result of closure of Subang Parade and Tsim Tung outlet, this was however set off by the opening of new outlet at Skyplaza, Genting.

The Group's restaurant segment recorded LBT of RM2.09 million for the 6 months ended 30 September 2019, indicating 26.6% decrease in LBT as compared to RM2.85 million for the 6 months ended 30 September 2018.

Manufacturing segment

The manufacturing segment recorded revenue of RM12.34 million for the 6 months ended 30 September 2019, represents a 1.9% increase compared to RM12.11 million in the 6 months ended 30 September 2018. The revenue growth was mainly due to increase in moon cake sales from domestic market.

Manufacturing segment recorded PBT of RM3.34 million for the 6 months ended 30 September 2019, represents an increase of 3.8% as compared to PBT of RM3.22 million for the 6 month ended 30 September 2018. The positive result was mainly attributable to improved sales and saving in operating expenses.

B2. Financial Review For The Current Quarter Compare To The Results Of The Previous Quarter

	3 Months ended		Change (%)
	30.09.2019	30.06.2019	
RM'000	Unaudited	Unaudited	
Revenue	19,827	11,057	79.3%
Operating Profit/(Loss)	2,762	(1,154)	>100%
Profit/(Loss) Before Interest and Tax	2,875	(972)	>100%
Profit/(Loss) Before Tax	2,724	(1,126)	>100%
Profit/(Loss) After tax	2,209	(1,129)	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	2,209	(1,129)	>100%

The Group recorded revenue of RM19.83 million for the quarter ended 30 September 2019, representing an increase of 79.3% as compared to RM11.06 million in the quarter ended 30 June 2019. The significant increase was due to mid-autumn season cycle that contributed to significant increase in revenue.

The Group recorded PBT of RM2.72 million for the quarter ended 30 September 2019, from LBT of RM1.13 million in the immediate preceding quarter. The increase in PBT was mainly due to improved performance in restaurant segment and seasonal cycle of manufacturing segment.

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B2. Financial Review For The Current Quarter Compare To The Results Of The Previous Quarter (Cont'd)

	3 months ended		Change (%)
	30.09.2019	30.06.2019	
<i>RM'000</i>	Unaudited	Unaudited	
Revenue			
<i>Restaurant</i>	9,474	9,034	4.9%
<i>Manufacturing</i>	10,319	2,023	>100%
<i>Others</i>	34	-	0.0%
Total	19,827	11,057	79.3%
(Loss)/Profit before tax			
<i>Restaurant</i>	(897)	(1,194)	24.9%
<i>Manufacturing</i>	3,535	(194)	>100%
<i>Others</i>	86	262	-67.2%
Total	2,724	(1,126)	341.9%

3-month period (30.09.2019 vs. 30.06.2019)

Restaurant segment

The restaurant segment posted an increase of RM440,000 or 4.9% in revenue as compared to previous corresponding quarter. This was mainly due to the increase in sales of few outlets. Meanwhile, the LBT was decreased by RM297,000 as compared to quarter ended 30 June 2019.

Manufacturing segment

The Group's manufacturing segment recorded the revenue of RM10.32 million in the current quarter and PBT of RM3.54 million, representing an increase of RM8.30 million in revenue and increase of RM3.73 million in PBT as compared to previous corresponding quarter. The favorable result was due to the moon cake sales season in current quarter.

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B3. Prospects

Restaurant Operations and Manufacturing

Despite the current challenging market environment, our Group's existing local F&B outlets are still recording nominal increase in revenue as compared to previous years, henceforth moving forward we shall continue to endeavour to promote the brand "Restoran Oversea" and to remain relevant in the market. On the manufacturing front, efforts are being spearheaded to increase the annual plant utilisation and we are currently in process to roll out new products in the near future.

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 30.09.2019 RM'000	Current financial year to-date 30.09.2019 RM'000
Income tax:- Current period	515	518

The tax expense is computed based on respective subsidiaries 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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B6. Notes To The Statement of Comprehensive Income

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

	Current financial quarter ended 30.09.2019 RM'000	Current financial year to-date 30.09.2019 RM'000
Interest income	(35)	(63)
Other income including investment income	(1,000)	(1,801)
Depreciation and amortization	1,654	3,340
Interest expenses	151	305

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 30 September 2019.

B7. Status Of Corporate Proposals Announced But Not Yet Completed

There were no corporate proposals announced but not yet completed by the Group for the current quarter under review.

B8. Group Borrowings And Debts Securities

The Group's borrowings and debts securities are as follows:

	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total (Secured) RM'000
as at 30 September 2019			
Term loan	57	1,205	1,262
Hire Purchase	86	200	286
Lease liabilities on right-of-use assets	3,328	1,495	4,823
Total Borrowing	3,471	2,900	6,371
as at 30 September 2018			
Term loan	58	1,256	1,314
Hire Purchase	80	286	366
	138	1,542	1,680

The decrease in hire purchase and term loan as at 30 September 2019 compared to 30 September 2018 was due to repayment of facilities. The Group's borrowing and debts securities are denominated in RM.

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B9. Material Litigation

There was no material litigation (including status of any pending material litigation) for the current quarter under review.

B10. Dividends

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

B11. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30.09.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2018 RM'000	Current Year to Date Ended 30.09.2019 RM'000	Preceding Year Corresponding Period Ended 30.09.2018 RM'000
EARNINGS PER SHARE				
Profits for the period attributable to owners of the company	2,209	1,367	1,080	94
Weighted average number of ordinary shares in issue ('000)	242,515	242,515	242,515	242,515
Earnings per share (sen)	0.91	0.56	0.45	0.04