

**EKA NOODLES BERHAD (Company No.583565-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AND QUARTERLY REPORT FOR THE PERIOD ENDED**  
**30 JUNE 2019**

	<b>As at 30.06.19 (Unaudited) RM'000</b>	<b>As at 31.12.18 (Audited) RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
<b>Property, Plant and Equipment</b>	47,716	48,652
	<b>47,716</b>	<b>48,652</b>
<b>Current Assets</b>		
Inventories	1,891	2,516
Trade Receivables	3,460	2,693
Other Receivables, Deposits and Prepayments	3,332	3,053
Current Tax Asset	63	63
Cash and Bank Balances	699	526
	9,445	8,851
<b>TOTAL ASSETS</b>	<b>57,161</b>	<b>57,503</b>
<b>EQUITY AND LIABILITIES</b>		
Share Capital	4,680	46,800
Share Premium	-	3,600
Capital Reserve	-	4,837
Warrant Reserve	-	6,000
Others Reserve	-	(6,000)
Revaluation Reserve	9,204	9,204
Accumulated Losses	(45,888)	(95,110)
<b>Total Equity</b>	<b>(32,004)</b>	<b>(30,669)</b>
<b>Non-Current Liabilities</b>		
Hire Purchase Payables	491	394
	<b>491</b>	<b>394</b>
<b>Current Liabilities</b>		
Trade Payables	8,753	9,043
Other Payables and Accruals	5,095	5,384
Borrowings	73,939	72,604
Hire Purchase Payables	232	167
Provision for Taxation	655	580
	88,674	87,778
<b>Total Liabilities</b>	<b>89,165</b>	<b>88,172</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,161</b>	<b>57,503</b>
<b>Net Assets Per Ordinary Share Attributable to Owner of the Company (RM)</b>	<b>(0.10)</b>	<b>(0.10)</b>

Notes: -

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE**  
**INCOME AND QUARTERLY REPORT ON CONSOLIDATED PERIOD**  
**ENDED 30 JUNE 2019**

	<b>Current Quarter</b>	<b>Individual Quarter Preceding Year Corresponding Quarter</b>	<b>Changes (Amount/ %)</b>	<b>Current Period to Date</b>	<b>Cumulative Quarter Preceding Year Corresponding Period</b>	<b>Changes (Amount/ %)</b>
	<b>(3 Months) 30.6.19 (Unaudited) RM'000</b>	<b>(3 Months) 30.6.18 (Unaudited) RM'000</b>		<b>(6 Months) 30.6.19 (Unaudited) RM'000</b>	<b>(6 Months) 30.6.18 (Audited) RM'000</b>	
Revenue	6,525	6,788	-3.87	12,405	13,056	-4.99
Cost of Sales	(5,179)	(5,295)	-2.19	(9,819)	(10,314)	-4.80
<b>Gross Profit</b>	<b>1,346</b>	<b>1,493</b>	<b>-9.85</b>	<b>2,586</b>	<b>2,742</b>	<b>-5.69</b>
Other Income	17	73	-76.71	193	173	11.56
Administrative Expenses	(810)	(894)	-9.40	(1,649)	(1,717)	-3.96
Selling and Distribution Expenses	(504)	(542)	-7.01	(1,019)	(965)	5.60
<b>Operating Profit</b>	<b>49</b>	<b>130</b>	<b>-62.31</b>	<b>111</b>	<b>233</b>	<b>-52.36</b>
Finance Costs	(669)	(786)	-14.89	(1,364)	(1,584)	-13.89
<b>Loss Before Taxation</b>	<b>(620)</b>	<b>(656)</b>	<b>5.49</b>	<b>(1,253)</b>	<b>(1,351)</b>	<b>7.25</b>
Taxation	(53)	(166)	-68.07	(82)	(166)	-50.60
<b>Loss After Taxation</b>	<b>(673)</b>	<b>(822)</b>	<b>18.13</b>	<b>(1,335)</b>	<b>(1,517)</b>	<b>12.00</b>
<b>Loss and Other Comprehensive Loss for the Financial Year</b>	<b>(673)</b>	<b>(822)</b>	<b>18.13</b>	<b>(1,335)</b>	<b>(1,517)</b>	<b>12.00</b>
<b>Loss and Other Comprehensive Loss Attributable to Owner of the Company</b>	<b>(673)</b>	<b>(822)</b>	<b>18.13</b>	<b>(1,335)</b>	<b>(1,517)</b>	<b>12.00</b>

**EKA NOODLES BERHAD (Company No.583565-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND**  
**QUARTERLY REPORT ON CONSOLIDATED PERIOD ENDED 30 JUNE 2019**

	<b>Individual Quarter</b>	<b>Changes (Amount/ %)</b>	<b>Current Period to Date</b>	<b>Cumulative Quarter Preceding Year Corresponding Period</b>	<b>Changes (Amount/ %)</b>	
<b>Current Quarter</b>	<b>Preceding Year Corresponding Quarter</b>			<b>Preceding Year Corresponding Period</b>		
<b>(3 Months) 30.6.19 (Unaudited) RM'000</b>	<b>(3 Months) 30.6.18 (Unaudited) RM'000</b>		<b>(6 Months) 30.6.19 (Unaudited) RM'000</b>	<b>(6 Months) 30.6.18 (Audited) RM'000</b>		
<b>Loss and Other Comprehensive Loss for the Financial Year</b>	<b>(673)</b>	<b>(822)</b>	<b>18.13</b>	<b>(1,335)</b>	<b>(1,517)</b>	<b>12.00</b>
<b>Earnings Per Share</b>						
-Basic (sen)	(0.22)	(0.26)	(0.43)	(0.48)		
-Diluted (sen)	-	-	-	-		

Note:

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND QUARTERLY REPORT ON**  
**CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2019**

	Share Capital RM'000	Share Premium RM'000	-----Non-Distributable-----				Distributable Accumulated Losses RM'000	Total Equity RM'000
			Capital Reserve RM'000	Revaluation Reserve RM'000	Warrant Reserve <sup>^</sup> RM'000	Others Reserve RM'000		
<b><u>Audited</u></b>								
Balance as at 1 January 2018	46,800	3,600	4,837	9,204	6,000	(6,000)	(91,213)	(26,772)
Loss for the year / Other comprehensive loss for the year	-	-	-	-	-	-	(3,897)	(3,897)
Balance as at 31 December 2018	46,800	3,600	4,837	9,204	6,000	(6,000)	(95,110)	(30,669)
<b><u>Unaudited</u></b>								
Balance as at 1 January 2019	46,800	3,600	4,837	9,204	6,000	(6,000)	(95,110)	(30,669)
Reclassification (1)	8,437	(3,600)	(4,837)	-	-	-	-	-
Write off (2)	-	-	-	-	(6,000)	6,000	-	-
Loss for the year / Other comprehensive loss for the year	-	-	-	-	-	-	(1,335)	(1,335)
Transaction with Owners:								
- Capital reduction (3)	(50,557)	-	-	-	-	-	50,557	-
Balance as at 30 June 2019	4,680	-	-	9,204	-	-	(45,888)	(32,004)

Note:

<sup>^</sup> This comprised the fair value of 5-years Warrants 2014/2019.

- (1) The Share Premium and capital reserve had been credited as part of share capital pursuant to Section 618(2) and Section 618(3) of the Companies Act 2016 (the "Act") upon the expiration of the 24 months period granted by the Act, i.e. 31 January 2019.
- (2) The Warrants had expired on 22 January 2019 and had removed from the official list of Bursa Securities with effect from 9.00a.m. on Wednesday, 23 January 2019.
- (3) The Court had endorsed the capital reduction for the cancellation of 90% of share capital, share premium of RM3.60 million and capital reserve of RM4.837 million on 10 June 2019.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AND QUARTERLY**  
**REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED**  
**30 JUNE 2019**

	<b>Current Period to Date</b>	<b>Preceding Year Corresponding Period</b>
	<b>(6 months)</b>	<b>(6 months)</b>
	<b>30.6.19</b>	<b>30.6.18</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Operations	11,623	12,156
Payment to Suppliers	(9,332)	(9,925)
Payment to Employees	(2,100)	(2,090)
Income Tax (Paid) / Recovered	(7)	82
<b>Net Cash from Operating Activities</b>	<b>184</b>	<b>223</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Disposal of Property, Plant and Equipment	150	-
Purchase of Property, Plant and Equipment	(38)	(71)
<b>Net Cash from / (used in) Investing Activities</b>	<b>112</b>	<b>(71)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Hire Purchase Payables	(94)	(62)
Repayment to the Director	-	(79)
Hire Purchase Interest Paid	(29)	(15)
<b>Net Cash used in Financing Activities</b>	<b>(123)</b>	<b>(156)</b>
<b>Net increase / (decrease) in Cash and Cash Equivalents</b>	<b>173</b>	<b>(4)</b>
<b>Cash and Cash Equivalents at Beginning</b>	<b>526</b>	<b>414</b>
<b>Cash and Cash Equivalents at End</b>	<b>699</b>	<b>410</b>
<b>Represented by: -</b>		
Fixed Deposits with Licensed Banks	-	-
Cash and Bank Balances	699	410
	<b>699</b>	<b>410</b>

Notes: -

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

**A1) Basis of Preparation**

The interim financial statements for the current quarter are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards (“MFRSs”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

**A2) Significant Accounting Policies**

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2018. The Group has not applied in advance the following standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for current financial period:-

		Effective dates for financial periods <u>beginning on or</u> <u>after</u>
MFRS 16	Leases	1 January 2019
Amendment to MFRS 3	Business Combination (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendment to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
Amendment to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendment to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendment to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Amendment to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendment to MFRS 128	Investment in Associates and Joint Venture - Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendment to IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

**A2) Significant Accounting Policies (Cont’d)**

		Effective dates for financial periods <u>beginning on or</u> <u>after</u>
Amendments to MFRS 3	Business Combinations – Definition of a Business	1 January 2020
Amendment to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendment to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendment to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Company.

**A3) Seasonal or Cyclical Factors**

The Group’s performance is not significantly affected by any seasonal or cyclical factors.

**A4) Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date.

**A5) Material Changes in Estimates**

There were no material changes in estimates of amount reported in prior interim period or financial period that have a material effect in the current quarter and financial year-to-date.

**A6) Debt and Equity Securities**

There were no issuances, repurchases, and repayments of long-term debt and equity issued during the current quarter and financial year-to-date.

**A7) Dividend Paid**

There was no dividend paid in the current quarter and financial year-to-date.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

**A8) Segmental Information**

The Group is principally engaged in the manufacturing and marketing of all types of rice, sago sticks (vermicelli) and other related products. Business segmental information has therefore not been prepared as the Group’s revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and non-cash expenses are mainly confined to one business segment.

The segmental information is therefore presented in respect of the Group’s geographical segments. The Group operates in two principal geographical areas namely West Malaysia and East Malaysia. The segmental information for the past six months ended 30 June 2019 was as follows:

	<b>Revenue</b>	<b>Total Assets</b>	<b>Capital Expenditures</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
West Malaysia	10,529	45,863	293
East Malaysia	1,876	11,298	-
	<b>12,405</b>	<b>57,161</b>	<b>293</b>

**A9) Valuation of Property, Plant and Equipment (PPE)**

The Group had not carried out the valuation on its property, plant and equipment from the previous audited annual financial statements. The property, plant and equipment of the Group are stated at cost less accumulated depreciation and any accumulated impairment losses.

**A10) Events Subsequent to the Balance Sheet Date**

There were no other material events subsequent to the reporting period that have not been reflected in the interim financial statements as at the date of this report except disclosed in B7.

**A11) Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

**A12) Changes in Contingent Liabilities or Contingent Assets**

There were no material contingent liabilities or contingent assets to be disclosed as at the date of the interim financial statements.

**A13) Capital Commitments**

There was no capital commitment in the current quarter under review.



**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

**A14) Financial Instruments**

**(i) Classification**

The following table analyses the financial assets and financial liabilities of the Group in the condensed consolidated statement of financial position by the classes and categories of financial instruments to which they are assigned by their measurement basis.

	<b>Current Period</b>	<b>Preceding Year</b>
	<b>As at</b>	<b>As at</b>
	<b>30.6.19</b>	<b>31.12.18</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>Financial Assets</b>		
<u>Loan and receivables financial assets</u>		
Trade and other receivables	4,612	3,833
Cash and bank balances	699	526
	5,311	4,359
	<b>Current Period</b>	<b>Preceding Year</b>
	<b>As at</b>	<b>As at</b>
	<b>30.6.19</b>	<b>31.12.18</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>Financial Liabilities</b>		
<u>Other financial liabilities</u>		
Trade and other payables	13,848	14,427
Borrowings	74,662	73,165
	88,510	87,592

**(i) Fair Value Measurements**

The fair value of the financial assets and financial liabilities approximated their carrying amount due to the relatively short-term maturity of the financial instruments (maturing within the next 12 months and/or undefined repayment term). The fair values are included in level 2 of the fair value hierarchy.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

**A15) Revenue**

Following to the adoption of MFRS 15, Revenue from Contracts with Customers effective from 1 January 2018, the Group had disaggregated the business segment’s revenue into sales of rice and sago stick (vermicelli) and transportation services to deliver the rice and sago stick (vermicelli) to customers. The segmental information for the past six months ended 30 June 2019 was as follows:

	<b>Current Period as at 30.6.19</b>			<b>Preceding Year as at 31.12.18</b>		
	<b>(Unaudited)</b>			<b>(Audited)</b>		
	<b>West Malaysia RM’000</b>	<b>East Malaysia RM’000</b>	<b>Total RM’000</b>	<b>West Malaysia RM’000</b>	<b>East Malaysia RM’000</b>	<b>Total RM’000</b>
Revenue						
- Sales of Rice and Sago Stick (Vermicelli)	9,929	1,821	11,750	20,146	3,499	23,645
- Transportation Services	600	55	655	1,425	183	1,608
<b>Total</b>	<b>10,529</b>	<b>1,876</b>	<b>12,405</b>	<b>21,571</b>	<b>3,682</b>	<b>25,253</b>

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF**  
**THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1) Review of Group Performance**

	Apr- June'19 RM'000	Jan- Mar'19 RM'000	Changes (Amount/ %)	Apr- June'18 RM'000	Current Period to Date Jan- June'19 RM'000	Cumulative Quarter Preceding Year Corresponding Period Jan- June'18 RM'000	Changes (Amount/ %)
<b>Revenue</b>							
- West Malaysia	5,618	4,911	14.40	5,870	10,529	11,268	-6.56
- East Malaysia	907	969	-6.40	918	1,876	1,788	4.92
<b>Total</b>	<b>6,525</b>	<b>5,880</b>	<b>10.97</b>	<b>6,788</b>	<b>12,405</b>	<b>13,056</b>	<b>-4.99</b>
<b>Loss before tax</b>							
- West Malaysia	(509)	(400)	-27.25	(481)	(909)	(982)	7.43
- East Malaysia	(111)	(233)	52.36	(175)	(344)	(369)	6.78
<b>Total</b>	<b>(620)</b>	<b>(633)</b>	<b>2.05</b>	<b>(656)</b>	<b>(1,253)</b>	<b>(1,351)</b>	<b>7.25</b>

	Current Quarter Apr – June'19 RM'000	Immediate Preceding Quarter Jan – Mar'19 RM'000	Changes (Amount/ %)	Current Period to Date Jan- June'19 RM'000	Cumulative Quarter Preceding Year Corresponding Period Jan- June'18 RM'000	Changes (Amount/ %)
Revenue	6,525	5,880	10.97	12,405	13,056	-4.99
Gross Profit	1,346	1,240	8.55	2,586	2,742	-5.69
Operating Profit/(Loss)	49	62	-20.97	111	233	-52.36
Profit/(Loss) Before Interest and Tax	49	62	-20.97	111	233	-52.36
Loss Before Tax	(620)	(633)	2.05	(1,253)	(1,351)	7.25

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1) Review of Group Performance (Continued)**

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes (Amount/ %)</b>	<b>Current Period to Date</b>	<b>Cumulative Quarter Preceding Year Corresponding Period</b>	<b>Changes (Amount /%)</b>
	<b>Apr- June'19 RM'000</b>	<b>Jan- Mar'19 RM'000</b>		<b>Jan- June'19 RM'000</b>	<b>Jan- June'18 RM'000</b>	
Loss After Tax	(673)	(662)	-1.66	(1,335)	(1,517)	12.00
Loss and Other Comprehensive Loss Attributable to Owner of the Company	(673)	(662)	-1.66	(1,335)	(1,517)	12.00

***Comparison with corresponding period in the previous year***

The Group's revenue for the current period under review was RM12.41 million and loss before tax was RM1.25 million.

The revenue was reduced by RM0.65 million, or 4.99% to RM12.41 million as compared to RM13.06 million preceding year corresponding period under review mainly due to slow demand in the market.

The Group derived a gross profit ("GP") of RM2.59 million, RM0.15 million or 5.69% lower than RM2.74 million in the preceding year corresponding period under review. The Group had consistently maintained its business revenue from its business activities. Gross profit margin drops to 20.85% in current period as compared to 21.00% in the preceding year corresponding period under review, drop by 0.15%. Overall, the GP margin still maintain in the range of 20-21% for both period under review.

The Group gains an operating profit of RM0.11 million as compared to RM0.23 million operating profit in the preceding year corresponding period under review, reduced by RM0.12 million or 52.36%. The margin for operating profit and reduced from 1.78% to 0.89% in the current period in line with the decrease in the gross profit.

**EKA NOODLES BERHAD (Company No.583565-U)**  
**NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER**  
**ENDED 30 JUNE 2019**

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF**  
**THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1) Review of Group Performance (Continued)**

The Group suffered a loss before tax of RM1.25 million, 7.25% lower than RM1.35 million in the preceding year corresponding period under review due to reduce in finance cost, from RM1.58 million to RM1.36 million in the current period. Finance cost consists of term loan interest, finance lease interest and late interest charges.

For West Malaysia, its revenue reduced by RM0.74 million to RM10.53 million or represented 6.56% lower as compared to RM11.27 million in the preceding year corresponding period under review. For East Malaysia, the revenue increased to RM1.88 million, increased by RM0.09 million or represented 4.92% increase as compared with RM1.79 million in the preceding year corresponding period under review. The increase in revenue in East Malaysia mainly due to increase in demand in Sabah's market.

West Malaysia had suffered a lower loss before tax of RM0.91 million for current period under review as compared to loss before tax of RM0.98 million in the preceding year corresponding period under review, improved by RM0.07 million or 7.43%. East Malaysia also suffered a loss before tax of RM0.34 million as compared to loss before tax of RM0.37 million in preceding year corresponding period under review. Overall, there are improvement in loss before tax for West and East Malaysia for both periods under review.

*Comparison with preceding quarter*

The Group's revenue for the current quarter under review was RM6.53 million and loss before tax was RM0.62 million.

The Group's revenue for the quarter under review was RM6.53 million as compared to RM5.88 million in the immediate preceding quarter under review, increased by RM0.65 million or 10.97%.

For West Malaysia, total revenue increased by 14.40% or RM0.71 million to RM5.62 million as compared to RM4.91 million in the preceding quarter. The increase in revenue of RM0.71 million arising from the promotion package offer during Hari Raya festival in June 2019.

For East Malaysia, revenue reduced by RM0.06 million or 6.40% to RM0.91 million as compared to RM0.97 million in the immediate preceding quarter. The reduces in revenue due to long holiday on Gawai Dayak Days festival in June 2019.

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**B1) Review of Group Performance (Continued)**

Gross profit had increased from RM1.24 million in the immediate preceding quarter to RM1.35 million in current quarter, increased by RM0.11 million or 8.55% in line with the increase in revenue.

The Group gains an operating profit of RM0.05 million, 20.97% lower than operating loss of RM0.06 million in the immediate preceding quarter under review.

There was loss before tax of RM0.62 million in the current quarter compared to RM0.63 million in the immediate preceding quarter under review, reduced by RM0.01 million or 2.05%. The lower loss before tax in the current quarter due to reduce in upkeep and repairs cost for property, plant and equipment.

For West Malaysia, loss before tax in current year quarter was RM0.51 million, 27.25% or RM0.11 million higher than loss before tax of RM0.40 million in preceding quarter. For East Malaysia, there was a loss before tax of RM0.11 million in current year quarter, reduced by RM0.12 million or 52.36% as compared to loss before tax of RM0.23 million in preceding quarter.

**B2) Current Year Prospects**

The Group was currently still under process of corporate restructuring.

**B3) Variance between Actual Profit and Forecast Profit**

The Group did not issue any profit forecast or profit guarantee during the current quarter under review.

**B4) Taxation**

	<b>Current Quarter</b>	<b>Current Period -to-Date</b>	<b>Cumulative Period Preceding Year Corresponding Period</b>
	<b>30.6.19 RM'000</b>	<b>30.6.19 RM'000</b>	<b>30.6.18 RM'000</b>
Income Tax			
- Current Year	53	82	157
Deferred Tax	-	-	9
	<u>53</u>	<u>82</u>	<u>166</u>

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**B5) Unquoted Investments and Properties**

There were no sales and purchases of unquoted investments and properties for the current quarter.

**B6) Quoted Securities**

There were no purchases or disposals of quoted securities for the current quarter.

**B7) Corporate Proposals**

On 27 February 2018, the Group entered into a conditional Share Purchase Agreement (“SPA”) with Loo Seng Pang, Tai Poh Yak, Ang Eng Hooi, Phnuah Farn Farn, Ang Jin Mao and Dato’ Seri Mr Serm Juthamongkhon (collectively, the “Vendors”) to acquire the entire issued share capital in Kepala Batas Bihun Sdn Bhd (“KBB”) comprising 5,500,002 ordinary shares in KBB for a purchase consideration of RM55,000,000 to be satisfied in part by cash payment of RM33.0 million and RM22.0 million via the issuance of 440,000,000 EKA Shares (“Consideration Shares”) to the Vendors and/or their nominees at an issue price of RM0.05 per ordinary share in EKA (“Proposed Acquisition”).

The Proposed Acquisition is a component of a series of proposals set out in the SPA, to regularise the financial condition of EKA (i.e. the “Proposed Regularisation Plan”), with the intention of restoring EKA onto a stronger financial footing.

The conditional period for the satisfaction of the conditions period is 8 months from the date of agreement (27 February 2018) i.e. the conditional period will end on 26 October 2018. Once the conditions precedent have been satisfied within the conditional period (can be any time by 26 October 2018; the date the last of the conditions precedent is satisfied is known as the “Unconditional Date”), the completion date will be 7 Business Days from the said Unconditional Date.

The Group and the Vendors of KBB had on 11 October 2018 entered into a second supplemental agreement (“Second Supplemental SPA”) to further vary certain clauses in the SPA in relation to the Proposed Acquisition. Please refer to B14 for details of Proposed Regularisation Plan.

On 29 May 2019, the Company and the Vendor of KBB had recorded in writing a mutual agreement on 24 April 2019 to extend the date to satisfy or waive the conditions precedent in accordance with the conditional share purchase agreement dated 27 February 2018 between the Company and the Vendors of KBB for the acquisition of the entire issued share capital in KBB for a purchase consideration of RM55,000,000 and as varied by the first supplemental agreement dated 31 May 2018 and second supplemental agreement dated 11 October 2018.

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**B8) Borrowings and Debts Securities**

The Groups' borrowings as at current quarter ended 30 June 2019 are as follows: -

	<b>Secured</b> <b>RM'000</b>	<b>Unsecured</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Short Term Borrowings: -</b>			
Hire Purchase Payables	-	232	232
Revolving Credit	2,594	-	2,594
Term Loans	71,345	-	71,345
<b>Total</b>	<b>73,939</b>	<b>232</b>	<b>74,171</b>
	<b>Secured</b> <b>RM'000</b>	<b>Unsecured</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Long Term Borrowings: -</b>			
Hire Purchase Payables	-	491	491
Term Loans	-	-	-
<b>Total</b>	<b>-</b>	<b>491</b>	<b>491</b>
<b>Total</b>	<b>73,939</b>	<b>723</b>	<b>74,662</b>

The Groups' borrowings as at cumulative quarter preceding year corresponding period ended 30 June 2018 are as follows: -

	<b>Secured</b> <b>RM'000</b>	<b>Unsecured</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Short Term Borrowings: -</b>			
Hire Purchase Payables	-	171	171
Revolving Credit	2,594	-	2,594
Term Loans	68,529	-	68,529
<b>Total</b>	<b>71,123</b>	<b>171</b>	<b>71,294</b>
	<b>Secured</b> <b>RM'000</b>	<b>Unsecured</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Long Term Borrowings: -</b>			
Hire Purchase Payables	-	543	543
Term Loans	-	-	-
<b>Total</b>	<b>-</b>	<b>543</b>	<b>543</b>
<b>Total</b>	<b>71,123</b>	<b>714</b>	<b>71,837</b>

The revolving credit and term loan bore a weighted average of 8.35% (2018:8.35%) per annum at the end of the reporting period and are secured by: -

- (i) Legal charges over the property, plant and equipment belonging to the Group;
- (ii) A debenture by way of fixed and floating charge over all present and future assets belonging to the Group;
- (iii) Personal guaranteed by a former director of the Company.



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**B9) Trade Receivables**

The trade receivables consist of trade receivable from resumes operation subsidiaries. The Group's normal trade credit term range from 30 to 120 days.

**B10) Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at the date of the interim financial statements.

**B11) Material Litigation**

No.	Company	The Creditors	Material Litigations	Remarks
1.	Kilang Bihun Bersatu Sdn Bhd ("KBBSB")	1. Public Bank Berhad vs KBBSB and Chin Seak Huat - Magistrate Court of Georgetown Writ of Summon and Statement of Claims No. PA-A72NCC-409-05/2019	Public Bank Berhad claims against KBBSB and Chin Seak Huat: i. sum owed by KBBSB of RM89,060.38 as at 22 April 2019; ii. interest at the rate of 8% per annum from on the outstanding sum of RM83,248.08 calculated on daily basis from 23 April 2019 until the date of full settlement; iii. costs; and iv. such further and /or other relief.	The matter is fixed for case management on 9 July 2019. The Plaintiff had withdrawn the suit with liberty to file afresh.

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**B12) Earnings per Share**

The basic earnings per share of the Group are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period calculated as follows: -

	<b>Current Quarter Period Ended</b>	<b>Individual Quarter Preceding Year Corresponding Quarter</b>	<b>Current Period to Date</b>	<b>Cumulative Period Preceding Year Corresponding Period</b>
	<b>30.6.19 RM'000</b>	<b>30.6.18 RM'000</b>	<b>30.6.19 RM'000</b>	<b>30.6.18 RM'000</b>
Loss for the Period (RM'000)	(673)	(822)	(1,335)	(1,517)
Weighted Average Number of Ordinary Shares of RM0.15 each ( '000)	312,000	312,000	312,000	312,000
Earnings Per Share				
- Basic (sen)	(0.22)	(0.26)	(0.43)	(0.48)
- Diluted (sen)	-	-	-	-

Diluted earnings per share have not been computed as the effect of the share options under ESOS is anti-dilutive in nature.

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**B13) Profit / (Loss) for the Period / Year**

	<b>Current Quarter</b>	<b>Individual Quarter Preceding Year Corresponding Quarter</b>	<b>Current Period to Date</b>	<b>Cumulative Quarter Preceding Year Corresponding Period</b>
	<b>30.6.19</b>	<b>30.6.18</b>	<b>30.6.19</b>	<b>30.6.18</b>
	<b>(3 Months)</b>	<b>(3 Months)</b>	<b>(6 Months)</b>	<b>(6 Months)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit /(Loss) for the period/ year is arrive at after charging/(crediting):</b>				
Interest expense	669	786	1,364	1,584
Depreciation and amortization	621	616	1,229	1,226
Provision for bad and doubtful debts	-	-	3	-
Other Income: -				
Gains on disposal of property, plant and equipment	-	-	150	-
Rental Income	-	60	20	120
Insurance recovery	-	-	-	26
Bad debts recovery	1	-	2	

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**B14) Practice Note 17 (“PN17”) Status**

On 30 August 2016, the Company announced that it had triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (a) of Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and was hence an affected issuer under PN17.

The PN17 criteria was triggered as a result of the Company’s shareholders’ equity on a consolidated basis is 25% or less of the issued and paid-up capital of the Company and such shareholders’ equity is less than RM40.0 million in the Company’s unaudited interim financial results for the 2nd quarter ended 30 June 2016.

The Company is required to take necessary steps to comply with the following obligations:

- (i) within twelve (12) months from the date of this announcement that the Company is an affected issuer under PN17 on 30 August 2016, to submit a Regularisation Plan to the Securities Commission of Malaysia and Bursa Securities;
- (ii) Implement the Regularisation Plan within the time frame stipulated by the SC and/or Bursa Securities, as the case may be;
- (iii) Announce within three (3) months from the First Announcement, whether the Regularisation Plan will result in a significant change in the business direction or policy of the Company;
- (iv) Announce the status of the Regularisation Plan and the number of months to the end of the relevant time frames referred to in Paragraphs 5.1 and 5.2 of PN17, as may be applicable, on a monthly basis until further notice from Bursa Securities;
- (v) announce its compliance or non-compliance with any particular obligation imposed pursuant to PN17, on an immediate basis;
- (vi) announce the details of the Regularisation Plan (“Requisite Announcement”) and sufficient information to demonstrate that the Company is able to comply with all the requirements set out in Paragraph 5.0 of PN17 after implementation of the Regularisation Plan, which shall include a timetable for the complete implementation of the Regularisation Plan. The Requisite Announcement must be made by the Company’s appointed Principal Adviser; and
- (vii) where the Company fails to regularise its condition, it will announce the dates of suspension and de-listing of its listed securities, immediately upon notification of suspension and de-listing by Bursa Securities.

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**B14) Practice Note 17 (“PN17”) Status (Cont’d)**

On 27 February 2018, the Company has entered into a conditional share purchase agreement (“SPA”) with Loo Seng Pang, Tai Poh Yak, Ang Eng Hooi, Phnuah Farn Farn, Ang Jin Mao and Dato’ Seri Mr Serm Juthamongkhon (collectively, the “Vendors”) to acquire the entire issued share capital in Kepala Batas Bihun Sdn Bhd (“KBB”) comprising 5,500,002 ordinary shares in KBB for a purchase consideration of RM55,000,000 to be satisfied in part by cash payment of RM33.0 million and RM22.0 million via the issuance of 440,000,000 Company’s Shares (“Consideration Shares”) to the Vendors and/or their nominees at an issue price of RM0.05 per ordinary share in the Company (“Proposed Acquisition”).

The Proposed Acquisition is a component of a series of proposals set out in the SPA, to regularise the financial condition of the Company (i.e. the “Proposed Regularisation Plan”), with the intention of restoring the Company onto a stronger financial footing.

Pursuant thereto, the Proposed Regularisation Plan shall comprise the following:-

- a) Proposed Capital Reconstruction;
- b) Proposed Debt Restructuring Scheme;
- c) Proposed Rights Issue with Warrants; and
- d) Proposed Acquisition.

On 14 March 2018, Bursa Securities granted the Company an extension of time of up to 31 May 2018 for the submission of the proposed Regularisation Plan to Bursa Securities.

On 31 May 2018, a further application for extension of time up to 30 June 2018 for the Company to submit its regularization plan to the relevant authorities.

The application in relation to the Proposed Regularisation Plan has been submitted to Bursa Securities Berhad on 8 June 2018 for its approval.

Bursa Malaysia Securities Berhad (“Bursa Securities”) had on 27 June 2018 approved the application for an extension of time up to 8 June 2018 to submit the Company’s regularisation plan to the regulatory authorities in view that the Company had submitted its regularisation plan to Bursa Securities on 8 June 2018.

The aforesaid extension of time is without prejudice to Bursa Securities’ rights to proceed to suspend the trading of the securities of EKA and to de-list the Company in the event:

- (i) the Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or
- (ii) the Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by any of the regulatory authorities.

Upon occurrence of any events set out in (i) to (ii) above, Bursa Securities shall suspend the trading of the listed securities of EKA on the 6th market day after the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company’s right to appeal against the delisting.

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**B14) Practice Note 17 (“PN17”) Status (Cont’d)**

Bursa Securities had, vided its letter dated 31 October 2018, approved the Proposed Regularisation Plan **subject to** the following conditions: -

1. EKA and M&A Securities are to ensure that the certificate of completion and compliance for No. 1239, Jalan Lahar Kepar, 13200 Kepala Batas, Pulau Pinang, comprising 9 parcels of adjacent land are obtained prior to the issuance of all the new EKA Shares pursuant to the Proposed Debt Restructuring Scheme, Proposed Rights Issue with Warrants, Proposed Acquisition and new additional Warrants A to be issued pursuant to the adjustments arising from the Proposed Rights Issue with Warrants (“**Adjustments**”);
2. EKA and M&A Securities are to ensure compliance with Paragraph 8.02 of the Listing Requirements prior to the quotation for all the new EKA Shares to be issued pursuant to the Proposed Debt Restructuring Scheme, Proposed Rights Issue with Warrants, Proposed Acquisition and Adjustments;
3. EKA and M&A Securities are to ensure all proposed directors who have not attended the Mandatory Accreditation Programme pursuant to Paragraph 15.08 and Practice Note 5 of the Listing Requirements to do so prior to the quotation for all new EKA Shares to be issued pursuant to the Proposed Debt Restructuring Scheme, Proposed Rights Issue with Warrants, Proposed Acquisition and Adjustments;
4. EKA and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Regularisation Plan;
5. EKA and M&A Securities are to inform Bursa Securities upon completion of the Proposed Regularisation Plan; and
6. EKA and M&A Securities are to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Regularisation Plan is completed.

EKA is required to ensure full compliance of all requirements as provided under the Main Market Listing Requirements at all times.

Bursa Securities had vided its letter dated 9 November 2018, granted EKA an extension of time up to 14 December 2018 to issue the Circular and a further extension of time up to 15 January 2019 to despatch the Circular. On 21 December 2018, the Circular was despatched to the shareholders.

On 14 January 2019, all resolutions put to the Extraordinary General Meeting (“EGM”) were unanimously carried.

On 16 April 2019, Bursa Securities had granted the Company a waiver from complying with the approval conditions stated in its letter dated 31 October 2018 that Kepala Batas Bihun Sdn Bhd is required to obtain its certificate of completion and compliance for No. 1239, Jalan Lahar Kepar, 13200 Kepala Batas, Pulau Pinang, comprising 9 parcels of adjacent land prior to the issuance of new EKA Shares pursuant to the Regularisation Plan.

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**B14) Practice Note 17 (“PN17”) Status (Cont’d)**

On 30 April 2019, EKA had filed the petition for the Capital Reconstruction at the High Court of Malaya at Penang and the hearing date for the petition has been fixed on 10 June 2019.

Capital Reconstruction

The Capital Reconstruction of the Company’s financial position involving the reduction of 90% of the share capital of the Company, reduces the share capital of the Company from RM46,800,000 to RM4,680,000 comprising 312,000,000 EKA’s Shares and give rise to a credit amounting to RM42,120,000, cancellation of the Company’s entire share premium of RM3,600,000 and set off of the Company’s entire capital reserve of RM4,837,366 pursuant to the Section 116 of the Companies Act 2016.

The High Court of Penang had on 10 June 2019 granted an order confirming the Capital Reconstruction (“Court Order”). The sealed Court order was then lodged with the registrar of Companies on 28 June 2019, following which the Capital Reconstruction became effective and is deemed completed.

Court Convened Meetings (“CCM”)

The Court Convened Meetings (“CCM”) of Scheme Creditors was held on 18 July 2018 and have approved by Scheme Creditors, with modifications, to the proposed scheme of arrangement and compromise between the EKA Group and the Scheme Creditors.

The modification to the proposed scheme of arrangement and compromise with the Scheme Creditors was pursuant to the salient terms of the settlement arrangement with the Scheme Creditors. The modification is highlighted as follows: -

1. The Secured Creditors shall fully release and discharge EKA, Kilang Bihun Bersatu Sdn. Bhd. and/or its personal guarantors, in full from all obligations and liabilities (including indemnities, undertaking, judgements awarded and/or other obligations, if any) and where applicable, from all actions, proceedings, claims and demands upon completion of the Proposed Debt Restructuring Scheme saved for the personal guarantee by Dato’ Sri Chin Seak Huat to Bank Pertanian Malaysia Berhad.
2. The Unsecured Creditors shall fully discharge and free the Group, previous and existing Board of EKA and EKA Group from all actions, proceedings, claims and demands upon the completion of Proposed Debt Restructuring Scheme saved for the personal guarantee by Dato’ Sri Chin Seak Huat to Bank Pertanian Malaysia Berhad.

Save for the above, there was no other changes to the proposed scheme of arrangement and compromise with the Scheme Creditors.

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**B14) Practice Note 17 (“PN17”) Status (Cont’d)**

Court Convened Meetings (“CCM”) (Cont’d)

The High Court of Malaya at Penang had, at the hearing on 28 August 2018, approved the Scheme of Arrangement between the EKA Group and the Scheme Creditors under Section 366 of the Companies Act 2016 which was approved with modifications at the CCM held on 18 July 2018 to implement the Proposed Regularisation Plan (“Court Order”). The Proposed Regularisation Plan will take effect upon lodgment of the Court Order with the Registrar of Companies. The Proposed Regularisation Plan had taken effect on 07 September 2018 pursuant to the lodgment of the Court Order with the Registrar of Companies on 07 September 2018.

**B15) Authorization for Issue**

The interim financial report was authorized for release by the Board of Directors in accordance with a resolution of the Board.

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