

EKA NOODLES BERHAD (Registration No.200201015902 (583565-U))
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AND QUARTERLY REPORT FOR THE PERIOD ENDED
31 MARCH 2021

	As at 31.3.21 (Unaudited) RM'000	As at 31.12.20 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	41,575	42,178
Right-of-Use Assets	5,383	5,413
	46,958	47,591
Current Assets		
Inventories	3,085	3,462
Trade Receivables	2,780	6,659
Other Receivables, Deposits and Prepayments	3,601	3,739
Current Tax Asset	57	63
Cash and Bank Balances	523	507
	10,046	14,430
TOTAL ASSETS	57,004	62,021
EQUITY AND LIABILITIES		
Share Capital	4,680	4,680
Revaluation Reserve	9,204	9,204
Accumulated Losses	(49,787)	(48,567)
Total Equity	(35,903)	(34,683)
Non-Current Liabilities		
Lease Liabilities	321	415
Deferred Tax Liabilities	317	70
	638	485
Current Liabilities		
Trade Payables	5,588	10,254
Other Payables and Accruals	6,641	7,927
Borrowings	78,146	77,158
Amount owing to a director	931	-
Lease Liabilities	367	362
Provision for Taxation	596	517
	92,269	96,219
Total Liabilities	92,907	96,704
TOTAL EQUITY AND LIABILITIES	57,004	62,021
Net Assets Per Ordinary Share Attributable to Owner of the Company (RM)	(0.12)	(0.11)

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME AND QUARTERLY REPORT ON CONSOLIDATED PERIOD
ENDED 31 MARCH 2021

	Current Quarter	Individual Quarter Preceding Year Corresponding Quarter	Changes (Amount/ %)	Current Period to Date	Cumulative Quarter Preceding Year Corresponding Period	Changes (Amount/ %)
	(3 Months) 31.3.21 (Unaudited) RM'000	(3 Months) 31.3.20 (Unaudited) RM'000		(3 Months) 31.3.21 (Unaudited) RM'000	(3 Months) 31.3.20 (Unaudited) RM'000	
Revenue	10,186	6,848	48.74	10,186	6,848	48.74
Cost of Sales	(8,062)	(5,418)	48.80	(8,062)	(5,418)	48.80
Gross Profit	2,124	1,430	48.53	2,124	1,430	48.53
Other Income	101	48	110.42	101	48	110.42
Administrative Expenses	(1,396)	(858)	62.70	(1,396)	(858)	62.70
Selling and Distribution Expenses	(684)	(536)	27.61	(684)	(536)	27.61
Operating Profit	145	84	72.62	145	84	72.62
Finance Costs	(1,000)	(573)	74.52	(1,000)	(573)	74.52
Loss Before Taxation	(855)	(489)	-74.85	(855)	(489)	-74.85
Taxation	(365)	(67)	444.78	(365)	(67)	444.78
Loss After Taxation	(1,220)	(556)	-119.42	(1,220)	(556)	-119.42
Loss and Other Comprehensive Loss for the Financial Year	(1,220)	(556)	-119.42	(1,220)	(556)	-119.42
Loss and Other Comprehensive Loss Attributable to Owner of the Company	(1,220)	(556)	-119.42	(1,220)	(556)	-119.42

EKA NOODLES BERHAD (Registration No.200201015902 (583565-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND
QUARTERLY REPORT ON CONSOLIDATED PERIOD ENDED 31 MARCH 2021

	Current Quarter	Individual Quarter Preceding Year Corresponding Quarter	Changes (Amount/ %)	Current Period to Date	Cumulative Quarter Preceding Year Corresponding Period	Changes (Amount/ %)
	(3 Months) 31.3.21 (Unaudited) RM'000	(3 Months) 31.3.20 (Unaudited) RM'000		(3 Months) 31.3.21 (Unaudited) RM'000	(3 Months) 31.3.20 (Unaudited) RM'000	
Loss and Other Comprehensive Loss for the Financial Year	(1,220)	(556)	-119.42	(1,220)	(556)	-119.42
Earnings Per Share						
-Basic (sen)	(0.39)	(0.18)		(0.39)	(0.18)	
-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 2020 and the accompanying explanatory notes attached to the interim financial statements.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND QUARTERLY REPORT ON
CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2021

	-----Non-Distributable-----						Distributable Accumulated Losses RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Warrant Reserve^ RM'000	Others Reserve RM'000		
<u>Unaudited</u>								
Balance as at 1 January 2020	4,680	-	-	9,204	-	-	(47,347)	(33,463)
Loss for the year / Other comprehensive loss for the year	-	-	-	-	-	-	(1,220)	(1,220)
Balance as at 31 December 2020	4,680	-	-	9,204	-	-	(48,567)	(34,683)
<u>Unaudited</u>								
Balance as at 1 January 2021	4,680	-	-	9,204	-	-	(48,567)	(34,683)
Loss for the year / Other comprehensive loss for the year	-	-	-	-	-	-	(1,220)	(1,220)
Balance as at 31 March 2021	4,680	-	-	9,204	-	-	(49,787)	(35,903)

Note:

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AND
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
31 MARCH 2021

	Current Period to Date	Preceding Year Corresponding Period
	(3 months)	(3 months)
	31.3.21	31.3.20
	(Unaudited)	(Unaudited)
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Operations	10,011	6,993
Payment to Suppliers	(8,458)	(5,574)
Payment to Employees	(1,501)	(1,210)
Income Tax Paid	(44)	(48)
Net Cash from Operating Activities	8	161
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(36)	(3)
Net Cash used in Investing Activities	(36)	(3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease Liabilities Paid	(88)	(76)
Advance from a Director	145	-
Lease Liabilities Interest Paid	(13)	(15)
Net Cash from / (used in) Financing Activities	44	(91)
Net increase / (decrease) in Cash and Cash Equivalents	16	67
Cash and Cash Equivalents at Beginning	507	432
Cash and Cash Equivalents at End	523	499
Represented by: -		
Fixed Deposits with Licensed Banks	-	-
Cash and Bank Balances	523	499
	523	499

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 31 MARCH 2021

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 2020.

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 2020. The Group has adopted the standards which were effective for annual periods beginning on or after 1 January 2021. 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 17	Insurance Contracts	1 January 2021
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate benchmark Reform- Phase 2	1 January 2021
Amendments to MFRS 3	Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFS 116	Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022

**EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
 NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
 ENDED 31 MARCH 2021**

**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 1, MFRS 9, MFRS 16, MFRS 141	Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments 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) Auditor’s Report on Preceding Annual Financial Statements

The auditors’ report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2019 contain qualification. The basis of qualified opinion stated in B15.

A4) Seasonal or Cyclical Factors

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

A5) 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.

**EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 31 MARCH 2021**

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

A6) 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.

A7) 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.

A8) Dividend Paid

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

A9) 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 three months ended 31 March 2021 was as follows:

	Revenue	Total Assets	Capital Expenditures
	RM’000	RM’000	RM’000
West Malaysia	9,752	47,322	36
East Malaysia	434	9,682	-
	10,186	57,004	36

A10) 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.

A11) 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 and B14.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 31 MARCH 2021

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

A12) 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.

A13) 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.

A14) Capital Commitments

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

A15) Revenue

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 three months ended 31 March 2021 was as follows:

	Year-to Date as at 31.3.21			Preceding Quarter as at 31.3.20		
	(Unaudited)			(Unaudited)		
	West	East	Total	West	East	Total
	Malaysia	Malaysia		Malaysia	Malaysia	
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue						
- Sales of Rice and Sago Stick (Vermicelli)	9,381	421	9,802	5,452	999	6,451
- Transportation Services	371	13	384	368	29	397
Total	9,752	434	10,186	5,820	1,028	6,848

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 31 MARCH 2021

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

A16) 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.

	Year-to Date As at 31.3.21 (Unaudited) RM’000	Preceding Year As at 31.12.20 (Audited) RM’000
Financial Assets		
<u>Amortised Cost</u>		
Trade and other receivables	3,695	7,384
Cash and cash equivalents	523	507
	<u>4,218</u>	<u>7,891</u>
	Year-to-Date As at 31.3.21 (Unaudited) RM’000	Preceding Year As at 31.12.20 (Audited) RM’000
Financial Liabilities		
<u>Amortised Cost</u>		
Trade and other payables	12,229	18,161
Lease liabilities	688	777
Borrowings	78,146	77,158
	<u>91,063</u>	<u>96,096</u>

(ii) 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 (Registration No. 200201015902 (583565-U))
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ENDED 31 MARCH 2021

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

A17) Related Party Transactions

The recurrent related party transactions set below were carried out in the normal course of business and on term and conditions not more materially different from those obtainable in transactions with unrelated parties.

	Current Period -to-Date 31.3.21 (Unaudited) RM’000	Preceding Year As at 31.12.20 (Audited) RM’000
Rental of motor vehicles	15	86
Sales of goods	-	358
Purchase of goods	177	-

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 31 MARCH 2021

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

	Jan – Mar’21 RM’000	Oct- Dec’20 RM’000	Changes (Amount/ %)	Jan – Mar’20 RM’000	Current Period to Date Jan – Mar’21 RM’000	Cumulative Quarter Preceding Year Corresponding Period Jan – Mar’20 RM’000	Changes (Amount/ %)
Revenue							
- West Malaysia	9,752	9,618	1.39	5,820	9,752	5,820	67.56
- East Malaysia	434	695	-37.55	1,028	434	1,028	-57.78
Total	10,186	10,313	-1.23	6,848	10,186	6,848	48.74

Profit / (Loss) before tax							
- West Malaysia	(159)	(624)	74.52	(427)	(159)	(427)	62.76
- East Malaysia	(696)	(42)	-1557.14	(62)	(696)	(62)	-1022.58
Total	(855)	(666)	-28.38	(489)	(855)	(489)	-74.85

	Current Quarter Jan – Mar’21 RM’000	Immediate Preceding Quarter Oct – Dec’20 RM’000	Changes (Amount/ %)	Current Period to Date Jan – Mar’21 RM’000	Cumulative Quarter Preceding Year Corresponding Period Jan – Mar’20 RM’000	Changes (Amount/ %)
Revenue	10,186	10,313	-1.23	10,186	6,848	48.74
Gross Profit	2,124	2,327	-8.72	2,124	1,430	48.53
Operating Profit/(Loss)	145	(237)	161.18	145	84	72.62
Profit/(Loss) Before Interest and Tax	145	(237)	161.18	145	84	72.62
Loss Before Tax	(855)	(666)	-28.38	(855)	(489)	- 74.85

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 31 MARCH 2021

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)

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/ %)	Current Period to Date	Cumulative Quarter Preceding Year Corresponding Period	Changes (Amount /%)
	Jan – Mar’21 RM’000	Oct – Dec’20 RM’000		Jan – Mar’21 RM’000	Jan- Mar’20 RM’000	
Loss After Tax	(1,220)	(595)	-98.15	(1,220)	(556)	-119.42
Loss and Other Comprehensive Loss Attributable to Owner of the Company	(1,220)	(595)	-98.15	(1,220)	(556)	-119.42

Comparison with corresponding period in the previous year

The Group’s revenue for the current period under review was RM10.19 million and loss before tax was RM0.85 million.

The revenue was increased by RM3.34 million, or 48.74% to RM10.19 million as compared to RM6.85 million preceding year corresponding period under review. Increase in revenue mainly arising from selling of OEM brand products which had generated revenue in sum of RM2.86 million.

The Group derived a gross profit (“GP”) of RM2.12 million, RM0.69 million or 48.53% higher than RM1.43 million in the preceding year corresponding period under review. Gross profit margin maintain at 20.85% and 20.88% respectively for both period under review.

The Group gains an operating profit of RM0.14 million as compared to RM0.08 million in the preceding year corresponding period under review, improve by RM0.06 million or 72.62%. Improvement in OP arising from (a) increment gross profit in line with increase in revenue (b) increase in other income to RM0.10 million consists of (i) rental income of RM0.06 million from letting out part of factory building (iii) scrap sales, commission received and sundry business income in sum of RM0.04 million.

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 RM0.85 million, 74.85% higher than RM0.49 million in the preceding year corresponding period under review. The higher loss before tax in the current period due to recognized additional borrowing interest, i.e. term loan interest and revolving credit (which default in payment) to RM1.00 million in the current period as compared to RM0.57 million in the preceding year corresponding period under review. Finance cost consists of term loan interest, lease interest and late interest charges.

For West Malaysia, its revenue increased by RM3.93 million to RM9.75 million or represented 67.56% higher as compared to RM5.82 million in the preceding year corresponding period under review. The increase in revenue resulting from (1) increased in selling of OEM brand products which had generated additional revenue of RM2.86 million (b) general business arrangement to centralizing the business operations in Sibu, Sarawak to Eka Foodstuff Sdn Bhd, a subsidiary located Kuala Ketil, Kedah since March 2021 for smoothly business operation for preparation of the application for appointment of Judicial Management for Kilang Bihun Bersatu (East Malaysia) and Kilang Bihun Bersatu Sdn Bhd in March 2021. For East Malaysia, the revenue had reduced to RM0.44 million, decreased by RM0.59 million or represented 57.78% decrease as compared with RM1.03 million in the preceding year corresponding period under review.

West Malaysia had suffered a lower loss before tax of RM0.16 million for current period under review as compared to loss before tax of RM0.43 million in the preceding year corresponding period under review, reduced by RM0.27 million or 62.76%. East Malaysia also suffered a lower loss before tax of RM0.70 million as compared to loss before tax of RM0.06 million in preceding year corresponding period under review, loss by RM0.64 million or 1022.58%.

Comparison with preceding quarter

The Group's revenue for the current quarter under review was RM10.19 million and loss before tax was RM0.85 million.

The Group's revenue for the current quarter dropped by RM0.12 million, or 1.23% as compared to RM10.31 million in the immediate preceding quarter under review. For West Malaysia, total revenue improved by 1.39% or RM0.13 million to RM9.75 million as compared to RM9.62 million in the preceding quarter. The improvement due to centralized business operations in Sibu Sarawak to a subsidiary in Kuala Ketil, Kedah.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
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ENDED 31 MARCH 2021

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)

For East Malaysia, revenue had reduced by RM0.26 million or 37.55% to RM0.44 million as compared to RM0.70 million in the immediate preceding quarter. The revenue of RM0.44 million represented 2 months revenue derived in current quarter. Kilang Bihun Bersatu (East Malaysia) Sdn Bhd had temporary ceased operations since 1 March 2021.

The Group derived a gross profit (“GP”) of RM2.12 million, RM0.21 million or 8.72% lower than RM2.33 million in the immediate preceding quarter. The downward in GP due to increase in repairs and maintenance cost in maintaining plant and machinery. GP margin also reduced to 20.85% from 22.56% in the immediate preceding quarter.

The Group gain on operating profit of RM0.14 million as compared to an operating loss of RM0.24 million in the immediate preceding quarter, gains by RM0.38 million or 161.18%. Improvement in OP was due to (a) reduce in administrative, selling and distribution expenses excessive the increase in gross profit. The reduces in administrative, selling and distribution expenses mainly due to (a) reduces in salary and wages of RM77k due to temporary ceased business operations in Kilang Bihun Bersatu Sdn Bhd in March 2021; (b) no audit fee and provision for bad and doubtful debts provided in current quarter as compared to RM0.13 million and RM0.20 million in the immediate preceding quarter.

There was loss before tax of RM0.85 million in the current quarter compared to loss before tax of RM0.67 million in the immediate preceding quarter under review, loss by RM0.18 million or 28.38%. The higher loss before tax in the current period due to recognized additional borrowing interest, i.e. term loan interest and revolving credit (which default in payment) to RM1.00 million in the current period as compared to RM0.43 million in the preceding year corresponding period under review. Finance cost consists of term loan interest, lease interest and late interest charges.

For West Malaysia, there was a loss before tax of RM0.16 million in current year quarter as compared to RM 0.62 million, 74.52% or RM0.46 million lower than loss before tax in preceding quarter. For East Malaysia, there was a loss before tax of RM0.70 million in current year quarter, loss by RM0.66 million or 1557.14% as compared to profit before tax of RM0.04 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.

EKA NOODLES BERHAD (Registration No. 200201015902 (583565-U))
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 31 MARCH 2021

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

B4) Taxation	Current Quarter	Current Period -to-Date	Cumulative Period Preceding Year Corresponding Period
	31.3.21 RM'000	31.3.21 RM'000	31.3.20 RM'000
Income Tax			
Under Provision in Prior Year	4	4	-
Current Year	114	114	67
Deferred Tax	247	247	-
	<u>365</u>	<u>365</u>	<u>67</u>

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

There were no corporate proposals for current quarter.

B8) Borrowings and Debts Securities

The Groups' borrowings as at current quarter ended 31 March 2021 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings: -			
Lease Liabilities	-	367	367
Revolving Credit	2,833	-	2,833
Term Loans	75,313	-	75,313
Total	<u>78,146</u>	<u>367</u>	<u>78,513</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
Long Term Borrowings: -			
Lease Liabilities	-	321	321
Term Loans	-	-	-
Total	<u>-</u>	<u>321</u>	<u>321</u>
Total	<u>78,146</u>	<u>688</u>	<u>78,834</u>

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B8) Borrowings and Debts Securities (Cont'd)

The Groups' borrowings as at cumulative quarter preceding year corresponding period ended 31 December 2020 are as follows: -

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Borrowings: -			
Lease Liabilities	-	362	362
Revolving Credit	2,594	-	2,594
Term Loans	74,564	-	74,564
Total	<u>77,158</u>	<u>362</u>	<u>77,520</u>
	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Long Term Borrowings: -			
Lease Liabilities	-	415	415
Term Loans	-	-	-
Total	<u>-</u>	<u>415</u>	<u>415</u>
Total	<u>77,158</u>	<u>777</u>	<u>77,935</u>

The revolving credit and term loan bore a weighted average of 8.35% (2020:8.35%) 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.

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.

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B11) Material Litigation

No.	Company	The Creditors	Material Litigations	Remarks
1.	Kilang Bihun Bersatu Sdn Bhd (“KBBSB”) & Eka Foodstuff Sdn Bhd (“EFSB”)	1. Great Food Industries Sdn Bhd vs Mazlan Bin Mahamas Isa (trading as Perniagaan Idaman Murni), Great Line Success Sdn Bhd, Ang Eng Hooi, Kilang Bihun Bersatu Sdn Bhd, Eka Foodstuff Sdn Bhd and Chew Hong Food Industries Sdn Bhd - High Court of Kuala Lumpur Writ of Summon and Statement of Claims No. WA-22IP-53-08/2019	Great Food Industries Sdn Bhd (“the Plaintiff”) claims against Mazlan Bin Mahamas Isa (trading as Perniagaan Idaman Murni), Great Line Success Sdn Bhd, Ang Eng Hooi, Kilang Bihun Bersatu Sdn Bhd, Eka Foodstuff Sdn Bhd and Chew Hong Food Industries Sdn Bhd (“the Defendants”): i. Compensation; ii. Exemplary and statutory compensations; iii. Interest; iv. Cost and subsequent reliefs and / or any other reliefs that the honorable Court may deem fit and appropriate.	The matter is fixed for case management on 27 September 2021.

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B11) Material Litigation (Cont'd)

No.	Company	The Creditors	Material Litigations	Remarks
2.	Kilang Bihun Bersatu Sdn Bhd (“KBBSB”) & EKA Foodstuff Sdn Bhd (“EFSB”)	1. KBBSB and EFSB vs Great Food Industries Sdn Bhd - High Court of Kuala Lumpur Writ of Summon and Statement of Claims No. WA-22IP-29-05/2020	KBBSB and EFSB claimed that Great Food Industries Sdn Bhd (“Defendant”) had involved in unlawful activities on: <ol style="list-style-type: none"> 1. Infringement of trademark known as Cap Dagang Ronggeng / Penari and Cap Dagang Triple A of EFSB registered under the Trademark Act 2019; 2. Misleading tort against KBBSB and EFSB; 3. Wrongful disruption tort on the business and trading of KBBSB and EFSB. KBBSB and EFSB seek amongst others, an injunction to prohibit the defendant together with its directors, officers, employees, partners and agents collectively or individually from activities related to the infringement of its copyrights, compensation, cost and subsequent reliefs and / or any other reliefs that the honorable Court may deem fit and appropriate.	The matter is fixed for case management on 20 September 2021.

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B11) Material Litigation (Cont'd)

No.	Company	The Creditors	Material Litigations	Remarks
3.	EKA Noodles Berhad, Kilang Bihun Bersatu Sdn Bhd, Bersatu Noodles Industries Sdn Bhd, Bersatu Biotechnology (Johore) Sdn Bhd, Kilang Bihun Bersatu (East Malaysia) Sdn Bhd, Bersatu Sago Industries Sdn Bhd, Bersatu Sago Industries (Mukah) Sdn Bhd, EKA Foodstuff Sdn Bhd (“EKA Group”)	1. Fong Yit Meng vs EKA Noodles Berhad, Kilang Bihun Bersatu Sdn Bhd, Bersatu Noodles Industries Sdn Bhd, Bersatu Biotechnology (Johore) Sdn Bhd, Kilang Bihun Bersatu (East Malaysia) Sdn Bhd, Bersatu Sago Industries Sdn Bhd, Bersatu Sago Industries (Mukah) Sdn Bhd, EKA Foodstuff Sdn Bhd, Ang Eng Hooi - Penang Georgetown Session Court Writ of Summon and Statement of Claims No. PA-A52NCvC-193-12/2020 - Defendants had filed a Statement of Defence No. PA-A52NCvC-194-12/2020 to the Session Court of Georgetown, Penang	Fong Yit Meng, a former Director of EKA and its subsidiaries, claims against EKA Group and Ang Eng Hooi, balance outstanding salary of RM277,636.00. The Plaintiff seeks against the Defendants for the following:- 1. The outstanding sum of RM277,636.00 2. Interest at the rate of 5% per annum on the outstanding sum of RM277,636.00 from 22 December 2020 until the date of full settlement; 3. Costs, and 4. Other relief that the Honorable Court deems fit and proper to grant.	The matter is fixed for case management on 11 June 2021.

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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: -

	Current Quarter Period Ended	Individual Quarter Preceding Year Corresponding Quarter	Current Period to Date	Cumulative Period Preceding Year Corresponding Period
	31.3.21	31.3.20	31.3.21	31.3.20
	RM'000	RM'000	RM'000	RM'000
Loss for the Period (RM'000)	(1,220)	(556)	(1,220)	(556)
Weighted Average Number of Ordinary Shares of RM0.15 each ('000)	312,000	312,000	312,000	312,000
Earnings Per Share				
- Basic (sen)	(0.39)	(0.18)	(0.39)	(0.18)
- 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

	Current Quarter	Individual Quarter Preceding Year Corresponding Quarter	Current Period to Date	Cumulative Quarter Preceding Year Corresponding Period
	31.3.21	31.3.20	31.3.21	31.3.20
	(3 Months)	(3 Months)	(3 Months)	(3 Months)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Profit /(Loss) for the period/ year is arrive at after charging/(crediting) :				
Interest expense	1,000	573	1,000	573
Depreciation and amortization	638	555	638	555
Depreciation of right-of-used assets	30	30	30	30
Other Income: -				
Rental Income	60	40	60	40
Bad debts recovery	2	-	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)

i. 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.

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.

On 31 October 2018, Bursa Securities had 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**”);

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

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 EKA 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 Keper, 13200 Kepala Batas, Pulau Pinang, comprising 9 parcels of adjacent land prior to the issuance of new EKA Shares pursuant to the Regularisation Plan.

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.

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

ii. 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.

On 17 October 2019, Bursa Securities had granted EKA an extension of time up to 30 April 2020 to implement and complete its Regularisation Plan.

On 27 April 2020, the Board of EKA resolved that not to extend further the date to satisfy or waive the conditions precedent in accordance with the SPA in relation to the Acquisition, the Company’s Regularisation Plan and the fire accident on 1 March 2020 at the target acquisition company’s factory located at No 1239, Jalan Lahar Kepar, 13200 Kepala Batas, Penang belonging to KBB.

The Company and the Vendors of KBB had mutually agreed to terminate the said SPA in relation to the Acquisition. Arising from this, EKA is no longer able to implement its Regularisation Plan as the Acquisition is inter-conditional with the other respective proposals of the Regularisation Plan. The Company is required to formulate and submit a revised proposed regularisation plan to the regulatory authorities pursuant to the requirements of Practice Note 17 of the Main market Listing Requirements.

On 28 April 2020, the Company had submitted an application for extension of time of 9 months to Bursa Securities for the Company to submit its revised proposed regularisation plan, i.e. 31 January 2021.

On 20 May 2020, Bursa Securities had granted the Company an extension of time of up to 31 October 2020 to submit a revised regularisation plan to the regulatory authorities after the unsuccessful implementation of regularisation plan on 30 April 2020 which was approved on 31 October 2018.

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

The aforesaid extension of time is without prejudice to Bursa Securities’ right 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 submit a regularisation plan to the regulatory authorities on or before 31 October 2020;
- ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or
- iii) The Company fails to implement its regularisation plan within the time frame or extended frames stipulated by any of the regulatory authorities.

Upon occurrence of any events set out in (i) to (iii) 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.

On 12 July 2020, the High Court of Malaya in Alor Setar, Kedah Darul Aman has granted an Order pursuant to Section 366 and Section 368 of the Companies Act, 2016 to EKA Group an approval to call for Secured Creditor’s Meeting pursuant to Section 366 of the Companies Act 2016 for the purpose of taking into account and if deemed appropriate, to approve with or without modification, a proposed scheme of arrangement and compromise between EKA and its secured Creditors within 90 days from 12 July 2020.

All proceedings or actions or further proceedings against EKA and/or EKA Group by any party including the scheme creditors including but not limited to the commencement any proceedings or continuing with any proceedings with Court action; the commencement or continuing any court action including any winding-up proceeding; the taking of any action, termination or proceeding whatsoever or in any way under any form of guarantee or indemnity granted to EKA and/or EKA Group; any enforcement, detention, or any other form of execution of any judgement or order against EKA and/or EKA Group; or the sale of any asset that is the subject of any security interest created by EKA and/or EKA Group, repossession of any plant, equipment or machinery under lease or hire purchase be restrained for a period of 90 days effective from 12 July 2020 or such other longer period determined by the Court subject to the terms as may be determined by the Court pursuant to Section 368 of the Companies Act, 2016.

On 12 October 2020, the High Court of Malaya in Alor Setar, Kedah Darul Aman has granted an extension of Restraining Order pursuant to Section 366 and Section 368 of the Companies Act, 2016 to EKA Group for a period of 3 months from 12 October 2020 to hold the Court Convened Meetings.

On 30 October 2020 and 19 November 2020, EKA has submitted an application for extension of time of up to 30 June 2021, to Bursa Securities for the Company to submit its revised proposed regularisation plan.

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

On 3 December 2020, Bursa Securities had decided to grant the Company an extension of time up to 30 April 2021 for it to submit its revised regularisation plan to the regulatory authorities.

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

- i. the Company fails to submit a regularisation plan to the regulatory authorities on or before 30 April 2021;
- ii. the Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or
- iii. 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 (iii) 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.

On 14 December 2020, the High Court of Malaya at Alor Setar, Kedah has granted an extension of Restraining Order pursuant to Section 366 and Section 368 of the Act to the Company and its subsidiaries (“EKA Group”) for a period of 3 months from 12 January 2021 to 12 April 2021.

On 10 February 2021, the Company had received an Order from Vibrant Class Sdn Bhd (“the Applicant”) that the High Court of Malaya in Kuala Lumpur had granted an Order pursuant to Section 366 of the Companies Act, 2016 (“the Act”) to EKA and the following 7 wholly-owned subsidiaries:-

1. Kilang Bihun Bersatu Sdn Bhd
2. Bersatu Noodles Industries Sdn Bhd
3. Bersatu Biotechnology (Johore) Sdn Bhd
4. Kilang Bihun Bersatu (East Malaysia) Sdn Bhd
5. Bersatu Sago Industries Sdn Bhd
6. Bersatu Sago Industries (Mukah) Sdn Bhd
7. EKA Foodstuff Sdn Bhd

(collectively, the “EKA Group”)

the liberty to hold Creditors’ Meetings and Members’ Meeting (collectively, Court Convened Meetings) pursuant to Section 366(1) of the Act within 90 days from 21 January 2021.

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

On 28 February 2021, two wholly-owned subsidiaries namely Kilang Bihun Bersatu Sdn Bhd (“KBBSB”) and Kilang Bihun Bersatu (East Malaysia) Sdn Bhd (“KBBEM”), (collectively, the “Affected Subsidiaries”) had applied for Judicial Management Order (“JM Order”) pursuant to Sections 404, 405, 406, 407, 408, 410 and 411 of the Companies Act, 2016 with the High Court of Malaya at Alor Setar, Kedah.

The application for the JM Order immediately puts into effect a moratorium (“Moratorium”) for the period commencing with the application of the JM Order and ending with the grant or dismissal of the application, during which no resolution shall be passed or order shall be made for the winding-up of the Affected Companies. In addition, during this Moratorium, the leave of the High Court will be required:-

1. To enforce any charge on or security over the properties of the Affected Companies; and
2. To commence or continue any legal proceedings against the Affected Subsidiaries or their respective properties.

The rationale of the application is as follows:

1. To get the involvement of an independent professional to manage the ongoing operations of the Affected Subsidiaries with the assistance of the existing management subject to the approval of the High Court;
2. To rehabilitate and maximize the return to secured creditors of the Affected Subsidiaries; and
3. To give the Affected Subsidiaries a chance to rehabilitate and be restored to profitability.

On 27 April 2021, the High Court of Malaya at Alor Setar, Kedah had granted the appointment of Dato’ Dr. Shanmughanathan a/l Vellanthurai as the interim Judicial Manager of the Affected Subsidiaries pending the application for a Judicial Management Order which is fixed for hearing on 25 May 2021. The hearing is further extended to July 2021.

On 30 April 2021, EKA had submitted an application for extension of time of up to 8 months i.e. by 31 December 2021, for the Company to submit its revised proposed regularisation plan to Bursa Securities.

On 20 May 2021, after due consideration of all facts and circumstances of the Application, Bursa Malaysia Securities Berhad (“Bursa Securities”) has decided to reject the Application as EKA has not demonstrated to the satisfaction of Bursa Securities any material development towards the finalisation and submission of the regularisation plan to the regulatory authorities.

In the circumstances and pursuant to paragraph 8.04(5) of the Main Market Listing Requirements of Bursa Securities, please be informed that:-

- (a) the trading in the securities of EKA will be suspended with effect from 31 May 2021; and

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

- (b) the securities of the Company will be de-listed on 2 June 2021 unless an appeal against the de-listing is submitted to Bursa Securities on or before 28 May 2021 ("Appeal Timeframe"). Any appeal submitted after the Appeal Timeframe will not be considered by Bursa Securities.

In the event the Company submits an appeal to Bursa Securities within the Appeal Timeframe, the de-listing of the securities of the Company from the Official List of Bursa Securities on 2 June 2021 will be deferred pending the decision on the Company's appeal. However, Bursa Securities shall proceed to suspend the trading of the Company's securities on 31 May 2021 even though the decision of the Company's appeal is still pending.

With respect to the securities of the Company which are currently deposited with Bursa Malaysia Depository Sdn Bhd ("Bursa Depository"), the securities may remain deposited with Bursa Depository notwithstanding the de-listing of the securities from the Official List of Bursa Securities. It is not mandatory for the securities of a company which has been de-listed to be withdrawn from Bursa Depository.

Alternatively, shareholders of the Company who intend to hold their securities in the form of physical certificates can withdraw these securities from their Central Depository System (CDS) accounts maintained with Bursa Depository at any time after the securities of the Company have been de-listed from the Official List of Bursa Securities. This can be affected by the shareholders submitting an application form for withdrawal in accordance with the procedures prescribed by Bursa Depository. These shareholders can contact any Participating Organisation of Bursa Securities and/or Bursa Securities' General Line at 03-2034 7000 for further information on the withdrawal procedures.

Upon the de-listing of the Company, the Company will continue to exist but as an unlisted entity. The Company is still able to continue its operations and business and proceed with its corporate restructuring and its shareholders can still be rewarded by the Company's performance. However, the shareholders will be holding shares which are no longer quoted and traded on Bursa Securities.

B15) Audit Report Qualifications

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2020 contain qualifications.

Basis of Disclaimer Opinion

1. Carrying amount of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets include freehold land, leasehold land, buildings and plant and machinery with carrying amounts of RM4,858,338, RM5,413,250, RM26,736,583 and RM9,273,793 respectively.

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B15) Audit Report Qualifications (Cont'd)

- (i) The Group performed impairment assessment on plant and machinery of three subsidiaries with total carrying amount of RM9,273,793 as a single cash-generating-unit (“CGU”). The recoverable amount of the plant and equipment was estimated based on value in use determined by discounting future cash flows derived from a 3-year financial budget approved by the Directors. The Group concluded that recoverable amount exceeded the carrying amount of the assets and accordingly, no impairment loss was recognised.
- (ii) A building with carrying amount of RM1,780,000 has been rented out to a third party during the last financial year. Prior to cessation of operations in May 2016, a subsidiary had used the building for manufacturing of noodles. The third party currently carries out a different nature of business. The Group has not performed impairment assessment to determine whether any part of the building, which was originally built to manufacture noodles may need to be written off. In addition, the Group has not transferred the building to investment property at commencement of the rental during the previous financial year.
- (iii) Since cessation of operations of few companies in the Group between May 2016 and January 2017, freehold land, leasehold land and buildings with carrying amount of RM10,438,031 have remained idle. The Group has not performed impairment assessment to determine whether the assets are recoverable at their carrying amounts.
- (iv) The Group revalues its property comprising land and building every 5 years and at shorter interval whether the fair value of the revalued assets is expected to differ materially from their carrying value.
- (v) Subsequent to the revaluation exercise carried out in financial year 2015, the Group’s depreciation on leasehold land and buildings with carrying amount of RM5,413,250 and RM26,736,583 respectively are not charged according to their remaining useful life.
- (vi) Following the last revaluation exercise on freehold land, leasehold land and buildings carried out in financial year 2015, a revaluation exercise is due in financial year 2020. The Group did not perform any revaluation of freehold land, leasehold land and buildings during the financial year, reflecting inconsistency with the Group’s accounting policy.

The Board of Director had taken note and had plan to reevaluate again the land and building in year 2021 to reflect the current value of the land and buildings.

2. Revaluation reserve and the related deferred tax liability

The revaluation reserve and the related deferred tax liability of the Group amount to RM9,204,366 and RM Nil respectively arising from past revaluation exercise on freehold land, leasehold land and buildings. The auditor did not obtain sufficient audit evidence on the past revaluation exercise and revaluation adjustments made by the Group to the carrying amount of property, plant and equipment.

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B15) Audit Report Qualifications (Cont'd)

The auditor were unable to satisfy ourselves that the opening balances and current year balances of revaluation reserve and deferred tax liability have been stated appropriately and accounted for in accordance with the related accounting standards.

The Board will review against the above revaluation accounts once obtain the revaluation report for land and buildings in year 2021.

3. Carrying amount of trade receivables

The Group's policy for recognition and measurement of impairment loss in the financial statements states that invoices which are more than 90 days past due are considered to be credit impaired. We did not obtain sufficient appropriate audit evidence to concur with the Group's decision of not recognising impairment loss on its trade receivables, of which RM1,369,233 (2019: RM288,951) have been disclosed as balances more than 90 days past due.

In addition, the auditor were unable to perform audit procedures to assess the accuracy and appropriateness of the allowance matrix that the Group has used to measure the expected credit loss ("ECL") on trade receivables for its opening and current year balances.

The Company informed that they had closely monitor its trade receivable and will immediately impair the uncollectible debts.

4. Carrying amount of other receivables

Other receivables of the Group largely consist of deposit of trademark, refundable Goods and Services Tax ("GST") and prepayments. According to the financial statements, the deposit will be received at the end of services agreement and refundable GST is receivable from Royal Malaysian Customs Department.

Other receivables of the Company largely consist of amount due from subsidiaries and prepayments.

The Company considers the advances payable on demand provided to subsidiaries to be credit impaired when subsidiaries are unlikely to repay the advances in full, is continuously making losses, at current liabilities position and have negative shareholders' fund. The audited financial statements of subsidiaries for financial year ended 31 December 2020 showed net losses and that the subsidiaries are facing net current liabilities and negative shareholders' fund for the current and prior financial year.

Majority of prepayments of the Group and the Company are connected to professional fees and other expenses of the proposed regularisation plan that was subsequently aborted by the Company. The Group and the Company did not charge the expenses incurred to profit or loss as it considered the regularisation plan to still be ongoing.

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B15) Audit Report Qualifications (Cont'd)

The auditor informed they did not obtain sufficient appropriate audit evidence to concur with the Group's and the Company's decision of not recognising any impairment loss on the trademark deposit, refundable GST and amount due from subsidiaries and not charging to profit or loss the expenses incurred and services consumed within prepayments.

The Company wishes to respond that the refundable GST and prepayment expenses related to regularisation plan will be charged out once the Custom Department had completed their GST refund audit and completion of the regularisation plan.

5. Carrying amount of borrowing

The Group and the Company had defaulted on the repayment of borrowing to a financial institution. At as date of our report, we have not received bank confirmation reply for information on balance of borrowing with carrying amount of RM5,721,848 (2019: RM5,721,848) at 31 December 2020 and 31 December 2019.

The auditor were unable to satisfy themselves by any alternative means with regard to the completeness, existence and accuracy of the borrowing as well as the disclosure of security pledged for borrowings as disclosed in the financial statements.

The Company advice that the banker had subsequently reply the bank confirmation to the auditor.

6. Disclosure of contingent liabilities

- (a) The Group was being claimed by the Great Food Industries Sdn. Bhd. for involving in unlawful activities with intention to harm the business of the Great Food Industries Sdn. Bhd. by confusing the public and market in relation to a trade mark.

The Group had on 29 May 2020 filed Writ of Summon to the Great Food Industries Sdn. Bhd. in relation to infringement of trademark, misleading tort and wrongful disruption tort on the business.

- (b) On 22 December 2020, Fong Yit Meng, a former director of Company and its subsidiaries ("EKA Group") has filed claims against EKA Group and a Director of the Company for salary outstanding of RM277,636. The matter is still ongoing and pending for case management and summary judgement.

The Directors have not determined the legal suits to be contingent liabilities as the suits are ongoing and there are no present indication of a probable outflow of resources arising from the outcome of the legal suits.

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B15) Audit Report Qualifications (Cont'd)

Due to material uncertainties on the outcome of the legal suits and insufficient information at present to assess the probabilities of an outflow of resources arising from the outcome of the legal suits, thereby an obligation to the Group and to the Company, the auditor were unable to determine whether the legal suits constitute contingent liabilities under MFRS 137, "Provision, Contingent Liabilities and Contingent Assets", which require appropriate and prescribed disclosure in the financial statements.

7. Carrying amount of investment in subsidiaries

The Company's investment in subsidiaries amounted to RM8,140,635 as disclosed in the financial statements. As at reporting date, two of its subsidiaries, Bersatu Sago Industries Sdn. Bhd. and Bersatu Biotechnology (Johore) Sdn. Bhd. recorded shareholders' equity and deficit respectively that are lower than the carrying amount of the Company's investment in both the subsidiaries. No allowance for impairment of investment in subsidiaries with respect to the two subsidiaries are provided.

As the auditor did not obtain sufficient explanation and evidence for the non-provision, they were not able to consider appropriateness of not recognise impairment allowance for its investment in both subsidiaries.

8. Financial guarantee

The Company acts as a corporate guarantor for banking facilities granted by financial institutions to a subsidiary.

The subsidiary had defaulted its borrowing since from financial year 2017 with a total carrying amount of RM5,721,848.

Consequently, the Company has to recognise an estimated liability representing the expected cash flows required to settle the defaulted borrowing and interest payable by the subsidiary in accordance with MFRS 9 Financial Instruments. However, the Company did not perform the assessment.

In view of this, the auditor were unable to obtain sufficient appropriate audit evidence on the recognition and measurement of financial guarantee liabilities and its corresponding financial impact on the financial statements of the Company for its opening and current year balances.

9. Going concern assumption

The Group and the Company incurred net losses of RM1,219,947 and RM691,005 respectively during the financial year ended 31 December 2020, as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM81,788,994 and RM70,137,528 respectively. The current liabilities arose from borrowings and trade and other payables. Further, the Group and the Company has defaulted in repayment of borrowing.

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B15) Audit Report Qualifications (Cont'd)

The Company is an affected listed issuer pursuant to Paragraph 8.04(2) and Paragraph 2.1(c) of Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and is required to submit its regularisation plan to the regulatory authorities within the stipulated timeframe under the Main Market Listing Requirements.

The going concern assumption used in preparing the financial statements is significantly dependent on:

- (a) The Group and the Company’s successful formulation, approval and implementation of a revised regularisation plan;
- (b) Ability of the Group and of the Company to achieve sustainable and viable operations so as to generate sufficient cash flows to Group and to Company as a whole to meet their obligations as and when they fall due;
- (c) Court order for leave to call for creditors’ meeting and restraining order is granted further extension of time;
- (d) Continuous financial support from a Director of the Company;
- (e) Outcome of the legal suits disclosed above adjudged in favour of the Group; and
- (f) Successful grant and implementation of Judicial Management Order.

These factors above indicate presence of multiple material uncertainties that are significant to the financial statements. However, notwithstanding this, the Group and the Company have prepared its financial statements based on the assumption that it would continue to operate as a going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

Based on evaluation of the above factors considered by the Directors, the auditor determined there are insufficient evidences to address the multiple material uncertainties and the financial statements do not include adjustments and reclassification that may be necessary as a result of these uncertainties.

B16) 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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