

EDEN INC. BERHAD (36216-V)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2008

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the investment properties which are stated at fair value, in accordance with Financial Reporting Standards (“FRS”) 140. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2007 was not qualified.

3. Segmental Information

3 months ended		6 months ended	
30.6.2008	30.6.2007	30.6.2008	30.6.2007
RM'000	RM'000	RM'000	RM'000

Segment Revenue

Revenue from continuing operations:

Energy Sector	46,934	43,503	94,177	85,661
F&B and Tourism Sector	7,990	8,416	16,062	17,244
Manufacturing Sector	6,428	7,221	12,407	12,248
Investment Sector	1,524	5,407	1,638	10,404
Others	-	-	-	-
Total revenue including inter-segment sales	62,876	64,547	124,284	125,557
Elimination of inter-segment sales	(1,620)	(5,510)	(1,793)	(10,691)
Total revenue from continuing operations	61,256	59,037	122,491	114,866
Revenue from discontinued operation	-	-	-	-
Total	61,256	59,037	122,491	114,866

3. Segmental Information (Contd.)

	3 months ended		6 months ended	
	30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
Segment Results				
Results from continuing operations:				
Energy Sector	4,443	1,707	9,932	5,152
F&B and Tourism Sector	(790)	300	(1,543)	(214)
Manufacturing Sector	211	648	412	521
Investment Sector	(3,050)	1,898	(6,250)	3,577
Others	-	-	(1)	(3)
	814	4,553	2,550	9,033
Eliminations	(468)	(4,362)	(230)	(7,910)
Total results from continuing operations	346	191	2,320	1,123
Results from discontinued operation	-	-	-	-
Total	346	191	2,320	1,123

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter under review.

5. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter under review.

6. Comments about Seasonal or Cyclical Factors

There is no seasonal or cyclical effect on the Energy and Manufacturing sector. However, the performance of Food & Beverages and Tourism sector is affected positively by major festivals and school holidays.

7. Dividends Paid

There was no dividend paid to the shareholders in the current quarter under review.

8. Carrying Amount of Revalued Assets

The carrying amount of property, plant and equipment is recorded at cost and has been brought forward without amendment from the financial statements for the year ended 31 December 2007.

9. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares in the current quarter under review.

10. Changes in Composition of the Group

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

11. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2008 is as follows:

	RM'000
Approved and contracted for	153
Share of capital commitments of associates	-
	<u>153</u>

12. Changes in Contingent Liabilities and Contingent Assets

- i) The total contingent liabilities of the Group as at 30 June 2008 is RM49.366 million consisting of corporate guarantees to banks for credit facilities granted to the subsidiaries.
- ii) Under the Clause 5.3 Operating Rate Adjustment of the Power Purchase Agreement (“PPA”) signed between Stratavest Sdn Bhd (“Stratavest”) and Sabah Electricity Sdn Bhd (“SESB”), the company is entitled to claim on the adjustments made on the rates used in calculating the capacity payment and energy payment. For the period up to June 2008, an amount of RM9.041 million has not been recognised as income since the commercial operations of the plant.
- iii) Under the Clause 6.6 Other Payments of the PPA, Stratavest is entitled to claim late payment’s charges from SESB on overdue payment from the date on which such payment became overdue and until the date such payment is paid in full. An amount of RM2.714 million late payment charges for the period up to June 2008 has not been recognised in the period under review.

13. Subsequent Event

On 22 August 2008, Stratavest has completed its proposed early redemption of RM276,675,000 of Al-Bai Bithaman Ajil Serial Bonds. The outstanding principal balance as at 22 August 2008 was RM77,000,000.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

14. Performance Review

The Group's revenue for the quarter ended 30 June 2008 was RM61.256 million, RM2.219 million or 4% higher than RM59.037 million recorded in the corresponding quarter ended 30 June 2007. Higher revenue was recorded in the current quarter mainly attributed to Energy Sector.

As a result, the Group reported Profit Before Tax of RM0.346 million against RM0.191 million recorded in the corresponding quarter despite of less favourable performance by other sectors due to the prevailing economic downturn.

15. Comment on Material Change in Profit Before Taxation ("PBT")

The Group's profit before tax for the current quarter ended 30 June 2008 was RM0.346 million, RM1.627 million lower than the preceding quarter ended 31 March 2008 due to the prevailing economic downturn.

16. Commentary on Prospects

The Group is expected to perform better in the remaining period of 2008 due to the improvement in operating sectors as follows:

- i) Energy Sector to maintain its 2007 performance mainly due to better performance from hydro power plant. Whilst medium fuel power plant will continue to be affected by the escalating cost of consumables which is reflected in its operating costs but are being mitigated by adjustments from Variable Operating Rate and Fixed Operating Rate;
- ii) F&B and Tourism Sector is expected to perform better in 2008 due to better catering and tourism business; and
- iii) Manufacturing Sector is also expected to perform better in 2008 due to the improvement in export market.

17. Profit Forecast or Profit Guarantee

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

18. Income Tax Expense

	3 months ended		6 months ended	
	30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
Current tax:				
Malaysian income tax	169	398	337	556
Deferred tax	995	675	2,211	1,198
Total income tax expense	1,164	1,073	2,548	1,754

The effective tax rates for the year was higher than the statutory tax rate of 27% principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

19. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties in the current quarter under review.

20. Quoted Securities

There was no purchase or disposal of quoted securities in the current quarter under review.

21. Corporate Proposals

EDEN had on 1 November 2007 via its announcement to Bursa Malaysia, proposed a Private Placement of 30,000,000 new ordinary shares of RM1.00 each in EDEN at an issue price to be fixed later.

As at the date of this announcement, Securities Commission's application pursuant to the proposed Private Placement has not been made. It is targeted to be submitted by the third quarter of 2008.

22. Borrowings

Group borrowings and debt securities as at 30 June 2008 denominated in Ringgit Malaysia were:

	As at 30.6.2008 RM'000	As at 31.12.2007 RM'000
Short term borrowings		
Secured	44,628	51,370
Long term borrowings		
Secured	223,743	222,845
	268,371	274,215

Included in the short term borrowings are bank overdrafts amounting to RM10.764 million. (2007: RM10.862 million)

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk in the current quarter under review.

24. Changes in Material Litigations

As at the reporting date, there were no changes in material litigations, save for the following pending material litigations since the last annual balance sheet date of 31 December 2007:

- i) Defamation suit by LKE Electric (M) Sdn Bhd ("LKE") naming a director and shareholder of Time Era Sdn Bhd (Time Era), as the First Defendant, and Cur (Far East) Sdn Bhd ("Cur"), a subsidiary of Time Era, as the Second Defendant for RM5 million for exemplary and aggravated damages. The defendants' solicitors have filed a defence on behalf of the defendants. Date for case management has not yet been fixed by Court;
- ii) Defamation suit by LKE and Mr. Soh Kim Wat @ Soh Kim Leng ("The Plaintiffs") naming a director and shareholder of Time Era, as the First Defendant, and NES Electric (M) Sdn Bhd ("NES"), a subsidiary of Time Era, as the Second Defendant. The parties agreed on an out-of-court settlement in the sum of RM13,000 and the above-mentioned suit has been withdrawn with no order as to costs;

- iii) A suit by Eden Inc. Berhad (“EDEN”) against Sriwani Duty Free Centre (Langkawi) Sdn. Bhd. (“SDFC”) as the First Defendant, Dato’ Chuan Hooi Huat (who is the former director of EDEN and Sriwani Holdings Berhad (“SHB”) as the Second Defendant and Mr. Terry Wong Soo Teng, (who is the former Director of EDEN and the present director of SHB) as the Third Defendant, for Tort of Conspiracy in respect of a lease agreement entered into between EDEN and SDFC on 20 August 2002 (“Lease Agreement”) for RM52,657,920. A mention of our Notice of Appeal to Judge in Chambers (with respect to the Court’s decision of allowing the Defendants’ application to amend their Defence), has now been fixed on 15 October 2008;
- iv) A suit by SHB as the Plaintiff, naming Zil Enterprise Sdn Bhd (being a major shareholder of EDEN) as the First Defendant and EDEN as the Second Defendant alleging that EDEN Group owed the Plaintiff RM3,043,537.93 by way of inter company debts. The Defendants’ application to amend the defence and counter-claim was allowed by the Court on 7 September 2005. The matter which was fixed on 26 August 2008 has now been adjourned to 6 November 2008, where the Plaintiff shall show cause as to why the matter ought not be struck out or dismissed for failure of prosecution; and
- v) Thum Soon Yin, a former employee of EDEN, had initiated a claim for compensation from EDEN amounting to RM1,284,118.82. Written submissions have been filed by both, Thum Soon Yin and EDEN. Thum Soon Yin and EDEN are now awaiting a decision by the Industrial Court.

25. Dividend Payable

No dividend has been declared in the current quarter under review.

26. Earnings Per Share

(a) Basic

The basic earning per share of the Group was calculated by dividing the net profit for the year by the weighted average number of ordinary shares of RM1.00 each in issue to the public as follows:

	3 months ended		6 months ended	
	30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
Profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	(764)	(984)	105	(701)
Profit/(loss) from discontinued operation attributable to ordinary equity holders of the parent	-	-	-	-
Profit/(loss) attributable to ordinary equity holders of the parent	(764)	(984)	105	(701)
Weighted average number of ordinary shares in issue	311,362	301,121	311,361	301,116
Basic earnings/(loss) per share (in sen) for:				
Profit/(loss) from continuing operations	(0.25)	(0.33)	0.03	(0.23)
Profit/(loss) from discontinued operation	-	-	-	-
Profit/(loss) for the period	(0.25)	(0.33)	0.03	(0.23)

(b) Diluted

For the purpose of calculating diluted earnings per share, was calculated by dividing the adjusted net profit for the year by the weighted average number of ordinary shares of RM1.00 each, ICULS and warrants in issue to the public as follows:

	3 months ended		6 months ended	
	30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
Profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	(764)	(984)	105	(701)
After-tax effect of interest on ICULS (RM'000)	-	46	-	93
Profit/(loss) from continuing operations attributable to equity holders of the parent including assumed conversion	(764)	(938)	105	(608)
Profit/(loss) from discontinued operation attributable to ordinary equity holders of the parent	-	-	-	-
Profit/(loss) attributable to ordinary equity holders of the parent including assumed conversion	(764)	(938)	105	(608)
Weighted average number of ordinary shares in issue	311,362	301,121	311,361	301,116
Effects of dilution:				
Weighted average number of ICULS	-	10,149	-	10,149
Weighted average number of warrants	-	12,150	3,038	12,150
Adjusted weighted average number of ordinary shares in issue and issuable	311,362	323,420	314,399	323,415
Diluted earnings/(loss) per share (in sen) for:				
Profit/(loss) from continuing operations	(0.25)	(0.29)	0.03	(0.19)
Profit/(loss) from discontinued operation	-	-	-	-
Profit/(loss) for the period	(0.25)	(0.29)	0.03	(0.19)

The diluted Earning per Share (EPS) is not shown as the effect of the computation of the diluted EPS is anti-dilutive.

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with resolution of the Directors on 28 August 2008.

By order of the Board.

Date: 28 August 2008