



EDEN INC. BERHAD

(Co. No. 36216-V)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

	Note	3 months ended			3 months ended		
		31.03.2019 (RM'000)	31.03.2018 (RM'000)	Changes %	31.03.2019 (RM'000)	31.03.2018 (RM'000)	Changes %
Revenue	10	10,896	22,080	(51)	10,896	22,080	(51)
Cost of sales		(5,773)	(17,928)	(68)	(5,773)	(17,928)	(68)
Gross profit		5,123	4,152	23	5,123	4,152	23
Other income	8	3,140	1,341	134	3,140	1,341	134
Administrative expenses		(6,144)	(5,842)	5	(6,144)	(5,842)	5
Selling and marketing expenses		(255)	(300)	(15)	(255)	(300)	(15)
Other expenses	9	(442)	(413)	7	(442)	(413)	7
Operating gain/(loss)		1,422	(1,062)	(234)	1,422	(1,062)	(234)
Finance costs		(1,315)	(1,995)	(34)	(1,315)	(1,995)	(34)
Share of profit of associates		-	-	-	-	-	-
Profit/(loss) before taxation		107	(3,057)	(104)	107	(3,057)	(104)
Income tax (expense)/credit	19	(31)	(20)	55	(31)	(20)	55
Profit/(loss) for the year representing total comprehensive gain/(loss) for the year		76	(3,077)	(102)	76	(3,077)	(102)
Total comprehensive gain/(loss) attributable to:							
Equity holders of the Company		411	(2,996)	(114)	411	(2,996)	(114)
Non-controlling interests		(335)	(81)	314	(335)	(81)	314
		76	(3,077)	(102)	76	(3,077)	(102)
Earnings/(loss) per share attributable to equity holders of the Company (sen)							
- Basic	25	0.11	(0.96)		0.11	(0.96)	
- Diluted	25	0.05	(0.96)		0.05	(0.96)	

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	As At 31.03.2019 RM'000 (Unaudited)	As At 31.12.2018 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	66,809	67,172
Investment properties		193,313	192,293
Land use rights		208	250
Finance lease receivables		11,772	11,772
Investment in associates		40	40
Other investments		8	8
Trade and other receivables		64,574	63,805
Other asset		1,373	1,383
Deferred tax assets		25,776	28,775
		<u>363,873</u>	<u>365,498</u>
Current assets			
Inventories		13,412	12,473
Trade and other receivables		11,442	9,837
Finance lease receivables		574	765
Other current assets		489	450
Cash and bank balances		4,417	11,285
		<u>30,334</u>	<u>34,810</u>
Total assets		<u>394,207</u>	<u>400,308</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		323,362	321,762
Accumulated losses		(75,814)	(76,225)
		<u>247,548</u>	<u>245,537</u>
Non-controlling interests		<u>1,504</u>	<u>1,839</u>
Total equity		<u>249,052</u>	<u>247,376</u>
Non-current liabilities			
Deferred income		2,860	3,105
Loans and borrowings	22	20,454	30,486
Deferred tax liabilities		4,202	3,926
		<u>27,516</u>	<u>37,517</u>
Current liabilities			
Trade and other payables		55,030	54,575
Loans and borrowings	22	54,442	50,912
Deferred income		1,724	3,258
Tax payable		6,443	6,670
		<u>117,639</u>	<u>115,415</u>
Total liabilities		<u>145,155</u>	<u>152,932</u>
Total equity and liabilities		<u>394,207</u>	<u>400,308</u>
Net assets per share (RM)		0.77	0.76

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



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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

	-Non-Distributable-	<Distributable>				
	Share capital RM'000	Accumulated losses RM'000	Total RM'000	Attributable to owners of the Company RM'000	Non- controlling Interest RM'000	Total equity RM'000
At 1 January 2019	321,762	(76,225)	245,537	245,537	1,839	247,376
Conversion of Redeemable of Convertible Notes	1,600	-	1,600	1,600	-	1,600
Total comprehensive income/(expense)	-	411	411	411	(335)	76
At 31 March 2019	323,362	(75,814)	247,548	247,548	1,504	249,052
At 1 January 2018	311,362	(49,570)	261,792	261,792	3,779	265,571
Total comprehensive income/(expense)	-	(2,996)	(2,996)	(2,996)	(81)	(3,077)
At 31 March 2018	311,362	(52,566)	258,796	258,796	3,698	262,494

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Cash flow from operating activities		
Profit/(loss) before taxation	107	(3,057)
Adjustment for:		
Interest income	(986)	(187)
Interest expense	1,315	1,995
Net fair value adjustment on investment properties	(1,020)	-
Depreciation and amortisation	1,291	3,989
Amortisation of deferred income	(1,779)	(569)
Inventories written down	463	-
Operating cash flows before changes in working capital	<u>(609)</u>	<u>2,171</u>
<u>Changes in working capital</u>		
Changes in inventories	(1,402)	(1,302)
Changes in trade and other receivables	1,371	633
Changes in trade and other payables	(128)	1,627
Changes in related parties movement	(776)	(15)
Cash generated from operating activities	<u>(1,544)</u>	<u>3,114</u>
Net income tax paid	(31)	(20)
Interest paid	(1,315)	(1,995)
Net cash generated from/(used in) operating activities	<u>(2,890)</u>	<u>1,099</u>
Cash flows from investing activities		
Purchase of property, plant and equipments	(62)	-
Interest received	986	187
Net cash generated from/(used in) investing activities	<u>924</u>	<u>187</u>
Cash flows from financing activities		
Increase/(decrease) of deposit with licensed banks and financial institution	3,789	761
Proceeds from issuance of RCN	1,250	-
Drawdown of term loan	14,093	-
Net repayment of loans and borrowings	(10,172)	(14,315)
Net cash generated from/(used in) financing activities	<u>8,960</u>	<u>(13,554)</u>
Net decrease in cash and cash equivalents	6,994	(12,268)
Cash and cash equivalent at beginning of year	(10,233)	1,968
Cash and cash equivalents at end of period	<u>(3,239)</u>	<u>(10,300)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	4,417	3,194
Deposits with licensed banks and financial institution	(4,631)	(426)
Bank overdraft	(3,025)	(13,068)
	<u>(3,239)</u>	<u>(10,300)</u>

The above Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

The explanatory notes attached to the condensed consolidated 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 year ended 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2018.

The adoption of the Amendments to MFRSs and Issues Committee (IC) that came into effect on 1 January 2019 did not have any material impact on the condensed consolidated interim financial statements upon their initial application.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

There were no seasonal or cyclical effects for the Energy and Manufacturing Sector. However, the performance of Food & Beverages and Tourism Sector is affected positively by the major festivals and school holidays.

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 financial period ended 31 March 2019.

5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

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

6. DEBT AND EQUITY SECURITIES

- 1) During the quarter the Company issued 13,333,332 new ordinary shares due to the conversion of Redeemable Convertible Notes ("RCN").
- 2) Other than above, there are no cancellation, repurchase, resale and repayment of debt and equity securities during the financial year-to-date.

7. DIVIDENDS PAID

There was no dividend paid to the shareholders for the current financial period to date.

8. OTHER INCOME

	3 months ended		3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Interest income:				
Holding company	770	-	770	-
Fixed deposits	44	5	44	5
Finance lease interest	172	182	172	182
	<u>986</u>	<u>187</u>	<u>986</u>	<u>187</u>
Other income:				
Rental income	254	240	254	240
Amortisation of deferred income	569	569	569	569
Gain on fair value adjustments of investment properties	1,020	-	1,020	-
Miscellaneous income	311	345	311	345
	<u>2,154</u>	<u>1,154</u>	<u>2,154</u>	<u>1,154</u>
	<u>3,140</u>	<u>1,341</u>	<u>3,140</u>	<u>1,341</u>

9. OTHER EXPENSES

	3 months ended		3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Depreciation	398	357	398	357
Miscellaneous expenses	44	56	44	56
	<u>442</u>	<u>413</u>	<u>442</u>	<u>413</u>

10. SEGMENTAL INFORMATION

Segmental results by business activities:

RESULTS FOR THE QUARTER

	Energy			F&B and Tourism			Manufacturing			Investment			Eliminations		Total		
	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000	Changes %
Revenue																	
Sales to external customers	2,911	12,894	(77)	6,422	5,985	7	1,563	3,201	(51)	-	-	-	-	-	10,896	22,080	(51)
Inter-segment sales	-	450	(100)	-	-	-	-	-	-	424	535	(21)	(424)	(985)	-	-	-
Total segment revenue	2,911	13,344	(78)	6,422	5,985	7	1,563	3,201	(51)	424	535	(21)	(424)	(985)	10,896	22,080	(51)
Results																	
Other income	1,553	757	105	169	415	(59)	2	(43)	(105)	2,894	1,667	74	(1,478)	(1,455)	3,140	1,341	134
Segment profit/(loss)	(2,210)	(3,933)	(44)	2,140	2,100	2	(883)	(669)	32	1,022	(570)	(279)	38	15	107	(3,057)	(104)

RESULTS FOR YEAR-TO-DATE

	Energy			F&B and Tourism			Manufacturing			Investment			Eliminations		Total		
	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	Changes %	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000	Changes %
Revenue																	
Sales to external customers	2,911	12,894	(77)	6,422	5,985	7	1,563	3,201	(51)	-	-	-	-	-	10,896	22,080	(51)
Inter-segment sales	-	450	(100)	-	-	-	-	-	-	424	535	(21)	(424)	(985)	-	-	-
Total segment revenue	2,911	13,344	(78)	6,422	5,985	7	1,563	3,201	(51)	424	535	(21)	(424)	(985)	10,896	22,080	(51)
Results																	
Other income	1,553	757	105	169	415	(59)	2	(43)	(105)	2,894	1,667	74	(1,478)	(1,455)	3,140	1,341	134
Segment profit/(loss)	(2,210)	(3,933)	(44)	2,140	2,100	2	(883)	(669)	32	1,022	(570)	(279)	38	15	107	(3,057)	(104)
Segment assets	224,444	227,429	(1)	120,217	123,561	(3)	12,794	19,695	(35)	329,489	368,888	(11)	(292,737)	(324,749)	394,207	414,824	(5)
Segment liabilities	218,252	223,750	(2)	87,057	63,847	36	7,095	10,010	(29)	106,859	153,897	(31)	(274,108)	(280,611)	145,155	170,893	(15)

11. 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 2018.

12. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2019 and 31 December 2018 are as follows:

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	6,093	6,155

13. CHANGES IN COMPOSITION OF THE GROUP

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

14. MATERIAL EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There were no material events subsequent to the end of the interim period reported which have not been reflected in the financial statements.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. PERFORMANCE REVIEW

(a) 1Q 2019 vs. 1Q 2018

The Group recorded a turnaround in Profit Before Tax ("PBT") of RM0.11 million for the current quarter ended 31 March 2019 ("1Q 2019") compared to the Loss Before tax ("LBT") of RM3.06 million recorded in the corresponding quarter ended 31 March 2018 ("1Q 2018"). The performance of the Group had significantly improved due to the improved performance of the Energy Sector due to the savings in cost of sales and higher other income.

Energy Sector: The sector recorded revenue and LBT of RM2.91 million and RM2.21 million respectively in 1Q 2019 as compared to 1Q 2018 of RM12.89 million and RM3.93 million respectively. Despite the lower revenue, lower losses had been recorded during 1Q 2019 due to lower cost of sales and higher interest income during the quarter.

Food & Beverage and Tourism Sector: The sector recorded revenue and Profit Before Tax ("PBT") of RM6.42 million and RM2.14 million respectively as compared to 1Q 2018 of RM5.98 million and RM2.10 million respectively. The marginal increase in the PBT was derived from higher revenue recorded by tourism segment but offset by the decline in other income.

Manufacturing Sector: The sector recorded LBT of RM0.88 million as compared to RM0.67 million in 1Q 2018. This was mainly due to lower revenue arising from the scaling down of its switchgear business but mitigated by the lower staff costs in 1Q 2019.

16. COMMENT ON MATERIAL CHANGE IN LOSS BEFORE TAXATION OF CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Quarter Ended		
	31.03.2019 RM'000	31.12.2018 RM'000	Changes %
Revenue	10,896	14,158	(23)
Cost of sales	(5,773)	(7,932)	(27)
Gross profit	5,123	6,226	(18)
Other income	3,140	1,836	71
Administrative expenses	(6,144)	(5,417)	13
Selling and marketing expenses	(255)	(341)	(25)
Other expenses	(442)	(2,012)	(78)
Operating profit/(loss)	1,422	292	387
Finance costs	(1,315)	(1,863)	(29)
Profit/(loss) before taxation	107	(1,571)	(107)

As compared to the preceding quarter ended 31 December 2018 ("4Q 2018"), the Group recorded an improvement in profitability mainly attributed to lower other expenses due to the impairment made on inventories in 4Q 2018 as well as higher other income. This was offsetted by lower revenue generated by all sectors.

17. COMMENTARY ON PROSPECTS

Year 2019 is expected to be a better year for the Group with the Kenerong Hydro plant generating from four (4) turbines as compared to only from two (2) turbines for most part of 2018.

In relation to Libaran Plant operations, the recommencement of operations by end of the first half of the year should allow the company to contribute to the revenue of the Group and an improved performance for the year. This is made possible with the finalisation of the new fuel supply arrangement during this quarter.

Tourism business in the F&B and Tourism Sector will continue to contribute positively to the performance of the Group supported by the ongoing refurbishment and upgrading projects to attract more visitors to visit Underwater World Langkawi ("UWL").

The Manufacturing Sector will focus more on the LED business and has scaled down the switchgear business.

Based on the above, the Group expects to show an improvement in its 2019 performance primarily driven by the improved and continuous generation of both the power plants and the completion of the refurbishment and upgrading works in UWL.

18. PROFIT FORECAST OR PROFIT GUARANTEE

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

19. INCOME TAX EXPENSE

	3 months ended		3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Current tax:				
Malaysian income tax	(31)	(20)	(31)	(20)
Deferred tax	-	-	-	-
Total income tax expense	<u>(31)</u>	<u>(20)</u>	<u>(31)</u>	<u>(20)</u>

The effective tax rate for the year was higher than the statutory tax rate of 24% 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.

20. CORPORATE PROPOSALS

New Issue Of Securities (Chapter 6 Of Listing Requirements) - Combination Of New Issue Of Securities

Since the last quarter report ended 31 December 2018, the following are the changes:

Redeemable Convertible Notes ("RCN")

As at the date of reporting, the Company has issued forty-four (44) Sub-Tranches under Tranche 1 of the RCN amounting to RM1.50 million of which RM1.0 million was issued in January 2019; RM0.25 million was issued in March 2019 and RM0.25 million was issued in April 2019. Following the aforesaid issuance, RCNs of RM1.6 million were converted into a total of 13,333,332 new ordinary shares of the Company.

As at the date of this report, the status of the utilisation of the proceeds which summarised under three (3) broad purposes from the RCN is as follows:

Purpose		Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation
1)	Repayment of the Group's borrowings	24,000	-	Within three (3) years
2)	Finance the working capital requirements and/or capital expenditure requirements of the Group	30,100	10,679	Within two (2) and three (3) years
3)	Defray fees and expenses in connection to the issuance of the Notes	5,900	1,821	Within three (3) years
TOTAL		60,000	12,500	

21. TRADE RECEIVABLES

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Trade receivables	15,815	18,902
Less: Allowance for impairment	(11,432)	(12,908)
	<u>4,383</u>	<u>5,994</u>

The ageing analysis of the Group's trade receivables as at 31 March 2019 is as follows:

	1,668	545
Current		
More than 30 days past due	537	1,477
More than 60 days past due	548	1,916
More than 90 days past due	106	2,056
More than 120 days past due	1,524	-
	<u>2,715</u>	<u>5,449</u>
Impaired	11,432	12,908
	<u>15,815</u>	<u>18,902</u>

22. LOANS AND BORROWINGS

Group loans and borrowings as at 31 March 2019 and 31 December 2018 denominated in Ringgit Malaysia were:

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured:		
Bank overdraft	3,025	13,098
Bank-Guaranteed Sukuk Musharakah	10,000	10,000
Bridging loan	-	556
Bank loans	40,926	26,392
Obligation under finance lease	241	266
Redeemable Convertible Notes	250	600
	<u>54,442</u>	<u>50,912</u>
Non-current		
Secured:		
Bank-Guaranteed Sukuk Musharakah	20,000	30,000
Obligation under finance lease	454	486
	<u>20,454</u>	<u>30,486</u>
Total loans and borrowings		
Bank overdraft	3,025	13,098
Bank-Guaranteed Sukuk Musharakah	30,000	40,000
Bridging loan	-	556
Bank loans	40,926	26,392
Obligation under finance lease	695	752
Redeemable Convertible Notes	250	600
	<u>74,896</u>	<u>81,398</u>

23. CHANGES IN MATERIAL LITIGATION

There was no material litigation against the Group as at the reporting date.

24. DIVIDEND PAYABLE

No dividend has been declared for the quarter under review.

25. EARNINGS/(LOSS) PER SHARE

(a) Basic

The basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the period attributable to the owners of the Company by the weighted average number of ordinary shares in issue to the public as follows:

	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to owners of the Company	411	(2,996)	411	(2,996)
	Number of shares ('000)			
Weighted average number of ordinary shares in issue	387,406	311,362	387,406	311,362
Basic earnings/(loss) per share (sen)	0.11	(0.96)	0.11	(0.96)

(b) Diluted

The calculation of diluted profit/(loss) per ordinary share for the period was based on profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to owners of the Company	411	(2,996)	411	(2,996)
	Number of shares ('000)			
Weighted average number of ordinary shares as at 31 March (basic)	387,406	311,362	387,406	311,362
Effect of conversion of convertible notes	400,000	-	400,000	-
Weighted average number of ordinary shares as at 31 March (basic)	787,406	311,362	787,406	311,362
Diluted loss per ordinary shares (sen)	0.05	(0.96)	0.05	(0.96)

26. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors has expressed unqualified opinion of the financial statements for the year ended 31 December 2018 and that their opinion is not modified in respect of the material uncertainty related to going concern.

- a) The material uncertainty disclosed in the preceding Annual Financial Statements are as follows:

"We draw attention to Note 2(e) to financial statements, which indicates that the Group reported loss after tax of approximately RM9.03 million for the financial year ended 31 December 2018 and, as of that date, the current liabilities of the Group and Company exceeded the current assets by RM80.61 million and RM106.50 million respectively. In addition, the Company reported operating cash outflows of RM10.91 million.

These factor indicates the existence of significant material uncertainties that may cast significant doubt of the Group's and Company's ability to continue as going concerns. Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis. The ability of the Group and of the Company to continue as going concerns are dependent on the continued support of its lenders and creditors, the timely and successful recommissioning of the two power plants as well as the sustainability and profitability of the entire power plants in the future, the timely collection of the amount due from its holding company, Zil Enterprise Sdn. Bhd. ("ZESB") as disclosed in Note 21 to the financial statements, and the timely completion of the planned disposal of lands of the Company.

During the year the Company has issued Redeemable Convertible Notes ("RCN") as disclosed in Note 31 to the financial statements. The Company would has available fund to improve profitability and cash flows of the Company to continue as going concern."

- b) The Group has taken the necessary steps to address the Key Audit Matters that related to the material uncertainty related to going concern which depends on the following:

- (i) Re-commissioning of the Group's power plants as well as sustainability and profitability of the power plants in the future

The Sungai Kenerong Hydro Power Plant had executed its full revival exercise following the damages due to the major flood. With the required repair and maintenance work performed on the civil, mechanical and electrical components of the plant which includes works on the intake stations, penstock, transmission lines, substations, turbines, generators and control rooms, all four units are now ready to continue its generations similar to the pattern prior to the unfortunate incidents.

Continuous maintenance activities had been planned for the plant in line with its requirement to ensure the profitability and sustainability of the plants operations. In addition, the plant will embark into an exercise to renew, refurbish and replace the relevant electronic components of the plant so as to ensure that it conforms with the latest technology and would ease its operations and maintenance ("O&M") activities for the remaining period of the concession.

As for the Libaran Power Station, the immediate partial recommissioning involving two out of the four diesel engines had been seen as the immediate optimum solution for the requirements of the Sabah State Grid. In the process the company is optimizing its available resources required to support the operations with expenditure required for the fuel, lubricants and other related O&M expenses.

The ability to continuously operate on half of the capacity will open the path towards the negotiation on the renewal of the concession which in turn would ascertain the plant profitable and sustainable operations.

26. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS (CONT'D.)

- b) The Group has taken the necessary steps to address the Key Audit Matters that related to the material uncertainty related to going concern which depends on the following: (cont'd.)

(ii) Recovery of amount due from ZESB

ZESB has paid approximately RM1.40 million and RM21.34 million in 2018 and 2017 respectively which has reduced the amount owing from ZESB to the Group. ZESB will continue to reduce the amount owing by monetizing its assets in its investment properties. The Group had entered into Deed of Assignment, whereby ZESB assigned its right in and to the net sale proceeds from the planned disposal of certain identified land of ZESB as settlement of the amount due to Stratavest Sdn. Bhd. ("STV"). As an assurance and commitment to the Group, ZESB has agreed and consented to the lodgement of a private caveat of four (4) identified lands by STV which was duly lodged on 28 July 2012.

(iii) Planned disposal of lands of the Company

Ketua Pengarah Tanah dan Galian Persekutuan ("JKPTG"), had on 5 April 2018 published gazette under section 8 of the Land Acquisition Act 1960 for Phase 1A mainly for the construction of the rail link line affecting Company's land under Lot 8911 with estimated area of 15.79 acres. However, the proposed acquisition of the remaining land for Phase 2 development, which is mainly for building the depot and maintenance centre has yet to be announced and gazette at this juncture.

On 12 April 2019, Malaysia Rail Link Sdn. Bhd. (MRL) and China Communications Construction Company Ltd. (CCCC) had signed a Supplementary Agreement that will pave way for the resumption of the ECRL project after suspension and lengthy negotiations between both parties.

The agreement also saw changes to the route from Kota Bharu in Kelantan to Port Klang in Selangor, with the length reduced by 40km to 648km. However, the realignment will not affect the Company's Proposed Land Acquisition as the adjusted route will divert the rail track only after Mentakab in Pahang to Negeri Sembilan, bypassing Bentong in Pahang and Gombak in Selangor as planned earlier.

(v) Continued support of the Group's lenders and creditors

As at 31 December 2018, the Group has recorded loans and borrowings and trade and other payables of RM81.40 million and RM54.57 million respectively.

With the expected recommissioning of the power plants, recovery of amount due from ZESB, a positive news on the planned disposal of lands related to ECRL project and issuance of RCN, the Group will be able to continually repay its outstanding borrowings/loans and creditors. This will reduce the current liabilities of the Group. The Group's cash flow position and liquidity is expected to improve and the going concern issue of the Group will be addressed.

27. AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with resolution of the Directors on 28 May 2019.

By order of the Board.

Date: 28 May 2019