



**EDEN INC. BERHAD**

Registration No. 197701005144 (36216-V)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 SEPTEMBER 2020**



**EDEN INC. BERHAD (197701005144 (36216-V))**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2020**

	Note	Individual Quarter			Cumulative Quarter		
		30.09.2020 (RM'000)	30.09.2019 (RM'000)	Changes %	30.09.2020 (RM'000)	30.09.2019 (RM'000)	Changes %
<b>Revenue</b>	10	8,385	18,629	(55)	8,385	18,629	(55)
Cost of sales		(2,520)	(10,072)	(75)	(2,520)	(10,072)	(75)
<b>Gross profit</b>		<b>5,865</b>	<b>8,557</b>	<b>(31)</b>	<b>5,865</b>	<b>8,557</b>	<b>(31)</b>
Other income	8	471	2,119	(78)	471	2,119	(78)
Administrative expenses		(3,692)	(4,979)	(26)	(3,692)	(4,979)	(26)
Selling and marketing expenses		(99)	(320)	(69)	(99)	(320)	(69)
Other expenses	9	(694)	(361)	92	(694)	(361)	92
<b>Operating profit</b>		<b>1,851</b>	<b>5,016</b>	<b>(63)</b>	<b>1,851</b>	<b>5,016</b>	<b>(63)</b>
Finance costs		(693)	(1,493)	(54)	(693)	(1,493)	(54)
<b>Profit before taxation</b>		<b>1,158</b>	<b>3,523</b>	<b>(67)</b>	<b>1,158</b>	<b>3,523</b>	<b>(67)</b>
Taxation	19	(157)	(676)	(77)	(157)	(676)	(77)
<b>Profit for the year representing total comprehensive income for the year</b>		<b>1,001</b>	<b>2,847</b>	<b>(65)</b>	<b>1,001</b>	<b>2,847</b>	<b>(65)</b>
<b>Total comprehensive income attributable to:</b>							
Equity holders of the Company		1,115	3,085	(64)	1,115	3,085	(64)
Non-controlling interests		(114)	(238)	(52)	(114)	(238)	(52)
		<b>1,001</b>	<b>2,847</b>	<b>(65)</b>	<b>1,001</b>	<b>2,847</b>	<b>(65)</b>
<b>Earnings per share attributable to equity holders of the Company (sen)</b>							
- Basic	25	0.28	0.78		0.28	0.78	
- Diluted	25	0.14	0.39		0.14	0.39	

The above Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2020**

	Note	As At 30.09.2020 RM'000 (Unaudited)	As At 30.06.2020 RM'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	49,919	50,575
Right-of-use assets		21,970	22,614
Investment properties		209,872	209,872
Deferred tax assets		35,922	35,922
Amount due from immediate holding company		34,188	34,188
Trade receivables		282	452
Other investments		54	54
		<u>352,207</u>	<u>353,677</u>
<b>Current assets</b>			
Inventories		4,249	4,552
Trade and other receivables		4,919	4,542
Amount due from immediate holding company		15,198	15,198
Tax recoverable		274	157
Cash and bank balances		8,359	9,194
		<u>32,999</u>	<u>33,643</u>
<b>Total assets</b>		<b><u>385,206</u></b>	<b><u>387,320</u></b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		324,862	324,862
Fair value reserve		46	46
Accumulated losses		(83,120)	(84,235)
		<u>241,788</u>	<u>240,673</u>
<b>Non-controlling interests</b>		<u>(363)</u>	<u>(249)</u>
<b>Total equity</b>		<u>241,425</u>	<u>240,424</u>
<b>Non-current liabilities</b>			
Borrowings	22	36,000	38,000
Lease liabilities		3,002	3,585
Deferred income		1,389	1,634
Deferred tax liabilities		21,702	21,702
		<u>62,093</u>	<u>64,921</u>
<b>Current liabilities</b>			
Trade and other payables		52,829	54,861
Borrowings	22	15,583	13,575
Lease liabilities		1,386	1,327
Deferred income		1,160	1,477
Tax payable		10,730	10,735
		<u>81,688</u>	<u>81,975</u>
<b>Total liabilities</b>		<u>143,781</u>	<u>146,896</u>
<b>Total equity and liabilities</b>		<b><u>385,206</u></b>	<b><u>387,320</u></b>
Net assets per share (RM)		0.74	0.74

The above Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to these interim financial statements.



EDEN INC. BERHAD (197701005144 (36216-V))  
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2020

	Attributable to Owners of the Parent			Total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	-Non-Distributable-					
	Share Capital RM'000	Fair value Reserve RM'000	Accumulated Losses RM'000			
<b>As at 1 July 2020</b>	324,862	46	(84,235)	240,673	(249)	240,424
Total comprehensive income/(expense)	-	-	1,115	1,115	(114)	1,001
<b>As at 30 September 2020</b>	<b>324,862</b>	<b>46</b>	<b>(83,120)</b>	<b>241,788</b>	<b>(363)</b>	<b>241,425</b>
<b>As at 1 July 2019</b>	323,862	-	(75,378)	248,484	1,219	249,703
Issuance of shares pursuant to conversion of Redeemable Convertible Notes	1,000	-	-	1,000	-	1,000
Total comprehensive income/(expense)	-	-	3,085	3,085	(238)	2,847
<b>As at 30 September 2019</b>	<b>324,862</b>	<b>-</b>	<b>(72,293)</b>	<b>252,569</b>	<b>981</b>	<b>253,550</b>

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2020 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 30 SEPTEMBER 2020

	30.09.2020 RM'000	30.09.2019 RM'000
<b>Cash flow from operating activities</b>		
Profit/(loss) before taxation	1,158	3,523
Adjustment for:		
Interest income	(7)	(1,010)
Interest expense	693	1,493
Depreciation of property, plant and equipment	857	1,213
Amortisation of right of use assets	694	-
Amortisation of deferred income	419	(814)
Operating cash flows before changes in working capital	3,814	4,405
<u>Changes in working capital</u>		
Changes in inventories	303	(1,959)
Changes in trade and other receivables	(325)	518
Changes in trade and other payables	(3,541)	1,163
Changes in related parties movement	-	(815)
Cash generated from operating activities	251	3,312
Net income tax paid	(157)	(676)
Interest paid	(693)	(1,493)
<b>Net cash generated from/(used in) operating activities</b>	(599)	1,143
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipments	(251)	(563)
Interest received	7	1,010
<b>Net cash generated from/(used in) investing activities</b>	(244)	447
<b>Cash flows from financing activities</b>		
Increase/(decrease) of deposit with licensed banks and financial institution	(1,768)	-
Proceeds from issuance of RCN	-	1,000
Net repayment of loans and borrowings	(492)	(1,706)
<b>Net cash generated from/(used in) financing activities</b>	(2,260)	(706)
Net decrease in cash and cash equivalents	(3,103)	884
Cash and cash equivalent at beginning of year	5,817	(3,991)
<b>Cash and cash equivalents at end of period</b>	<b>2,714</b>	<b>(3,107)</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	8,359	4,523
Deposits with licensed banks and financial institution	(2,145)	(4,631)
Bank overdraft	(3,500)	(2,999)
	<b>2,714</b>	<b>(3,107)</b>

The above Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2020 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 30 SEPTEMBER 2020**

**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 30 June 2020.

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 30 June 2020.

**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 30 June 2020.

The adoption of the Amendments to MFRSs and Issues Committee (IC) that came into effect on 1 January 2020 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 30 September 2020.

**5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

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

## 6. 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 in the current quarter.

## 7. DIVIDENDS PAID

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

## 8. OTHER INCOME

	Individual Quarter		Cumulative Quarter	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Interest income:				
Holding company	-	815	-	815
Fixed deposits	7	23	7	23
Finance lease interest	-	172	-	172
	<u>7</u>	<u>1,010</u>	<u>7</u>	<u>1,010</u>
Other income:				
Rental income	245	428	245	428
Amortisation of deferred income	-	569	-	569
Miscellaneous income	219	112	219	112
	<u>464</u>	<u>1,109</u>	<u>464</u>	<u>1,109</u>
	<u>471</u>	<u>2,119</u>	<u>471</u>	<u>2,119</u>

## 9. OTHER EXPENSES

	Individual Quarter		Cumulative Quarter	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Depreciation of plant, property and equipment	-	361	-	361
Amortisation of right of use assets	694	-	694	-
	<u>694</u>	<u>361</u>	<u>694</u>	<u>361</u>

**10. SEGMENTAL INFORMATION**

Segmental results by business activities:

**RESULTS FOR THE INDIVIDUAL QUARTER**

	Energy			F&B and Tourism			Manufacturing			Investment			Eliminations		Total		
	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000	Changes %
<b>Revenue</b>																	
Sales to external customers	5,958	12,775	(53)	2,427	5,330	(54)	-	524	(100)	-	-	-	-	-	8,385	18,629	(55)
Inter-segment sales	-	-	-	-	-	-	-	-	-	63	423	(85)	(63)	(423)	-	-	-
Total segment revenue	5,958	12,775	(53)	2,427	5,330	(54)	-	524	(100)	63	423	(85)	(63)	(423)	8,385	18,629	(55)
<b>Results</b>																	
Other income	98	1,559	(94)	157	114	38	-	199	(100)	422	1,879	(78)	(206)	(1,632)	471	2,119	(78)
Segment profit/(loss)	2,195	2,418	(9)	203	1,494	(86)	(263)	(579)	(55)	(973)	135	(821)	(4)	55	1,158	3,523	(67)

**RESULTS FOR THE CUMULATIVE QUARTER**

	Energy			F&B and Tourism			Manufacturing			Investment			Eliminations		Total		
	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000	Changes %
<b>Revenue</b>																	
Sales to external customers	5,958	12,775	(53)	2,427	5,330	(54)	-	524	(100)	-	-	-	-	-	8,385	18,629	(55)
Inter-segment sales	-	-	-	-	-	-	-	-	-	63	423	(85)	(63)	(423)	-	-	-
Total segment revenue	5,958	12,775	(53)	2,427	5,330	(54)	-	524	(100)	63	423	(85)	(63)	(423)	8,385	18,629	(55)
<b>Results</b>																	
Other income	98	1,559	(94)	157	114	38	-	199	(100)	422	1,879	(78)	(206)	(1,632)	471	2,119	(78)
Segment profit/(loss)	2,195	2,418	(9)	203	1,494	(86)	(263)	(579)	(55)	(973)	135	(821)	(4)	55	1,158	3,523	(67)
Segment assets	209,581	227,216	(8)	116,820	118,483	(1)	2,996	10,366	(71)	335,849	330,321	2	(280,040)	(291,401)	385,206	394,985	(2)
Segment liabilities	184,589	219,280	(16)	79,889	82,347	(3)	1,525	6,307	(76)	95,963	105,909	(9)	(218,185)	(272,410)	143,781	141,433	2



#### **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 30 June 2020.

#### **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 30 September 2020 and 30 June 2020 are as follows:

	<b>As at 30.09.2020 RM'000</b>	<b>As at 30.06.2020 RM'000</b>
<b>Capital expenditure</b>		
Approved but not contracted for:		
Property, plant and equipment	539	790

#### **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) July to September 2020 ("1Q 2021") vs. July to September 2019 ("3Q 2020")**

The Group recorded Profit Before Tax ("PBT") of RM1.16 million for the current quarter ended 30 September 2020 ("1Q 2021") compared to PBT of RM3.52 million recorded in the corresponding quarter ended 30 September 2019 ("3Q 2020"). Despite the significant decrease in revenue by 55% due to the impact of Covid-19 pandemic which primarily affected the Food and Beverage and Tourism Sector, the Group achieved the PBT due to the effective cost control measures implemented and the higher Net Electrical Output ("NEO") generated by the Sungai Kenerong Plant.

**Energy Sector:** The sector recorded revenue and PBT of RM5.96 million and RM2.19 million respectively in 1Q 2021 as compared to 3Q 2020 of RM12.77 million and RM2.42 million respectively. Despite the significant reduction in revenue as the Libaran Power Plant is still in the midst of negotiations on the extension of the operations, the marginal decrease in PBT was due to higher revenue generated by Sungai Kenerong Plant and lower financial expenses incurred in 1Q 2021.

**Food & Beverage and Tourism Sector:** Despite the challenging period, the sector recorded revenue and PBT of RM2.43 million and RM0.2 million respectively as compared to 3Q 2020 revenue and PBT of RM5.33 million and RM1.49 million respectively. The decline in revenue and profitability was due to the effect of the Covid-19 pandemic situation which affected consumer spending and tourism activities.

**Manufacturing Sector:** The sector recorded a lower LBT of RM0.26 million as compared to LBT of RM0.58 million in 3Q 2020. This was mainly due to lower operating expenses incurred during the quarter.

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

	Quarter Ended		
	30.09.2020 RM'000	30.06.2020 RM'000	Changes %
<b>Revenue</b>	8,385	4,494	87
Cost of sales	(2,520)	(3,326)	(24)
<b>Gross profit</b>	5,865	1,168	402
Other income	471	18,293	(97)
Administrative expenses	(3,692)	(8,622)	(57)
Selling and marketing expenses	(99)	(138)	(28)
Other expenses	(694)	(17,272)	(96)
<b>Operating profit/(loss)</b>	1,851	(6,571)	(128)
Finance costs	(693)	(52)	1,233
<b>Profit/(loss) before taxation</b>	1,158	(6,623)	(117)

The Group achieved PBT of RM1.16 million for 1Q 2021, compared to Loss Before Tax (LBT) of RM6.62 million in the preceding quarter ended 30 June 2020 ("6Q 2020"). The improvement in profitability was mainly attributed to the significantly lower operating expenses due to absence of impairment made on receivables and inventories in 6Q 2020 as well as higher revenue recorded in 1Q 2021 as a result of higher revenue recorded by Energy Sector and tourism segment.

**17. COMMENTARY ON PROSPECTS**

The Government of Malaysia has extended the Recovery Movement Control Order (RMCO) to 31 December 2020 and currently imposed Conditional Movement Control Order (CMCO) in certain states of Malaysia due to the third wave of the Covid-19 pandemic. The Group is expected to face challenges in ensuring satisfactory results for the remaining financial year ended 30 June 2021 ("FYE 2021").

The Energy Sector, driven by Musteq Hydro Sdn. Bhd.'s Sungai Kenerong Hydro Power Plant, is expected to continue its positive contribution to the Group throughout the FYE 2021 by optimising the operations of all its four turbines. Stratavest Sdn. Bhd.'s, Libaran Power Plant is expected to recommence its operations in year 2021.

Despite the Covid-19 pandemic negatively impacting the Food & Beverage and Tourism Sector, the Tourism segment is expected to contribute positively to the Group with several northern states being designated as a green zone and UWL introducing new attractions in the 2Q 2021 to capitalize on the local tourism.

The Manufacturing Sector will continue its efforts in securing projects in the LED business segment.

**18. PROFIT FORECAST OR PROFIT GUARANTEE**

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

**19. TAXATION**

Individual Quarter		Cumulative Quarter	
30.09.2020	30.09.2019	30.09.2020	30.09.2019
RM'000	RM'000	RM'000	RM'000

Current tax:				
Malaysian income tax	(157)	(676)	(157)	(676)
Deferred tax	-	-	-	-
Total income tax expense	<u>(157)</u>	<u>(676)</u>	<u>(157)</u>	<u>(676)</u>

The effective tax rate for the current financial quarter was lower than the statutory tax rate of 24% mainly due to lower taxable income.

**20. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS**

Utilisation of Proceeds from Issuance of Redeemable Convertible Notes ("RCN")

Since the last quarter report ended 30 June 2020, there was no issuance of securities in the current quarter under review.

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	11,596	Within two (2) and three (3) years
3)	Defray fees and expenses in connection to the issuance of the Notes	5,900	1,904	Within three (3) years
<b>TOTAL</b>		<b>60,000</b>	<b>13,500</b>	

## 21. TRADE RECEIVABLES

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
Trade receivables	16,351	16,625
Less: Allowance for impairment	(14,342)	(14,360)
	2,009	2,265

The ageing analysis of the Group's trade receivables as at 31 March 2020 is as follows:

Current	1,991	1,425
<i>Past due not impaired</i>		
Less than 30 days	2	18
31 to 60 days	-	2
61 to 90 days	-	52
More than 90 days	16	252
	18	324
Impaired	14,342	14,876
	16,351	16,625

## 22. BORROWINGS

Group loans and borrowings as at 30 September 2020 and 30 June 2020 denominated in Ringgit Malaysia were:

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
<b>Current</b>		
Secured:		
Bank overdraft	3,500	3,000
Bank loans	12,083	10,575
	15,583	13,575
<b>Non-current</b>		
Secured:		
Bank loans	36,000	38,000
	36,000	38,000
<b>Total borrowings current and non-current</b>		
Bank overdraft	3,500	3,000
Bank loans	48,083	48,575
	51,583	51,575

### 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 PER SHARE

#### (a) Basic

The basic earnings per share are calculated based on the consolidated profit for the financial period attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial period as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit attributable to owners of the Company	1,115	3,085	1,115	3,085
	Number of shares ('000)			
Weighted average number of ordinary shares in issue	399,377	394,036	399,377	394,036
Basic earnings per share (sen)	0.28	0.78	0.28	0.78

#### (b) Diluted

The diluted earnings per share has been calculated based on the adjusted consolidated profit for the period attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial period have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit attributable to owners of the Company	1,115	3,085	1,115	3,085
	Number of shares ('000)			
Weighted average number of ordinary shares as at 31 December (basic)	399,377	394,036	399,377	394,036
Effect of conversion of convertible notes	387,500	387,500	387,500	387,500
Weighted average number of ordinary shares as at 31 December (basic)	786,877	781,536	786,877	781,536
Diluted earnings per ordinary shares (sen)	0.14	0.39	0.14	0.39

## 26. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors has expressed **unqualified opinion** of the financial statements for the year ended 30 June 2020 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(a) to the financial statements, which indicates that as of 30 June 2020, the current liabilities of the Group and of the Company exceeded the current assets by RM48.33 million and RM83.37 million respectively. In addition, the Group and the Company have negative operating cash flows of RM2.16 million and RM10.35 million respectively.

These factors indicate the existence of significant material uncertainties that may cast significant doubt on the Group's and on the Company's abilities to continue as going concerns. Nevertheless, the financial statements of the Group and of the Company have been prepared on going concern basis. The abilities of the Group and of the Company to continue as going concerns are dependent on the continued support of their lenders, the timely and successful recommissioning of the Libaran Power Plant as well as the sustainability and profitability of the entire power plant in the future, the timely collection of the amount due from its holding company Zil Enterprise Sdn. Bhd. ("ZESB") and the timely completion of the planned disposal of investment properties.

During the financial period, the Group has obtained banking facilities of RM8.50 million which have yet to be drawn-down as of the reporting date. Also, the Company has issued Redeemable Convertible Notes ("RCN") of RM2.50 million during the financial period and has unissued Tranche 1 RCN amounting to RM6.50 million as of the reporting date. The Group and the Company would have available fund to improve the business operations, profitability and cash flows of the Group and of the Company to continue as going concern.

- b) 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

For the financial period ended 30 June 2020 ("FPE 2020"), the 20MW Sungai Kenerong Plant continues to contribute positively to the performance of the Group. The Sungai Kenerong Plant had carried out the necessary replacement, restoration, overhaul and maintenance work to ensure that the plant operates at its optimum level. This also includes the relevant civil works to strengthen further the access roads, pipeline and transmission line of the plant. This is in line with its requirements to ensure the profitability and sustainability of the plant's operations.

The Group will also ensure that its 20MW Sungai Kenerong Plant continues to contribute positively to the Group with the implementation of its "Zero-Outage" plan. The plant continues to explore the requirement for the Renewable Energy ("RE") generation capacity under the Sustainable Energy Development Authority (SEDA) and the potential to increase the generation capacity in RE.

## **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.)

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

As for Libaran Plant, the commencement of the operations is expected to commence upon obtaining the approvals from the relevant authorities. The Libaran Plant is expected to remain relevant in the industry due to the demand of installed capacity for the East Coast remaining a priority to enable less dependency on the supply of electricity from the West Coast of Sabah. At this juncture, Stratavest Sdn. Bhd. (STV) and Sabah Electricity Sdn. Bhd. are in the process of finalizing the terms and conditions in the new Power Purchase Agreement for the extension of operations of the Libaran Plant. The Libaran Plant is expected to recommence its operations in the first quarter of year 2021.

(ii) Recovery of amount due from ZESB

ZESB has paid approximately RM5.0 million in FPE 2020 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 lands of ZESB as settlement of the amount to 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) Continued support of the Group's lenders and creditors

As at 30 June 2020, the Group has recorded borrowings, trade and other payable, and lease liabilities of RM51.57 million, RM53.61 million and RM4.91 million respectively.

With the continuous operations of Sungai Kenerong Plant, expected recommissioning of the Libaran Plant, recovery of the amount due from ZESB, and the availability of RCN, the Group and the Company are confident that it would have available funds to improve the business operations, profitability and cash flows of the Group and of the Company to continue as going concern.

## **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 25 November 2020.

By order of the Board.

Date: 25 November 2020