

EQUATOR LIFE SCIENCE BERHAD

(Company No.: 640850-U)
Incorporated in Malaysia

Notes on the quarterly report – 31 March 2007

A. EXPLANATORY NOTES AS PER FRS134-INTERIM FINANCIAL REPORTING

A1. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with FRS134: Interim Financial Reporting, and the requirements of Chapter 9 Paragraph 9.22 (Appendix 9B) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ market.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2006, except for the accounting policies changes that are expected to be reflected in the 2007 annual financial statements. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised Financial Reporting Standards (“FRSs”) are discussed below:

- (a) FRS 117 : Leases;
FRS 124 : Related Party Disclosures; and
FRS 119 : Amendment to FRS119²⁰⁰⁴ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of FRS 124 and Amendment to FRS 119²⁰⁰⁴ does not have significant financial impact to the Group.

FRS 117 requires the classification of leasehold land as prepaid land lease payments. As a result, leasehold land which was previously classified under property, plant and equipment is now classified as prepaid lease land lease payments. The comparatives for leasehold land have been reclassified accordingly.

A2. Audit report

The preceding year annual audited financial statements were not subject to any qualification.

A3. Seasonal or cyclical factors

The Group’s interim operations were not affected by seasonal or cyclical factors.

A4. Unusual items

During the current quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5. Changes in estimates

There were no changes in the estimates of amounts reported that have a material effect on the results in the current quarter under review.

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A6. Issuance, cancellations, repurchases, resale and repayments of debts and equity securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities for the financial period under review.

A7. Dividends paid

There was no dividend paid during the current quarter under review.

A8. Segmental information

The Group operates predominantly in one industry and accordingly, there is only geographical and business segmental information to be presented.

For the individual quarter ended 31 March 2007

Analysis by Geographical Segments	Malaysia RM ('000)	European Countries RM ('000)	Other Asia Pacific region RM ('000)	Elimination RM ('000)	Consolidated RM ('000)
Revenue					
Revenue	304	4,288	18	-	4,610
Inter-segment sales	3,155	28	195	(3,378)	-
Total revenue	<u>3,459</u>	<u>4,316</u>	<u>213</u>	<u>(3,378)</u>	<u>4,610</u>
Results					
Segment result	(197)	(70)	9	-	(258)
Finance costs	(296)	(3)	-	-	(299)
(Loss)/Profit before tax	(493)	(73)	9	-	(557)
Income tax expense	-	-	-	-	-
(Loss)/Profit for the year	<u>(493)</u>	<u>(73)</u>	<u>9</u>	<u>-</u>	<u>(557)</u>

Note: There is no disclosure of business segment information as the Group operates principally within one industry.

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Segmental information (Cont'd)

For the cumulative quarter ended 31 March 2007

Analysis by Geographical Segments	Malaysia RM ('000)	European Countries RM ('000)	Other Asia Pacific region RM ('000)	Elimination RM ('000)	Consolidated RM ('000)
Revenue					
Revenue	304	4,288	18	-	4,610
Inter-segment sales	3,155	28	195	(3,378)	-
Total revenue	<u>3,459</u>	<u>4,316</u>	<u>213</u>	<u>(3,378)</u>	<u>4,610</u>
Results					
Segment result	(197)	(70)	9	-	(258)
Finance costs	(296)	(3)	-	-	(299)
(Loss)/Profit before tax	(493)	(73)	9	-	(557)
Income tax expense	-	-	-	-	-
(Loss)/Profit for the year	<u>(493)</u>	<u>(73)</u>	<u>9</u>	<u>-</u>	<u>(557)</u>

Note: There is no disclosure of business segment information as the Group operates principally within one industry.

A9. Adoption of new / revised FRS

The financial effects of changes in accounting policies as a result of the adoption of FRS 117 Leases to the previous year's comparatives are as follows:

	As previously stated RM ('000)	Adjustments RM ('000)	As restated RM ('000)
Property, plant and equipment	24,062	(6,997)	17,065
Prepaid land lease payments (non-current)	-	6,880	6,880
Prepaid land lease payments (current)	-	117	117
	<u>24,062</u>	<u>-</u>	<u>24,062</u>

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A10. Valuation of Property, Plant and Equipment

The property, plant and equipment of the Group have not been revalued for the current quarter under review.

A11. Materials events subsequent to the balance sheet date

There were no material events subsequent to the end of the current quarter under review that has not been reflected in the financial statements.

A12. Changes in the composition of the Group

Save as announced in the last quarter, there were no changes in the composition of the Group for the current quarter.

A13. Changes in contingent liabilities or contingent assets

There are no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2006 except as disclosed for the following:

Description of contingent liabilities	RM('000)
Corporate guarantee given to the financial institution for term loan and other bank facilities granted to a subsidiary company	9,100
Corporate guarantee given to the financial institution for hire purchase granted to a subsidiary company	1,663
	<hr/>
	10,763
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A14. Capital commitments

The amount of commitments for the purchase of land and building not provided for in the interim financial report as at 31 March 2007 were as follows:

	RM('000)
Approved and contracted for:	
- Acquisition of land and building	1,080
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A15. Significant Related Party Transactions

Significant related party transactions of the Group for the quarter ended 31 March 2007 are as follows:

	Individual Quarter 31 Mar 2007 RM ('000)	Cumulative Quarter 31 Mar 2007 RM ('000)
Other Related Parties		
* Jeo Jeo Plantation Sdn Bhd <i>Purchase of young plants materials and consumables</i>	137	137
** R.H. Van Leeuwen Beheer B.V. <i>Management fee</i>	51	51

Notes:

* The companies in which a close member of the family of Koh Ah Keng, Koh Yueh Lai and Koh Yueh Leong, directors of the company, has substantial financial interest.

** The company has entered into a joint venture agreement and management agreement with Equator on 1 August 2005 for the incorporation of a joint venture company, namely, EEBV and provision of management and consultancy services to EEBV respectively.

The Directors of the Company are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are no less favorable than those arranged with independent third parties.

A16. Cash and Cash Equivalents

Cash and cash equivalents included in the consolidated cash flow statement consist of:

	As of 31 Mar 2007 RM('000)
Cash and bank balances	1,426
Fixed deposit with a licensed bank	3,094
Bank overdraft facilities	(2,440)
	<hr/> 2,080
Less: Fixed deposits pledged to banks	(2,000)
Cash and cash equivalents	<hr/> <hr/> 80

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Group results for the current quarter ended 31 March 2007

For the current quarter ended 31 March 2007, the Group achieved unaudited revenue of approximately RM4.6 million and unaudited loss after tax of approximately RM0.6 million. This was mainly due to lower demand for our main product, Sansevieria. Further, the foreign exchange loss incurred due to the weakening of foreign currencies and the higher finance cost due to more utilisation of bank facilities.

B2. Material changes in profit after taxation for the current quarter compared to the immediate preceding quarter

The Group recorded a loss after tax for the current quarter of RM0.6 million, as compare to loss after tax of RM9.9 million in the immediate preceding quarter. This was mainly due to higher sales in the current quarter, impairment loss and doubtful debts provision in the immediate preceding quarter.

B3. Current year prospects

With the aggressive marketing expansion into China, Middle East and Eastern Europe market, as well as diversification in fertilizer industry, the directors are of the opinion that the Group will achieve an improved performance this year.

B4. Profit forecast

The Company did not provide any profit forecast in any public document for the current quarter ended 31 March 2007.

B5. Tax Expense

As the Group for the current quarter and financial year to date resulted in losses, no provision of taxation is required to be made.

B6. Sale of unquoted investments and/or properties

There was no disposal of unquoted investments or properties during the current quarter under review.

B7. Quoted and marketable securities

There was no purchase or disposal of quoted and marketable securities during the current quarter under review.

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B8. Status of corporate proposal announced

The Securities Commission had vide its letter dated 28 December 2006 (which was received on 29 December 2006) granted a further extension of time for Equator to meet the thirty percent (30%) Bumiputera equity requirement until 31 December 2007.

Listing and quotation

The gross proceeds of RM30.0 million raised from the Public Issue of 60,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per share were utilised in the following manner as at 31 March 2007:

Purpose		Proposed Utilisation RM('000)	Revised Utilisation [^] RM('000)	Actual Utilisation RM('000)	Intended time frame for utilization	Unutilised Balance RM('000)
Setting-up of corporate office	of	1,500	97	97	Within two (2) years from date of listing	-
Upgrading information systems	of	900	153	153	Within two (2) years from date of listing	-
Marketing campaigns in promoting products		2,000	2,000	1,957	Within three (3) years from date of listing	43
Expansion of R&D activities and facilities		6,500	6,500	5,618	Within three (3) years from date of listing	882
Working capital		7,800	14,692	11,535	Within three (3) years from date of listing	3,157
Repayment of loans		4,500	4,500	4,500	Within six (6) months from date of listing	-
Acquisition of land		5,000	258	258	Within two (2) years from date of listing	-
Estimated listing expenses	listing	1,800	1,800	1,800	Within six (6) months from date of listing	-*
		30,000	30,000	25,918		4,082

* The estimated listing expenses was under-estimated by approximately RM173,000 which was financed by internally generated fund.

[^] On 7 March 2007, the Securities Commission had approved the revised utilisation.

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B9. Borrowings

The Group's borrowings are as follows:

	RM('000)
Current	
Secured:	
Trade facilities	8,176
Term loans	387
Overdrafts	2,440
Non current	
Secured:	
Term loans	4,984
	<u>15,987</u>

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material litigation

As at the date of this report, the Group was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group.

B12. Dividends

There was no dividend declared during the quarter under review.

B13. Earnings per share ("EPS")

	Individual quarter ended		Cumulative year ended	
	31 Mar 2007	31 Mar 2006	31 Mar 2007	31 Mar 2006
Basic earnings per share				
Net (loss)/profit attributable to equity holders of the parent for the period (RM'000)	(460)	460	(460)	460
Weighted average number of ordinary shares in issue ('000)	235,008	235,008	235,008	235,008
Basic earnings per share (sen)	<u>(0.20)</u>	<u>0.20</u>	<u>(0.20)</u>	<u>0.20</u>

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BY ORDER OF THE BOARD

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Company Secretary
Johor Bahru