

# **EQUATOR LIFE SCIENCE BERHAD**

*(Company No.: 640850-U)*

Incorporated in Malaysia

Notes on the quarterly report – 31 December 2010

## **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 Rules 9.22 (Appendix 9B) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE 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 2009, save for the disclosed in Note A9.

### **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 cyclical factors except there is seasonal impact where demand for ornamental plants in the European market during 1<sup>st</sup> quarter is generally higher as compared to other quarters.

### **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.

### **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.

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### 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 December 2010**

<b>Analysis by Geographical Segments</b>	<b>Malaysia RM ('000)</b>	<b>European Countries RM ('000)</b>	<b>Elimination RM ('000)</b>	<b>Consolidated RM ('000)</b>
<b>Revenue</b>				
Revenue	2,220	305	-	2,525
Inter-segment sales	330	-	(330)	-
Total revenue	<u>2,550</u>	<u>305</u>	<u>(330)</u>	<u>2,525</u>
<b>Results</b>				
Segment result	(8,227)	3,634	5,889	1,296
Finance costs	(448)	-	-	(448)
(Loss)/Profit before tax	(8,675)	3,634	5,889	848
Income tax expense	-	-	-	-
(Loss)/Profit for the period	<u>(8,675)</u>	<u>3,634</u>	<u>5,889</u>	<u>848</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 ended 31 December 2010

Analysis by Geographical Segments	Malaysia RM ('000)	European Countries RM ('000)	Elimination RM ('000)	Consolidated RM ('000)
<b>Revenue</b>				
Revenue	2,553	3,105	-	5,658
Inter-segment sales	1,730	-	(1,730)	-
Total revenue	<u>4,283</u>	<u>3,105</u>	<u>(1,730)</u>	<u>5,658</u>
<b>Results</b>				
Segment result	(10,179)	2,920	5,210	(2,049)
Finance costs	(983)	(6)	-	(989)
(Loss)/Profit before tax	(11,162)	2,914	5,210	(3,038)
Income tax expense	-	-	-	-
(Loss)/Profit for the period	<u>(11,162)</u>	<u>2,914</u>	<u>5,210</u>	<u>(3,038)</u>

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

#### A9. Adoption of new / revised FRS

On 01 January 2010, the group adopted the following new / revised standards and IC Interpretations:-

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment

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### Adoption of new / revised FRS (Cont'd)

Amendment to FRS 117	Lease
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the above Standards and IC Interpretations does not result any significant changes in accounting policies and presentation of financial statements of the Group for the period being reviewed, save for the following:-

#### FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendments to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital. There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the disclosures of the Group's and of the Company's financial statements.

#### FRS 8 Operating Segments

FRS 8, which replaces FRS 114<sub>2004</sub> Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Prior to the adoption of this standard, the Group identifies one segment (geographical) using a risks-and-rewards approach. However, the operating segment based on internal reports that are regularly reviewed by the Management of the Group is the same as reporting segment adopted in prior financial years. As such, the adoption of this standard does not affect the reporting on segmented results.

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### **Adoption of new / revised FRS (Cont'd)**

However, as the Group's business progresses, the operating segments of the Group based on internal reports that are regularly reviewed by the Management of the Group may subject to changes in the future.

#### FRS 101 Presentation of Financial Statements

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the presentation of the Group's and of the Company's financial statements.

#### FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The application of this standard has no impact on the result of the Group for the period under reviewed.

#### **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**

There were no changes in the composition of the Group for the current quarter, save as disclosed as below:

- i) On 21 December 2010, the District of Hague (The Netherlands) had declared Equator Europe B.V. ("EEBV"), a 70%-owned subsidiary of Equator, bankrupt under 105 Dutch Bankruptcy Act. EEBV has two subsidiary companies namely Equator Flowers & Plants CZ s.r.o ("ECZ") and Equator Hungaria Kft ("EHU"). The District Court of the Hague (The Netherlands) has appointed Mr. J.A. Dullaart of Wessel Tideman & Sassen B.V. as the Liquidator to liquidate the assets and liabilities of EEBV, ECZ and EHU. Since the appointment of the Liquidator, Equator has lost over the control ship of EEBV, ECZ and EHU, hence, EEBV, ECZ and EHU ceased to be the subsidiaries of the Equator on 21 December 2010.

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- ii) On 30 December 2010, Equator Biotech Sdn Bhd (“EBSB”) has disposed its wholly-owned subsidiary Monstera Sdn Bhd (“MSB”) comprising One Million Seven Hundred Thousand (1,700,000) ordinary shares of RM 1.00 each in MSB to Wong Sui Lan and Chee Kam Goon for a total cash consideration of RM 2.00. MSB has one subsidiary namely Equator Plants B.V. (“EPBV”). The disposal of MSB shall include the disposal of EPBV, as such MSB and EPBV ceased to be the subsidiaries of the Equator on 30 December 2010.

### 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 2009 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

### A14. Capital commitments

There are no material capital commitments during current quarter under review.

### A15. Significant Related Party Transactions

There are no significant related party transactions of the Group for the quarter ended 31 December 2010.

	Individual Quarter 31 Dec 2010 RM ('000)	Cumulative Quarter 31 Dec 2010 RM ('000)
<b>Other Related Parties</b>		
* Jeo Jeo Plantations Sdn Bhd <i>Purchase of young plants materials, consumables and Farm maintenance services</i>	35	50

#### Notes:

\* The company in which a close member of the family of Koh Yueh Leong, director of the company.

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.

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### **A16. Cash and Cash Equivalents**

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

	<b>As at 31 Dec 2010</b> <b>RM('000)</b>
Cash and bank balances	(11)
Bank overdraft facilities	(871)
Cash and cash equivalents	<u>(882)</u>

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### **B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS**

#### **B1. Review of Group results for the current quarter ended 31 December 2010**

For the current quarter ended 31 December 2010, the Group achieved unaudited revenue of RM 2.53 million and unaudited profit after tax of approximately RM 0.85 million. The decrease of revenue as compared to the previous year corresponding quarter was mainly due to the one-off sales of certain horticulture products in previous corresponding quarter despite take up the new ICT project at current year quarter. In addition, the improvement of profit after tax of RM 8.02 million as compared to the previous year corresponding quarter was mainly due to the gain of disposal of subsidiaries and the loss on the impairment of Plantation Development Expenditure in the previous year corresponding quarter.

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

The Group recorded a profit after tax for the current quarter of RM 0.85 million, as compared to loss after tax of RM 1.40 million in the immediate preceding quarter. The increment of profit after tax of RM 2.25 million as compared to the immediate preceding quarter was mainly due to the gain of the disposal of subsidiaries.

#### **B3. Current year prospects**

The Group foresees that the business environment and trading conditions in European market continue to be challenging, however the group is concentrating its effort to penetrate into local landscaping industry.

The Board anticipates that the performance of the group will remain challenging as compared to FYE 31 December 2010.

#### **B4. Profit forecast**

The Company did not provide any profit forecast in any public document for the current quarter ended 31 December 2010.

#### **B5. Tax Expense**

No tax expense was provided for the period and cumulative period as the Group has sufficient unabsorbed tax losses and capital allowance.

No deferred taxation asset and tax liability was recognized in the current period and cumulative period in connection to the unabsorbed tax losses and capital allowance as future utilization of such tax losses and capital allowance could not be sustained.

#### **B6. Sale of unquoted investments and/or properties**

There was no disposal of unquoted investments or properties during the current quarter and financial year-to-date under review, save as disclosed in the below Notes B8 item (v).

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### **B7. Quoted and marketable securities**

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

### **B8. Status of corporate proposal announced**

- i) On 1 February 2010, Equator MO Sdn Bhd, a wholly-owned subsidiary of Equator has entered into a conditional Sale and Purchase Agreement with OEL Distribution (Johor) Sdn Bhd for the disposal of a piece of leasehold industrial land located in Mukim Senai, District of Kulaijaya, State of Johor for a cash consideration of RM 1,974,000 ("Proposed Disposal C"). The Proposed Disposal was completed on 3 January 2011.
- ii) On 24 February 2010, Equator TC Sdn Bhd, a wholly-owned subsidiary of Equator has entered into a conditional Sale and Purchase Agreement with SKS Design & Engineering Sdn Bhd for the disposal of a piece of leasehold industrial land located in Mukim Senai, District of Kulaijaya, State of Johor for a cash consideration of RM 1,644,921.41 ("Proposed Disposal D"). The Proposed Disposal D is expected to be completed within 4 months upon obtaining the written consent of changing the expressed condition of land and consent of transfer of land ownership from relevant authorities, whichever is later.
- iii) On 22 September 2010, Equator Biotech Sdn Bhd, a wholly-owned subsidiary of Equator has entered into a conditional Sale and Purchase Agreement with Sin Chew Media Corporation Bhd for the disposal of a piece of leasehold industrial land in Mukim Senai, District of Kulaijaya, State of Johor for a cash consideration of RM 2,941,138.53 ("Proposed Disposal E"). The Proposed Disposal E is expected to be completed within 3 months upon obtaining the written consent of changing the expressed condition of land and consent of transfer of land ownership from relevant authorities, whichever is later.
- iv) On 16 November 2010, on behalf of the Board of Equator ("the Board or the Company"), OSK Investment Bank Bhd has announced that the Company proposed to undertake a private placement up to twenty percent ("20%") of the issued and paid-up share capital of the Company, to investors to be identified. The Company has on 24 November 2010 submitted the relevant applications to Bursa Malaysia Securities Bhd ("Bursa"), however, up to date the application is in the progress.
- v) On 14 December 2010, Equator Biotech Sdn Bhd, a wholly-owned subsidiary of Equator has entered into a Sale and Purchase Agreement ("SPA") with Kim Hoe Thye Industries Sdn Bhd for the disposal of Seven (7) pieces of freehold agriculture lands in Mukim Parit Jawa, District of Muar, State of Johor for a cash consideration of RM 1,898,812.50 ("Proposed Disposal F"). The Proposed Disposal F is expected to be completed within 4 months from the date of SPA.

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### B9. Borrowings

The Group's borrowings are as follows:

	RM('000)
Current	
Secured:	
Trade facilities	3,000
Term loans	3,890
Overdrafts	871
Non current	
Secured:	
Term loans	-
	<hr/> 7,761 <hr/>

All of the Group's borrowings are denominated in Ringgit Malaysia.

### 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, save for the followings:

- (i) Equator Biotech Sdn Bhd ("EBSB") and Equator Life Science Berhad ("Equator") have been presented a Writ of Summons by Orix Credit Malaysia Sdn Bhd ("ORIX") on 15 April 2009 to High Court of Johor Bahru and have been served to EBSB and Equator on 18 May 2009. EBSB and Equator were named as the First and Second Defendant respectively by ORIX to claim the repayment of sums of RM 1,081,646.78, interest, legal costs, scale cost and other damages deem fit by the Court. On 1 September 2009, EBSB and Equator has received a Judgment of Default. On 17 September 2009, EBSB and Equator have filled an application to set aside the Judgment in Johor Bahru High Court, and the said hearing is fix on 18 November 2009. On 8 October 2009, Equator was served by Orix for the Notice pursuant to Section 218 of the Companies Act, 1965 for the amount of RM 1,081,646.78. Pursuant to the hearing of the setting aside of Judgment of Default on 18 November 2009, this matter is fixed for Decision on 3 December 2009. On 9 December 2009, the Registry of the High Court Johor Bahru has allowed Equator's application to set aside the Judgment in Default with costs. Subsequently, on 17 December 2009, ORIX via its solicitor to file an appeal to the Judge in Chamber against the Order of the learned Deputy Registrar given on 9 December 2009 in the Registry of High Court Johor Bahru. On 25 January 2010, High Court Johor Bahru has fixed the mention on 31 March 2010 for the ORIX's appeal to the Judge in Chambers against the Order of the learned Deputy Registrar given on 9 December in the Registry of the High Court Johor Bahru. On 31 March 2010, High Court of Johor Bahru has adjourned the case to 29 April 2010. On 29 April 2010, High Court of Johor Bahru has postponed the case to 20 May 2010 pending settlement. On 20 May 2010, High Court of Johor Bahru was postponed the case for hearing on 24 June 2010. On 24 June 2010, High Court of Johor Bahru was postponed

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the case to 1 July 2010 for mention. On 1 July 2010, High Court of Johor Bahru was postponed the case to 2 August 2010 for mention. On 2 August 2010, High Court of Johor Bahru was postponed the case to 17 August 2010 for hearing. On 17 August 2010, the Court has allowed the application to amend the Statement of Defence. In addition, the Court has adjourned the case to 2 September 2010 for mention to enable the parties to file in a written submission for the Plaintiff's appeal. The Court has also fixed on 21 September 2010 for hearing for the said appeal. The Court has on 21 September 2010 dismissed the Plaintiff's appeal with costs.

The company will seek further legal advice in due course and negotiate with the Plaintiff to restructure the debt. In addition, EBSB and Equator will maintain efforts to realize the assets to settle its debt.

Details of the material litigation have been announced on 18 May 2009, 19 May 2009, 21 May 2009, 2 September 2009, 18 September 2009, 8 October 2009, 9 December 2009, 21 December 2009, 25 January 2010, 31 March 2010, 29 April 2010, 20 May 2010, 24 June 2010, 1 July 2010, 2 August 2010, 17 August 2010 and 22 September 2010.

### B12. Dividends

There was no dividend declared during the quarter under review.

### B13. Earnings per share ("EPS")

	Individual quarter ended		Cumulative year ended	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<b>Basic earnings per share</b>				
Net profit / (loss) attributable to equity holders of the parent for the period (RM'000)	848	(7,174)	(3,039)	(9,796)
Weighted average number of ordinary shares in issue ('000)	235,008	235,008	235,008	235,008
Basic profit / (loss) per share (sen)	0.36	(3.05)	(1.29)	(4.17)

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### **B14. Retained Profits**

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised is as follow:

Company and its subsidiaries

	As of 31 Dec 2010	As of 30 Sept 2010
	RM	RM
Realised	(33,153)	(33,118)
Unrealised	(467)	(1,350)
Total	<u>(33,620)</u>	<u>(34,468)</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

BY ORDER OF THE BOARD

TAN CHOONG KHIANG  
MAICSA 7018448  
Company Secretary  
Penang