

EQUATOR LIFE SCIENCE BERHAD

(Company No.: 640850-U)

Incorporated in Malaysia

Notes on the quarterly report – 30 June 2011

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. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2010.

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 2010, save for the disclosed in Note A9.

A2. Audit report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2010.

A3. Seasonal or cyclical factors

The Group’s interim operations were not affected by 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.

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

Segmental information is not presented as the Group is principally engaged in one industry and one geographical location in Malaysia.

A9. Adoption of new / revised FRS

Except as described below, the significant accounting policies adopted are consistent with those of the audited financial statement for the year ended 31 December 2010.

On 1 January 2011, the group adopted the following FRSs and interpretations:-

- FRS 1 First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters) i
- FRS 2* Share-based Payment(Amendments relating to group cash-settled share-based payment transactions) i
- FRS 3 Business Combinations (Amendments to FRS 3 [Improvement to FRSs (2010)]) i
- FRS 8 Financial Instruments: Disclosures (Improving Disclosure about Financial Instruments (Amendments to FRS 7)) i
- FRS 7 Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments) i
- FRS 101 Presentation of Financial Statements (Improvement to FRS 2010) i
- FRS 121 The Effects of Changes in Foreign Exchange Rates (Improvement to FRS 2010) i
- FRS 131* Interests in Joint Ventures (Improvement to FRSs 2010) i
- FRS 132 Financial Instruments: Presentation (Amendments relating to classification of rights issue) 6 (Improvement to FRSs (2010) i
- FRS 134 Interim Financial Reporting (Improvement to FRSs 2010) i
- FRS 139 Financial Instruments: Recognition and Measurement (Improvement to FRSs 2010) i
- IC Int. 4 Determining whether an arrangement contains a lease i
- IC Int. 13* Customer Loyalty Programmes (Improvements to FRSs 2010) i
- IC Int. 18* Transfers of Assets from Customers ii

i Effective for annual periods beginning on or after January 1, 2011

ii Applied prospectively to transfers of assets from customers received on or after January 1, 2011

* These Standards and Interpretations are not expected to be relevant to the operations of the Group and the Company.

The application of the above FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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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, save as disclosed in Note B8 item iv).

A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter, save as the Company has on 16 May 2011 completely acquired 2 ordinary shares, representing 100% of the entire issued and paid-up capital of Merge Consortium Sdn Bhd and Vulture Ventures Sdn Bhd respectively for RM 2.00 each only from Hasniza Binti Wazer and Andalh A/P Chellamuthu. Upon the acquisition, Merge Consortium Sdn Bhd and Vulture Ventures Sdn Bhd are the wholly-owned subsidiary of Equator.

A13. Changes in contingent liabilities or contingent assets

There were no contingent assets and no changes in the contingent liability since 31 December 2010 except as describe below:

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	5,100

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 current quarter.

A16. Cash and Cash Equivalents

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

	As at 30 Jun 2011 RM('000)
Cash and bank balances	23
Bank overdraft facilities	(268)
Cash and cash equivalents	<u>(245)</u>

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Group results for the current quarter ended 30 June 2011

For the current quarter ended 30 June 2011, the Group achieved unaudited revenue of RM 0.32 million and unaudited loss after tax of approximately RM 9.23 million. The decrease of revenue as compared to the previous year corresponding quarter was mainly due to disposal of foreign subsidiary.

In addition, the increment of loss after tax in the current quarter of approximately RM 7.44 million as compared to the previous year corresponding quarter of approximately RM1.78 million was mainly due to scale down of the operation of the Group, the written-off of the inventory and the provision loss of impairment of plantation development expenditure.

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 RM 9.23 million, as compared to loss after tax of RM 0.25 million in the immediate preceding quarter. The increment of loss after tax of RM 8.98 million as compared to the immediate preceding quarter was mainly due to scale down of the operation of the Group, the written-off of the inventory and the provision loss of impairment of plantation development expenditure.

B3. Current year prospects

The Group has ceased exporting of its horticulture products and is now concentrating its effort 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 30 June 2011.

B5. Tax Expense

No tax expense was provided for the period and cumulative period as the Group has been in accumulating losses.

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.

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B6. Sale of unquoted investments and/or properties

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

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 24 February 2010, Equator TC Sdn Bhd (“ETC”), a wholly-owned subsidiary of Equator has entered into a conditional Sale and Purchase Agreement with SKS Design & Engineering Sdn Bhd (“the Purchaser”) for the disposal of a piece of leasehold industrial land located in Mukim Senai, District of Kulajaya, 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 on or before 3rd quarter of 2011.
- ii) 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 (“Sin Chew”) for the disposal of a piece of leasehold industrial land in Mukim Senai, District of Kulajaya, 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. On 7 July 2011, Equator has announced that Sin Chew has notified EBSB in writing of its decision to not proceed with the Proposed Disposal E, because EBSB is unable to fulfill one of the conditions precedent of the SPA, being the approval of the relevant authority for the change of Expressed Condition contained in the title to the land from “Perusahaan Biotechnology Activities” to “Perusahaan Percetakan” or for a removal of the existing Expressed Condition as reflected in the issue document of title to the land within the nine (9)-month period prescribed under the SPA.
- iii) 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”). Bursa has vide its letter dated 15 April 2011, approved the listing and of and quotation for up to 47,001,600 new ordinary shares of RM 0.10 each in Equator to be issued pursuant to the Proposed Private Placement and subject to the conditions as stated in the announcement dated 15 April 2011.
- iv) On 25 July 2011, Equator has announced that Equator has appointed TA Securities Holdings Bhd to act as Sponsor of Equator pursuant to Rule 8.04(3) (a) (ii) of the Listing Requirements of Bursa Malaysia Securities Bhd for ACE Market.

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B9. Borrowings

The Group's borrowings are as follows:

	RM('000)
Current	
Secured:	
Trade facilities	2,000
Term loans	3,984
Overdrafts	268
Non current	
Secured:	
Term loans	-
	6,252

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

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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 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 negotiation for settlement between the parties on the case is still ongoing, however, the Court has fixed for hearing on 10 August 2011.

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, 22 September 2010, 11 April 2011 and 4 May 2011.

B12. Dividends

There was no dividend declared during the quarter under review.

B13. Earnings per share ("EPS")

	Individual quarter ended		Cumulative year ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
Basic earnings per share				
Net profit / (loss) attributable to equity holders of the parent for the period (RM'000)	(9,225)	(1,784)	(9,474)	(2,486)
Weighted average number of ordinary shares in issue ('000)	235,008	235,008	235,008	235,008
Basic profit / (loss) per share (sen)	<u>(3.93)</u>	<u>(0.76)</u>	<u>(4.03)</u>	<u>(1.06)</u>

B14. Retained Profits

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

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Company and its subsidiaries

	As of 30 Jun 2011	As of 31 Dec 2010
	RM	RM
Realised	(43,495)	(34,448)
Unrealised	(466)	(39)
Total	<u>(43,961)</u>	<u>(34,487)</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.

B15. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 July 2011.

BY ORDER OF THE BOARD

TAN CHOONG KHIANG
MAICSA 7018448
Company Secretary
Penang