

# **EQUATOR LIFE SCIENCE BERHAD**

(Company No.: 640850-U)

Incorporated in Malaysia

Notes on the quarterly report – 31 December 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.

### **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.

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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.

## **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**

In addition, on 13 October 2011 the Company has entered into a Share Sale Agreement (“SSA”) with Toh Chin Hao and Tan Lee Kiang (collectively referred to as the “Purchasers”) for the disposal of 137,500 ordinary shares of RM1.00 each in Biosmart Sdn. Bhd. (Sales Shares”), representing 55% equity interest in BSB for a total cash consideration of RM2.00 (“Disposal Consideration”).

The disposal was completed on 02 November 2011.

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## 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 31 Dec 2011
	RM('000)
Cash and bank balances	17
Cash and cash equivalents	17

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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 2011**

As the result of the Internal Reorganisation and Rationalisation Scheme, there was no revenue recorded for the current quarter. The group has ventured into Project Management Business with the acceptance of appointment as Project Management Consultant to Paramount Construction Sdn Bhd on 13<sup>th</sup> December 2011. As the Project is expected to start in March 2012, no revenue is recorded.

For the twelve months ended 31 December 2011, the Group recorded a revenue RM0.65 million as compared to the revenue of RM5.66 million in the preceding year. The variance was mainly due to the scale down of the operation of the Group. The loss after tax also increased by RM9.95 million mainly due to the written-off of the inventory and the written off 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 1.42 million as compared to loss after tax of RM 3.00 million in the immediate preceding quarter. The decrease in loss after tax of RM 1.58 million as compared to the immediate preceding quarter was mainly due to the Internal Reorganisation and Rationalisation Scheme completed in the immediate preceding quarter.

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

In the current quarter, the Group diversified into Project Management Consultant with the acceptance by Paramount Construction Sdn Bhd for the proposed development of 2 blocks of 26 storey, 672 units of medium cost apartments together with a 5 storey podium comprising of 176 units of shop/offices, 22 units of kiosks, amenities and car park situated on part of the original Lot PT. 2568, MK 10, District of Barat Daya, Jalan Dato' Ismail Hashim/ Jalan Paya Terubong, Sungai Ara, Pulau Pinang which is expected to complete within 30 months and contribute positively to the future earnings of the Group.

The Group foresees that the business environment and trading conditions in horticulture 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 2011.

### **B4. Profit forecast**

There were no profit forecast or profit guarantee issued by the Group.

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## B5. Profit before taxation

	Individual Quarters		Cumulative Quarters	
	Current Year Quarter 31 Dec 2011	Preceding Year Quarter 31 Dec 2010	Current Year To Date 31 Dec 2011	Preceding Year To Date 31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Allowance for doubtful debts	-	74	-	74
Depreciation of plant and equipment	-	128	518	514
Impairment of inventories	-	891	994	891
Impairment of plant and equipment	885	-	885	-
Plant and equipment written off	-	-	900	65
Plantation development expenditure written off	-	-	3,885	-
(Gain)/loss on foreign exchange:				
- Realised	-	21	(44)	85
- Unrealised	-	(38)	(5)	(38)
Gain on disposal of :				
- Plant and equipment	-	-	(67)	(805)
- Prepaid land lease	-	-	(619)	(117)
- Subsidiary companies	(212)	(2,958)	(212)	(2,958)
Liquidation of subsidiary company	-	235	-	235

## B6. Tax Expense

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

## B7. 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 was completed on 11 August 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

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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 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.
- iv) On 13 October 2011 the Company has entered into a Share Sale Agreement (“SSA”) with Toh Chin Hao and Tan Lee Kiang (collectively referred to as the “Purchasers”) for the disposal of 137,500 ordinary shares of RM1.00 each in Biosmart Sdn. Bhd. (Sales Shares”), representing 55% equity interest in BSB for a total cash consideration of RM2.00 (“Disposal Consideration”). The disposal was completed on 02 November 2011.
- v) On 13 December 2011, the Company’s wholly-owned subsidiary, Ideal Property BPO Sdn Bhd (*formerly known as Vulture Ventures Sdn Bhd*) had confirmed its appointment as Project Management Consultant to Paramount Construction Sdn Bhd, the Management Contractor, for the proposed development of 2 blocks of 26 storey, 672 units of medium cost apartments together with a 5 storey podium comprising of 176 units of shop/offices, 22 units of kiosks, amenities and car park situated on part of the original Lot PT. 2568, MK 10, District of Barat Daya, Jalan Dato’ Ismail Hashim/Jalan Paya Terubong, Sungai Ara, Pulau Pinang. The Board expects that contribution of the project management business, under the Proposed Diversification shall contribute to 25% or more of the net profits of the Company and its subsidiaries. As such, the Board proposes to seek the prior approval from the shareholders of the Company at the forthcoming extraordinary general meeting for the Proposed Diversification pursuant to Paragraph 10.13 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.
- vi) On 16<sup>th</sup> February 2012, the Company issued notice of Extraordinary General Meeting for the purpose of considering and if thought fit to pass the following resolutions, with or without modifications:-

### 1) Special Resolution: Proposed Change of Company’s name

RESOLVED “THAT the name of the Company be changed from “EQUATOR LIFE SCIENCE BERHAD” to “IDEAL SUN CITY HOLDINGS BERHAD” with effect from the date of Certificate of Incorporation on Change of Name of the Company to be issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association of the Company to be amended accordingly, wherever the name of the Company appears AND THAT the Directors and/or Company Secretary be and are hereby authorized to give effect to the Proposed Change of Company Name with full power to assent to any condition, modification, variation and / or amendments as may required by the relevant authorities.”

### 2) Ordinary Resolution: Proposed Change of Auditors

RESOLVED “THAT Messrs PKF, Chartered Accountants, be and are hereby appointed as Auditors of the Company in place of Messrs. Deloitte KassimChan, to hold office until the conclusion of the forthcoming Annual

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General Meeting at a fee to be agreed by the Directors, pursuant to Section 172(15) of the Companies Act, 1965.”

3) Ordinary Resolution: Proposed Diversification of The Business of Equator Life Science Berhad into Project Management for Property Development (“Proposed Diversification”)

“THAT, subject always to the Companies Act, 1965, the Provisions of the Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of all relevant authorities (if any), approval be and is hereby given to the Company to diversify its operations into project management for property development, which might reasonably be expected to result in either-

- a) the diversion of 25% or more of the net assets of the Company to an operation which differs widely from those operations previously carried on by the Company; or
  - b) the contribution from such as operation of 25% or more of the net profits of the Company,
- pursuant to Paragraph 10.13 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

AND THAT the directors of the Company be and is hereby authorized to take all such steps and do all things as the Directors of the Company may deem fit, necessary expedient and / or appropriate in order to implement, finalise and give full effect to the Proposed Diversification with full power to assent to any conditions, modifications, variations consider necessary or expedient in the interest of the Company.”

## B8. Borrowings

The Group’s borrowings are as follows:

	RM('000)
Current	
Secured:	
Trade facilities	2,000
Term loans	2,529
Overdrafts	-
Non current	
Secured:	
Term loans	-
	<u>4,529</u>

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

## B9. 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

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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 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. The case had been heard on 17 October 2011 and fixed for decision on 9 January 2012. The High Court of Johore Bahru has on 9 January 2012 dismissed the claim of ORIX against Equator Biotech Sdn. Bhd. and the Company. ORIX has filed an appeal to Appeal Court in Putrajaya on 01 February 2012.

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.

### **B10. Dividends**

There was no dividend declared during the quarter under review.



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## B11. Earnings per share (“EPS”)

	Individual quarter ended		Cumulative year ended	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<b>Basic earnings per share</b>				
Net (loss)/profit attributable to equity holders of the parent for the period (RM'000)	(1,418)	848	(13,851)	(3,906)
Weighted average number of ordinary shares in issue ('000)	235,008	235,008	235,008	235,008
Basic (loss)/profit per share (sen)	(0.60)	0.36	(5.89)	(1.66)

## B12. 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 2011	As of 31 Dec 2010
	RM	RM
Realised	(43,513)	(34,448)
Unrealised	(466)	(39)
Total	(43,979)	(34,487)

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.

## B13. 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 21 February 2012.

BY ORDER OF THE BOARD

GUNN CHIT GEOK  
MAICSA 0673097  
CHEW SIEW CHENG  
MAICSA 7019191  
Company Secretary  
Penang

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