

**IDEAL SUN CITY HOLDINGS BERHAD (640850-U)**  
**(Incorporated in Malaysia)**

**Unaudited Interim Financial Report**  
**For The Financial Quarter Ended 31 March 2014**

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements. This interim financial report does not include all the information required for a full set of annual audited financial statements, and should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2013, which have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Group has adopted all applicable accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") except for those which are not yet effective. The initial adoption of the accounting standards, amendments and interpretations that are effective in the current financial period does not have any significant impact on the Group's financial statements.

**A2. Auditors' report on preceding annual financial statements**

The auditors' report on the preceding annual financial statements of the Group for the financial year ended 31 December 2013 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

The business operations of the Group for the current financial quarter were not significantly affected by seasonal or cyclical factors.

**A4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter.

**A5. Changes in estimates**

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

**A6. Issuances, cancellations, repurchases, resale and repayment of debts and equity securities**

There were no issuances, cancellations, repurchases, resale or repayment of debt and/or equity securities during the current financial quarter and financial year-to-date under review.

**A7. Dividends paid**

No dividends have been paid during the current financial quarter.

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**A8. Segmental information**

Segmental information is presented in respect of the Group's business segments. The Group's business comprises the following main segments:

- (a) Project management services
- (b) Sale of ornamental plants

	Project management services		Sale of ornamental plants		Total	
	31.03.14 RM'000	31.03.13 RM'000	31.03.14 RM'000	31.03.13 RM'000	31.03.14 RM'000	31.03.13 RM'000
Revenue	2,701	1,825	-	563	2,701	2,388
Profit before tax	1,828	834	-	341	1,828	1,175

**A9. Valuation of property, plant and equipment**

The property, plant and equipment of the Group have not been revalued during the current financial quarter.

**A10. Material events subsequent to the balance sheet date**

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

**A11. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial quarter and financial year-to-date under review.

**A12. Changes in contingent assets or contingent liabilities**

There were no contingent assets or contingent liabilities as at the end of the current financial quarter.

**A13. Capital commitments**

There were no material capital commitments as at the end of the current financial quarter.

**A14. Significant related party transactions**

	<b>31.03.14 RM'000</b>
Rental of premises paid to a company with common directors	45

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**B ADDITIONAL INFORMATION PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS**

**B1. Review of the Group's results for the current financial quarter ended 31 March 2014**

For the current financial quarter ended 31 March 2014, the Group achieved unaudited revenue of RM2.7 million as compared to RM2.4 million recorded in the previous year corresponding quarter. The increase in revenue was attributable to the higher income generated from the project management services.

The profit after tax of the Group for the current financial quarter was approximately RM1.8 million as compared to RM1.1 million recorded in the previous year corresponding quarter. The increase in profit after tax was mainly due to the increase in revenue of project management services in the current financial quarter.

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

There was an increase in profit after tax for the current financial quarter as compared to the immediate preceding quarter mainly due to the increase in revenue of project management services and the tax savings from the utilisation of unabsorbed tax losses brought forward.

**B3. Current year prospect**

Barring unforeseen circumstances, the Board of Directors anticipates that the performance of the Group for the financial year ending 31 December 2014 will be favourable as compared to the financial year ended 31 December 2013.

**B4. Profit forecast / Profit guarantee**

As part of the proposed regularisation plan approved at the extraordinary general meeting held on 13 November 2013, the Company has provided a profit forecast of RM4,329,000 in respect of the financial year ended 31 December 2013. The audited consolidated profit after tax of the Company for the financial year ended 31 December 2013 was RM4,131,709, representing a variance of RM197,291 or approximately 4.6% from the above mentioned profit forecast.

There was no profit forecast issued by the Group in respect of the current financial year.

In conjunction with the proposed regularisation plan, the Company has on 25 February 2014 entered into a Profit Guarantee Agreement with Ideal Sun City Sdn Bhd ("ISCSB") wherein ISCSB guarantees that the consolidated profit after tax of the Company for the financial years ended/ending 31 December 2013 and 31 December 2014 shall not be less than RM4,000,000 and RM5,200,000 respectively. The profit guarantee for the financial year ended 31 December 2013 has been duly met.

Pursuant to the Profit Guarantee Agreement, a cash amount of RM5,200,000 has been deposited by ISCSB with the Company as security (which is accounted for under "Other payables and accrued expenses" in the Condensed Consolidated Statement of Financial Position) and is to be utilised to effect the profit guarantee should there be a shortfall based on the audited consolidated financial results of the Company.

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**B5. Profit before tax**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.14 RM'000	Preceding Year Quarter 31.03.13 RM'000	Current Year To Date 31.03.14 RM'000	Preceding Year To Date 31.03.13 RM'000
Profit before tax is arrived at after charging/(crediting):				
Depreciation of property, plant and equipment	21	29	21	29
Finance costs	-	90	-	90
Interest income	(1)	-	(1)	-

**B6. Tax expense**

	Individual Quarter Current Year Quarter 31.03.14 RM'000	Cumulative Quarter Current Year To Date 31.03.14 RM'000
Income tax expense - current period	60	60

The effective tax rate of the Group is lower than the statutory tax rate principally attributed to the utilisation of unabsorbed tax losses brought forward.

**B7. Status of corporate proposal announced**

- (a) On 25 September 2012, M&A Securities Sdn Bhd, on behalf of the Company, has announced that the Company's listing application in connection with the Proposals and the Company's regularisation plan has been submitted to Bursa Malaysia Securities Berhad.

On 1 April 2013, the Board of Directors has informed that the Company's revised forecasted and projected financial statements in relation to its proposed regularisation plan has been resubmitted to Bursa Malaysia Securities Berhad on 27 March 2013.

On 13 May 2013, Bursa Malaysia Securities Berhad has vide its letter dated 13 May 2013 resolved to approve the Company's regularisation plan subject to the conditions as stated in its letter.

On 12 June 2013, the Company has appointed KAF Investment Bank Berhad as the Independent Adviser to advise the Independent Directors and minority shareholders of the Company on the Proposed Exemption.

Bank Negara Malaysia ("BNM") has vide its letter dated 25 June 2013 (received on 4 July 2013) approved the issuance of Warrants to non-resident shareholders pursuant to the Proposed Rights Issue with Warrants and Proposed Placement with Warrants.

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On 13 November 2013, the Board of Directors has announced that the shareholders of the Company had approved the Proposed Balance Sheet Reconstruction, Proposed Rights Issue with Warrants, Proposed Exemption and Proposed Placement with Warrants at the Extraordinary General Meeting (“EGM”) of the Company held on 13 November 2013.

On 11 December 2013, the Board of Directors has announced the sealed order of the High Court of Malaya in Kuala Lumpur confirming the Proposed Share Premium Cancellation and Proposed Par Value Reduction pursuant to Section 64 of the Companies Act, 1965. The sealed court order has been lodged with the Companies Commission of Malaysia (“CCM”) on 9 December 2013 (the acknowledgement receipt of which was received by the Company on 11 December 2013).

On 4 February 2014, on behalf of the Board of Directors of the Company, M&A Securities Sdn Bhd has announced that the application in connection with the Proposed Exemption has been approved by the Securities Commission vide its letter dated 29 January 2014.

On 21 March 2014, the Board of Directors has announced:

- (i) Notice of Book Closure for the consolidation of the issued and paid up share capital of IDEAL, such that every ten (10) ordinary shares of RM0.01 each shall be consolidated back into one (1) IDEAL Share (“Share Consolidation”);
- (ii) Notice of Book Closure for the renounceable rights issue of 94,003,200 new ordinary shares of RM0.10 each in IDEAL (“Rights Shares”) together with 47,001,600 free detachable warrants (“Rights Warrants”) at an issue price of RM0.10 per Rights Share payable in full upon acceptance on the basis of four (4) Rights Shares for every one (1) IDEAL Share together with one (1) Rights Warrant for every two (2) Rights Shares subscribed on 7 April 2014 (“Renounceable Rights Issue”);
- (iii) Important Relevant Dates for Renounceable Rights Issue.

The Information Circular to Shareholders dated 21 March 2014 on the Share Consolidation, Renounceable Rights Issue and the relevant book closures has accordingly been dispatched to the shareholders of the Company.

On 28 April 2014, on behalf of the Company, M&A Securities Sdn Bhd has announced that at the close of acceptance, excess application and payment for the Rights Issue with Warrants as at 5.00 p.m. on 22 April 2014 (“Closing Date”), the Company received valid acceptances and excess applications for a total of 200,315,411 Rights Shares. This represents a subscription level of 213.09% of the total number of Rights Shares available under the Rights Issue with Warrants. As the acceptances and excess applications received exceeded the issue size of 94,003,200 Rights Shares, the issue size of the Rights Issue with Warrants shall be based on the issue size of 94,003,200 Rights Shares and 47,001,600 Warrants. The Rights Shares and Warrants are expected to be listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 May 2014.

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On 6 May 2014, the Company has announced that the Company's additional 118,003,200 new ordinary shares of RM0.10 each issued pursuant to the Rights Issue and Private Placement will be granted listing and quotation with effect from 8 May 2014. In addition, the Company's 59,001,600 Warrants issued pursuant to the Rights Issue and Private Placement will be admitted to the Official List of the Exchange and the listing and quotation of the Warrants on the ACE Market under the "Technology" sector will be granted with effect from 8 May 2014.

On 7 May 2014, the Company has announced that with the completion of the regularisation exercise, the Company has regularised its financial condition and level of operations and no longer triggers any of the criteria under Paragraph 2.1 of Guidance Note 3 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. After due consideration of all facts and circumstances of the matter, Bursa Malaysia Securities Berhad has decided to approve the Company's application for an upliftment from being classified as a GN3 company. The Company will be uplifted from being classified as a GN3 company effective from 8 May 2014.

**B8. Bank borrowings**

The Group has no bank borrowings as at the end of the current financial quarter.

**B9. Material litigations**

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 following:

- (a) 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 the High Court of Johore Bahru which have been served to EBSB and Equator on 18 May 2009. EBSB and Equator were named as the First and Second Defendants respectively by Orix to claim the repayment of the sum of RM1,081,646.78, interest, legal costs, scale cost and other damages deemed fit by the court.

On 9 January 2012, the High Court of Johore Bahru dismissed the claim by Orix against EBSB and the Company.

Orix has subsequently filed an Appeal to the Court of Appeal on 1 February 2012. However, the Appeal was dismissed with cost of RM20,000.00 on 27 November 2013.

On 8 January 2014, Orix filed an application for Leave to Appeal and for extension of time to apply for Leave to Appeal to the Federal Court. The application has been fixed for hearing on 26 June 2014.

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, 4 May 2011, 10 January 2012 and 2 February 2012.

**B10. Dividends**

No dividends have been declared during the current financial quarter.

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**B11. Earnings per share (“EPS”)**

	Individual quarter ended		Cumulative year ended	
	31.03.14	31.03.13	31.03.14	31.03.13
<b>Basic earnings per share</b>				
Net profit attributable to equity holders of the Company for the period (RM'000)	1,768	1,075	1,768	1,075
Weighted average number of ordinary shares in issue ('000)	235,008	235,008	235,008	235,008
Basic earnings per share (sen)	<u>0.75</u>	<u>0.46</u>	<u>0.75</u>	<u>0.46</u>

**Diluted earnings per share**

The Group has no dilution in its earnings per share as there were no dilutive potential ordinary shares during the current financial quarter

**B12. Disclosure of realised and unrealised profits/losses**

The breakdown of accumulated losses of the Group as at the reporting date into realised and unrealised losses is as follows:

	31.03.14 RM'000	31.12.13 RM'000
Total accumulated losses of the Group:		
- realised	(36,630)	(38,398)
- unrealised	(355)	(355)
Total	<u>(36,985)</u>	<u>(38,753)</u>

The determination of realised and unrealised losses is based on the Guidance on 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, as issued by the Malaysian Institute of Accountants on 20 December 2010.

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

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**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 8 May 2014.

BY ORDER OF THE BOARD

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

Date: 8 May 2014