IDEAL
First Mover Advantages

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ANNUAL REPORT 2011

IDEAL SUN CITY HOLDINGS BERHAD (640850-U)

IDEAL
First Mover Advantages

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(Formerly known as Equator Life Science Berhad)

ANNUAL REPORT 2011

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Notice of Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Company will be held at Room 2, Level 1, Vistana Hotel, 213, Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Friday, 22 June 2012 at 1.15pm for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 together with the Reports of the Directors and of the Auditors thereon. — **Please refer to Note A**

As Ordinary Business

2. To re-elect Dato' Ooi Kee Liang retiring under the provision of Article 101 of the Articles of Association of the Company, and who, being eligible, has offered himself for re-election. — **Ordinary Resolution 1**

3. To re-elect Mr. Loh Eng Wee retiring under the provision of Article 106 of the Articles of Association of the Company, and who, being eligible, has offered himself for re-election. — **Ordinary Resolution 2**

4. To re-elect Dato' Hj. Ismail Bin Din retiring under the provision of Article 106 of the Articles of Association of the Company, and who, being eligible, has offered himself for re-election. — **Ordinary Resolution 3**

5. To re-appoint Messrs PKF as Auditors of the Company and to authorize the Directors to fix their remuneration — **Ordinary Resolution 4**

As Special Business

To consider and if thought fit, to pass with or without modifications the following resolutions:-

6. **Authority to Issue Shares** — **Ordinary Resolution 5**

   "That pursuant to Section 132D of the Companies Act, 1965 (the "Act"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorized to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities."

7. **Proposed Amendments to the Articles of Association**

   "That the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the Annual Report 2011 be hereby approved." — **Special Resolution**

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

CHEW SIEW CHENG (MAICSA 7019191)
GUNN CHIT GEOK (MAICSA 0673097)
Secretaries

Date: 31st May 2012
Penang

Notice of Eighth Annual General Meeting (cont'd)

NOTE A

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

Notes:

1. A member of the Company entitled to attend and vote is entitled to appoint at least 1 proxy to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

2. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositors) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy or proxies shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorized.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Suite 12-02, 12th Floor, Menara Zurich, 170 Jalan Argyll, 10050 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

6. Only members registered in the Record of Depositors as at 15th June 2012 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Authority to Issue Shares

This general mandate for issue of shares ("the Mandate") was sought for in the preceding year and the Board did not carry out the Mandate since the last Annual General Meeting ("AGM") of the Company until the latest practicable date before the printing this Annual Report. As the Mandate will expire on 22 June 2012 the Board is desirous of seeking a fresh general mandate at the forthcoming AGM.

The Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for the purpose of funding further investment project(s), working capital and/or acquisition.

This proposed Ordinary Resolution 5 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total issued capital (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This Authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

(ii) Proposed Amendments to the Articles of Association

The Special Resolution, if passed will give authority to amend its Articles of Association to be aligned with the recent amendments to the ACE Market Listing Requirements of Bursa Securities.

Appendix I

Proposed Amendments to the Articles of Association of Ideal Sun City Holdings Berhad (formerly known as Equator Life Science Berhad)

<table>
<tr><th>ARTICLE</th><th>EXISTING PROVISIONS</th><th colspan="2">AMENDED PROVISIONS</th></tr>
<tr><td>To insert Article 2(a)</td><td>None</td><td>Share Issuance Scheme</td><td>A scheme involving a new issuance of shares to the employees.</td></tr>
<tr><td>To amend Article 5(2)(a)</td><td>Subject to the provisions of the Act, the Listing Requirements and CMSA, no Director, major shareholder or chief executive office or person connected to them shall participate in an issue of shares, convertible securities or options to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director, major shareholder or chief executive officer.</td><td colspan="2">Subject to the provisions of the Act, the Listing Requirements and CMSA, no Director, major shareholder or chief executive office or person connected to them shall participate in an issue of shares or a Share Issuance Scheme, convertible securities or options to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director, major shareholder or chief executive officer.</td></tr>
<tr><td>To amend Article 74(a)</td><td>A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any general meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and any share upon which call due and payable to the Company shall have been paid. The proxy need not be a Member of the Company and Section 149(1)(b) of the Act shall apply. No Member shall be entitled to present or to vote on any question either personally or otherwise as a proxy, or attorney at any general meeting or upon a poll or be reckoned in quorum in respect of any shares upon which calls are due and unpaid, and/or where the instrument or proxy, the power of attorney or other authority, if any, naming another person or party (other that the said Member) as proxy, attorney or person/party authorized to so act has been deposited with the Company in accordance with Article 76.</td><td colspan="2">(i) A Member entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, shall be entitled to appoint not more than two (2) persons as his proxies to attend and vote instead of the Member at the meeting.

(ii) A proxy need not be a member. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

(iii) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.</td></tr>
<tr><td>To amend Article 74(c)</td><td>Where a member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.</td><td colspan="2">Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 (“SICDA”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.</td></tr>
<tr><td>To insert new Article 74(d)</td><td>None</td><td colspan="2">Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 (“SICDA”) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.</td></tr>
</table>

Statement Accompanying Notice of Annual General Meeting

Statement Accompanying Notice of Annual General Meeting pursuant to Rule 8.29(2) of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements

There are no individuals who are standing for election as Director (excluding Directors standing for re-election) at the forthcoming Annual General Meeting.

Corporate Information

DIRECTORS

DATO' OOI KEE LIANG
Executive Chairman

DATIN PHOR LI WEI
Executive Director

DATO' HJ ISMAIL BIN DIN
Independent Non-Executive Director

LOH ENG WEE
Independent Non-Executive Director

TAN WOOI CHUON
Independent Non-Executive Director

SECRETARIES
GUNN CHIT GEOK
CHEW SIEW CHENG

AUDIT COMMITTEE MEMBERS
TAN WOOI CHUON
Chairman

DATO' HJ ISMAIL BIN DIN
Member

LOH ENG WEE
Member

NOMINATING COMMITTEE MEMBERS
LOH ENG WEE
Chairman

DATO' HJ ISMAIL BIN DIN
Member

TAN WOOI CHUON
Member

REMUNERATION COMMITTEE MEMBERS
DATO' HJ. ISMAIL BIN DIN
Chairman

LOH ENG WEE
Member

TAN WOOI CHUON
Member

AUDITORS
PKF
Chartered Accountants

REGISTERED OFFICE
SUITE 12-02, 12th FLOOR, MENARA ZURICH,
170, JALAN ARGYLL,
10050 PENANG.
TEL : 04-2296 318
FAX : 04-2282 118

SHARE REGISTRAR
TRICOR INVESTOR SERVICES SDN BHD
LEVEL 17, THE GARDENS NORTH TOWER,
MID VALLEY CITY, LINGKARAN SYED PUTRA
59200 KUALA LUMPUR, MALAYSIA
TEL: 03-2264 3883
FAX: 03-2282 1886

BANKERS
MALAYAN BANKING BERHAD
RHB BANK BERHAD
PUBLIC BANK BERHAD

STOCK EXCHANGE LISTING
ACE MARKET OF
BURSA MALAYSIA SECURITIES BERHAD

Company Profile

IDEAL SUN CITY HOLDINGS BERHAD (640850-U)
(Formerly known as Equator Life Science Berhad)

Formerly, Equator group of companies ("Equator Group") was established in 1994 and listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 May 2005.

Since incorporation, the Equator has been principally engaged in the propagation of various ornamental plants through the application of biotechnology such as micro propagation and bioconversion to mass propagate ornamental plants in order to isolate and retain the best characteristics of parent plants. However, in 2011, the Equator Group has scaled down its core business in cultivation of ornamental plants due to the slowdown of ornamental business in the European market and since has started selling its ornamental plants to the local landscape market.

On 27 October 2011, Equator Life Science Berhad ("ELSB") has announced the proposed change of the Company's name from Equator Life Science Berhad to Ideal Sun City Holdings Berhad ("IDEAL") in order to reflect the intention and determination of the new Board and Management to turnaround the Company's business under the leadership of the new Board and Management, the new name also reflects a more synergized and aligned business direction for the Company. As such, the Equator Group would be known as IDEAL Group.

In the first quarter of 2012, the IDEAL Group has started diversification of business into the project management business for commercial and residential property development industry to diversify its earnings base and hence, to reduce its reliance on its existing core business in the ornamental plants business.

The IDEAL Group anticipates that the contribution of the project management business will be one of the major contributors to the IDEAL Group's net profits as the IDEAL Group is expected to continue to expand its project management business in the future.

Corporate Structure

First Mover Advantages

IDEAL SUN CITY HOLDINGS BERHAD (640850-U)
(Formerly known as Equator Life Science Berhad)

IDEAL PROPERTY BPO SDN. BHD. (938077-M)
(Formerly known as Vulture Ventures Sdn. Bhd.)
• Percentage Equity Held : **100 %**

IDEAL CONSORTIUM SDN. BHD. (939960-H)
(Formerly known as Merge Consortium Sdn. Bhd.)
• Percentage Equity Held : **100 %**

IDEAL PROPERTY CONCEPT SDN. BHD. (426721-D)
(Formerly known as Equator Biotech Sdn. Bhd.)
• Percentage Equity Held : **100 %**

EQUATOR TC SDN. BHD. (708815-M)
• Percentage Equity Held : **100 %**

EQUATOR MO SDN. BHD. (708816-H)
• Percentage Equity Held : **100 %**

Chairman's Statement

> **"On behalf of the Board of Directors, I hereby present the Annual Report and Accounts for Ideal Sun City Holdings Berhad (Formerly known as Equator Life Science Berhad) and its subsidiaries ("IDEAL Group") for the financial year ended 31 December 2011."**

Financial Review

The IDEAL Group achieved a turnover of RM0.65 million for the financial year under review, decreased by approximately 74.6% from RM2.55 million reported in the previous financial year 2010. The IDEAL Group reported a net loss after taxation of RM14.08 million compared to a net loss after taxation of RM3.91 million in the previous financial year 2010. This represents an additional loss after taxation of approximately RM10.17 million which was mainly due to the scaling down of its non-profitable core business in cultivation of ornamental plants to embark on the business of project management to increase its earning and profitability.

Corporate Development:

For the financial year 2011, IDEAL announced and implemented the following corporate proposals:

On 13 October 2011, ELSB had entered into a share sale agreement with Toh Chin Hao and Tan Lee Kiang for the disposal of 137,500 ordinary shares of RM1.00 each in Biosmart Sdn Bhd, representing ELSB's entire 55% equity interest in Biosmart Sdn Bhd for a total cash consideration of RM2.00.

On 27 October 2011, ELSB have announced the proposed change of Company's name from Equator Life Science Berhad to Ideal Sun City Holdings Berhad.

On 13 December 2011, ELSB have announced the proposed diversification of the business of Ideal Sun City Holdings Berhad into project management for property development.

Board Changes

We welcome Dato' Hj. Ismail Bin Din and Mr. Loh Eng Wee to the Board of Director and would like to thank the outgoing Directors Mr.Koh Yueh Leong, Mr. Goh Ah Teu@ Goh Keng Chiew and Mr. Huang Shih-Yen for their efforts and past contributions to the Group.

Prospect

The Group is concentrating its efforts in the local project management business and anticipates the performances of the IDEAL Group will be favourable as compared to financial year ended 31 December 2011.

Acknowledgement

The Board and I would like to express our heartfelt thanks and deep appreciation of the efforts and perseverance of the management, staff and workers for their dedication, support and commitment in carrying out their duties over the past year.

We also wish to thank our shareholders, customers, suppliers, business associates and advisers for their continuous support.

On behalf of the Board of Directors

DATO' OOI KEE LIANG

Executive Chairman

Statement on Corporate Governance

INTRODUCTION

The Board of Directors ("Board") of Ideal Sun City Holdings Berhad (Formerly known as Equator Life Science Berhad) adopts the best practice of corporate governance in conducting the business and affairs of the Company and the Group. The Board ensures that the highest standards of Corporate Governance are observed to ensure the Group's continued progress and success as these would not only safeguard and enhance shareholders investment and value but at the same time protect the interests of other stakeholders.

In line with the Listing Requirements of Bursa Malaysia Securities Berhad for ACE Market, the Board wishes to report on the manner the Group has maintained the standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in the Malaysian Code of Corporate Governance ("Code").

1. THE BOARD OF DIRECTORS

The Board is collectively responsible for promoting the success of the Group by directing and supervising its affairs. The key responsibilities include the primary responsibilities prescribed under the Best Practices Provision AA I in Part 2 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

a) Board Composition and Balance

The Board currently has five (5) members comprising one (1) Executive Chairman, one (1) Executive Director and three (3) Non-Executive Directors, whom all of them hold Independent position. Ideal Sun City Holdings Berhad (Formerly known as Equator Life Science Berhad) has thus complies with the ACE Market Listing Requirements ("AMLR") on board composition of at least 2 Directors are Independent Directors. The profiles of each of the Directors are set out on page 21 of this Annual Report.

b) Re-election of Directors

An election of Directors will take place each year where one-third of the Directors shall retire from office at each Annual General Meeting and shall be eligible to offer themselves for re-election and each Director shall stand for re-election at least once every three (3) years. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments.

c) Board Meetings

During the financial year ended 31 December 2011, the board met for a total of five (5) times to discuss and review the quarterly and annually financial results, corporate proposal. Details of the attendance of the Directors at Board Meetings during the financial year are tabulated as follows:

Executive Directors	Total number of meeting held	Number of meeting attended
Dato' Ooi Kee Liang	5	4
Datin Phor Li Wei	5	4
Koh Yueh Leong^	3	3

Statement on Corporate Governance (cont'd)

Non-Executive Directors	Total number of meeting held	Number of meeting attended
Goh Ah Teu @ Goh Keng Chiew*	3	3
Huang Shih-Yen^	3	2
Tan Wooi Chuon	5	5
Loh Eng Wee+	2	2
Dato' Hj. Ismail Bin Din#	2	2

^ *Resigned on 14 October 2011*
* *Resigned on 24 October 2011*
\+ *Appointed on 14 October 2011*
\# *Appointed on 24 October 2011*

The agenda and issues discussed were prepared and circulated with due notice before each meeting. The Company Secretary has attended all the Board meetings and the minutes of the Board meetings are maintained by the Company Secretary.

All Directors have access to the advice and services of the Company Secretary, independent professional advisors, and internal/external auditors in appropriate circumstances at the Company's expense.

d) Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group's performance. Prior to each Board meeting, the directors are sent an agenda and full set of board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Guidelines are in place concerning the content presentation and delivery of papers to the Board for each Board meeting so that the Directors have access to all information within the company, whether as full board or in their individual capacity, in furtherance of their duties.

The Directors also have direct access to the advice and services of the Group's Company Secretary who is responsible for ensuring that the Board procedures are followed.

e) Directors' Training

The Board has empowered the Directors of the Company to determine their own training requirements as and when they consider necessary or deem fit and expedient to enhance their knowledge in new listing rules and regulations as well as understanding of the Group's business and operations.

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) pursuant to the requirement of Bursa Malaysia Securities Berhad.

They were also briefed by the Internal and External Auditors and the Company Secretary on the relevant updates on statutory and regulatory requirements from time to time during the Board meeting and Audit Committee meeting. The Directors will continue to attend any training as may require from time to time.

Statement on Corporate Governance (cont'd)

During the financial year ended 2011, the Directors of the Company attended professional and development courses as follows:

Director Name	Courses / Training Attended
Loh Eng Wee	Mandatory Accreditation Programme
Dato' Hj Ismail Bin Din	Mandatory Accreditation Programme

f) Board Committee

(i) Audit Committee

The Audit Committee of the Board comprises entirely of Independent Non-Executive Directors. The members and the role and functions of the Audit Committee are set out in details under the Audit Committee Reportin this Annual Report.

(ii) Nominating Committee

In line with the Best Practices of the Code of Corporate Governance, the Board has set up Nominating Committee on 25 May 2005.

The Nominating Committee comprises exclusively Non-Executive Directors, a majority of whom are independent and the Nominating Committee will be responsible for identifying and recommending to the Board suitable nominees for appointment. The Nominating Committee will also consider the required mix of skills and core competencies of its members are sufficient to discharge of its responsibilities in an effective manner. However, the Board shall, with the assistance of the Nominating Committee, look into the required mix of skills from time to time in order to identify candidates with the requisite qualification and experience who will complement the Board and be of contribution to the Group.

The present members of the Nominating Committee of the Company are:

i. Loh Eng Wee *(Chairman)*

ii. Dato' Hj Ismail Bin Din

iii. Tan Wooi Chuon

(iii) Remuneration Committee

In line with the Best Practices of the Code of Corporate Governance, the Board has set up Remuneration Committee on 25 May 2005.

The Remuneration Committee comprises a majority of Non-Executive Directors and will recommend to the Board the remuneration of Directors in all its forms. Level of remuneration is sufficient to attract and retain the directors needed to run the Company successfully.

The present members of the Remuneration Committee of the Company are:

i. Dato' Hj Ismail Bin Din *(Chairman)*

ii. Loh Eng Wee

iii. Tan Wooi Chuon

Statement on Corporate Governance (cont'd)

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2011 are disclosed in page 53 of the financial statements. The number of Directors whose remuneration fall within the following bands:

Range of remuneration	Number Of Directors Executive	Number Of Directors Non-executive	Number Of Directors Total
RM1 to RM50,000	1	-	1
RM 50,001 to RM 100,000	-	-	-
RM 100,001 to RM 150,000	1	-	1
RM 150,001 to RM 200,000	-	-	-
Total	**2**	**-**	**2**

2. SHAREHOLDERS AND INVESTORS

a) Communication with Investors

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:

i. the Annual Report;
ii. the various disclosures and announcements made to Bursa Securities including the Quarterly Results and Annual Results.

b) Investors Relations

Along with good corporate governance practices, the Company provides greater disclosure and transparency through all its communications with the public, the shareholders and investors. The Company strives to promote and encourage bilateral communication with its shareholders through participation at its general meetings and also ensure timely dissemination of any information to the investors, analysts and public at large. The Company always maintain and promote transparency in our business activities and to continually keep the shareholders and the public well-informed on the Company's activities.

c) General Meetings

The Annual General Meeting (AGM) is an important forum where communications with shareholders are effectively conducted. Shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

The Chairman and the Board Members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the Shareholders. Status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day.

The Company also maintains a website at http://www.idealsuncity.cc

Statement on Corporate Governance (cont'd)

3. Corporate Social Responsibility

The Group undertakes various programme to play its part in contributing to the welfare of the society and communities in the environment it operates The Group's Corporate Social Responsibility ("CSR") activities include the following:

Workplace

Safety is our top priority at work. We strive to improve our workplace to ensure that all our employees and stakeholders safety and healthy are duly protected at work. Further, the Company is conducting annual review on the employee welfares, and provide relevant on-job training, coaching and open communication are practiced within the organization for continuous improvement.

Community

The Group continues its social roles to support the community by contributing to several needy and charitable organisations. Employees are supported and encouraged to participate actively in social works and community services.

4. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

It is the Board's commitment to provide a balanced, clear and meaningful assessment of the financial position and prospects of the Group in all the disclosure made to shareholders, investors and the regulatory authorities. The Directors are responsible to ensure that the financial statements prepared are drawn up in accordance with the provision of the Companies Acts, 1965 and financial reporting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates. The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors before releasing to the Bursa Securities The details of the Company and the Group's financial statements for the financial year ended 31 December 2011 can be found from page 24 to page 76 of this Annual Report.

b) Internal Control

The Board has overall responsibility for maintaining a system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The Statement on Internal Control, which provides an overview of the state of the internal controls within Group, is set out on page 20 of this Annual Report.

c) Relationship with the Auditors

The Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention. Annual appointment or reappointment of the external auditor is via shareholder's resolution at the Annual General Meeting on the recommendation of the Board.

Statement on Corporate Governance (cont'd)

5. ADDITIONAL COMPLIANCE INFORMATION

a) Utilisation of Proceeds

The Company did not raise funds through any corporate proposal during the financial year.

b) Share Buybacks

There was no share buyback during the financial year.

c) Option, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year

d) Non Audit Fees

There were no non audit fees paid to external auditors for the financial year.

e) Variance in Results, Profit Estimate, Forecast or Projection

The Group's audited loss after taxation of RM14,081,052 was varied by RM230,052 representing a variation of 1.66% from the announced unaudited loss after taxation of RM13,851,000 for the financial year ended 31 December 2011.

There were no profit estimates, forecast or projection that has been previously announced by the Company during the financial year.

f) Profit Guarantees

There were no profit guarantees given by the Company during the financial year.

g) Material Contracts

None of the Directors and major shareholders had any material contract with the Company and/ or its subsidiaries during the financial year.

h) Contracts Relating to Loan

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

i) Recurrent Related Party Transactions ("RRPT")

There were no recurrent related party transactions during the financial year end.

j) Depository Receipts

The Company did not sponsor any Depository Receipts during the financial year.

k) Sanction and Penalties

As at to date there were no sanctions and penalties imposed on the Company by Bursa Securities and Securities Commission.

Audit Committee Report

1. COMPOSITION OF THE AUDIT COMMITTEE/ MEMBERSHIP

The Audit Committee is appointed by the Board of Directors amongst its members and consists of three (3) members, all of whom are Independent Directors. The Committee includes one member of the Malaysian Institute of Accountants. The Board of Directors will review the term of office and the performance of the Audit Committee and each of its members at least once in every three years.

The present members of the Audit Committee of the Company are:

i.	Tan Wooi Chuon (Chairman)	- Independent Non-Executive Director
ii.	Dato' Hj Ismail Bin Din	- Independent Non-Executive Director
iii.	Loh Eng Wee	- Independent Non-Executive Director

2. MEETINGS AND QUORUM OF THE AUDIT COMMITTEE

The Audit Committee met seven (7) times during the financial year ended 31 December 2011 with due notice issued, then discuss and review the quarterly and annually financial result and corporate proposal, and thereafter recommend to Board for approval. The details of the attendance of meetings and the summary of the Audit Committee activities are disclosed under the heading "Attendance of Audit Committee Meetings" on page 19. The Audit Committee requires the attendance of any management staff from the Finance/ Accounts Department or other departments deemed necessary together with a representative from the external auditors. Upon the request of the auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders. The Audit Committee has met twice with external auditors without the presence of executive members of the Committee during financial year ended 31 December 2011.

3. TERMS OF REFERENCE OF AUDIT COMMITTEE

Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:-

a) the audit committee must be composed of no fewer than 3 members of whom a majority of the audit committee must be independent directors;

b) all members of the audit committee should be non-executive directors and financially literate; and

c) at least one (1) member of the Committee;

   i) must be a member of the Malaysian Institute of Accountants; or

   ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:

      • he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or

      • he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

Audit Committee Report (cont'd)

ii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

Procedure of the Audit Committee meetings

a) The members of the Committee shall elect a Chairman from among their numbers who is an Independent Director.

b) The Company Secretary shall be the Secretary to the Committee. The Secretary shall circulate minutes of the Committee meeting to all members of the Board.

c) The Committee shall meet not less than four (4) times a year and report to the Board of Directors.

d) Written notice of the meeting together with the agenda shall be given to the members of the Committee; the external auditors and any other person invited to attend the meeting, where applicable.

e) The quorum for meetings of the Committee shall be two (2) members and shall comprise of independent directors.

f) A representative of the external auditors, the Head of Internal Audit and the Finance Manager should normally attend meetings. Any other Directors, employees and any other persons, where applicable, shall attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

g) The Chairman shall convene a meeting of the Committee if requested to do so in writing by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.

The Committee should meet with the external auditors without executive board members present at least once a year.

Rights of the Committee

The Committee shall:

(a) have explicit authority to investigate any matter within its term of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Company;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
(e) be able to obtain independent professional or other advice; and
(f) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Audit Committee Report (cont'd)

Function of the Committee

The functions of the Audit Committee shall be:

(a) To review the following and report the same to the Board of Directors -
- (i) with the external auditors, the audit plan;
- (ii) with the external auditors, his evaluation of the system of internal controls;
- (iii) with the external auditors, his audit report;
- (iv) the assistance given by the employees of the Company to the external auditor;
- (v) the quarterly results and the year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or the implementation of major accounting policy changes;
  - significant and unusual events;
  - compliance with accounting standards and other legal requirements
- (vi) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (vii) any letter of resignation including the written explanations of the resignation from the external auditors of the Company; and
- (viii) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.

(b) To do the following, in relation to the internal audit function:-

- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(c) To recommend the nomination of a person or persons as external auditors and the external audit fee.

(d) To carry out other function that may be mutually agreed upon by the Committee and the Board this would be beneficial to the Company.

(e) To verify the criteria for allocation of options pursuant to a share scheme for employee.

Quorum

Two members of the Committee present at the meeting shall constitute a quorum and the majority of members present must be independent directors.

Audit Committee Report (cont'd)

4. ATTENDANCE OF AUDIT COMMITTEE

The details of the attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2011 are as follows:

Directors	Total number of meeting held	Number of meeting attended
Tan Wooi Chuon	7	7
Huang Shih-Yen ^	5	3
Goh Ah Teu @ Goh Keng Chiew *	5	5
Loh Eng Wee +	2	2
Dato' Hj. Ismail Bin Din #	2	2

Notes:
^ Resigned on 14 October 2011
* Resigned on 24 October 2011
+ Appointed on 14 October 2011
# Appointed on 24 October 2011

Activities undertaken by Audit Committee:

The activities of the Audit Committee during the financial year ended 31 December 2011 include the following:

i. Review the Group's year end audited financial statement presented by the external auditors and recommend the same to the Board for approval;
ii. Review the quarterly financial results and announcement;
iii. Review audit plan of internal and external auditors;
iv. Review related party transactions within the Group;
v. Review the effectiveness of the Group's system of internal control;
vi. Review the Company's compliance with Bursa Malaysia Securities Berhad Listing Requirements, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements; and
vii. Consider and recommend to the Board for approval the audit fees payable to internal and external auditors.

Internal Audit Function

The Board acknowledges its responsibility for establishing a good system of internal control for the Group. Thus, the Board has appointed Smart Business Consulting as the internal auditor to assist the Group for identifying and evaluating significant exposure to risk and assist the Group in maintaining effective control.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Companies Act, 1965 requires that the Directors prepare financial statements for each year which give a true and fair view of the state of affairs of the Company as at end of the financial year and of the results of the Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed and to disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that show a true and fair view at any time the financial position of the Company and which enable them to ensure that the financial statements have been prepared in accordance with the provisions of the Companies Act and comply with the approved accounting standards in Malaysia. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control Statement

INTRODUCTION

The Bursa Malaysia Securities Berhad requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board of Directors is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2011.

a. Responsibility of The Board

The Board is ultimately responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment as well as reviewing its adequacy and integrity.

The Board continuously evaluates appropriate initiatives to strengthen the transparency and efficiency of its operations taking into account the requirements for sound and appropriate internal controls and management information systems within the Group. In view of inherent limitations in any system of internal control, the Group's internal control system is designed to manage, rather than eliminate, the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

b. Control Environment

The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The Executive Chairman, Executive Director and other senior management are accountable for ensuring the existence and effectiveness of internal control and provide leadership and direction to senior management on the manner the Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and an effective monitoring mechanism. The external auditors and internal auditors review the organizations internal control annually.

c. Internal Audit

The internal audit functions is outsource to the professional internal audit team. Internal audit team has conducted audit reviews, to address the related internal control weaknesses. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. Internal audit also test the effectiveness of the internal control on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Audit Committee for approval. Reports on internal audit findings, together with recommendations for Management actions, are reviewed by the Audit Committee and reported to the Board accordingly.

d. Risk Management

The Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholders value. Thus, it is crucial to achieve a critical balance between risk incurred and potential returns. Although no formal framework is established for risk assessment but potential risks are usually discuss during the Board of Directors meeting to assess the performance of the Group, identifying new challenges resulting from changes in the business development, industry and overall business environment and formulate appropriate action plans. Thus the Board has reviewed the effectiveness of the system of internal control and confirms that an ongoing process of identifying, evaluating and managing the Group's risk has operated throughout the year covered in this Annual Report.

In view of the restructuring of the group, the audit coverage has be tailored accordingly and cost amounting to approximately RM6,000 were incurred in relation to the internal audit function for the financial year ended 31 December 2011.

Conclusion

The Board is of the view that the existing system of the internal control is adequate. Nevertheless, Management continues to take measure to strengthen the control environment.

This statement is based on the consideration of the audit work performed by both the External Auditors and the Internal Auditors on financial and non-financial matters.

This statement is made in accordance with the resolution of the Board of Directors.

Profile of Directors

DATO' OOI KEE LIANG
• Executive Chairman • Company Director • Malaysian

Aged 41, and was appointed to the Board of the Company on 30 September 2010. Dato' has no directorships in other public companies.

Dato' Ooi graduated with a Bachelor of Science in Computer Engineering and started his career in 1994 as a Process Engineer in Penang based company principally involved in packaging of semiconductors for multinational companies. In 1995, Dato' joined a renowned property development company in Penang as its Marketing & Finance Director responsible for the Company's overall property marketing and finance division. Dato' successfully implemented various innovative marketing programs which have transformed all of the projects into highly successful projects with at least 90% sales take up rates. Dato'was later promoted to the Chief Executive Officer in 2000. Dato' left the Penang based property developer in 2001 to pursue his own property consultancy business under Ideal Concept Intelligence Sdn. Bhd. Over the past 10 years, Dato' has set up several other companies within the Group to provide property business process outsourcing services for local and overseas project.

Dato' is a substantial shareholder of the Company and the spouse of Datin Phor Li Wei, the Executive Director and shareholder of the Company.

Dato' does not have any conflict of interest with the Company. Dato' has no convictions for any offences for over the past 10 years. Please refer to page 78 of this Annual Report for his securities holding.

DATIN PHOR LI WEI
• Executive Director • Company Director • Malaysian

Aged 41, and was appointed to the Board of the Company on 30 September 2010. Datin has no directorship in other public companies.

Datin Phor obtained her Bachelor of Science majoring in Accounting and started her career in KPMG Peat Marwick working as an audit assistant in 1995. In 1997, Datin joined Astarex Sdn. Bhd., principally involved in trading of gold and jewelleries, as it Finance and Administration Manager. In 2001, Datin joined Ideal Concept Intelligence Sdn. Bhd. as its Executive Director. Datin has successfully implemented the ISO 9001: Quality Management System for three(3) subsidiary companies of the Group in 2005. Datin is responsible for overseeing the entire finance, human resource and administration functions of the Group. Datin is among the pioneers of the Group and has been instrumental in the growth of the Group. Datin possess more than ten (10) years of hands-on experience in finance and administration.

Datin is the spouse of Dato' Ooi Kee Liang and substantial shareholder of the Company.

Datin does not have any conflict of interest with the Company. Datin has no convictions for any offences for over the past 10 years. Please refer to page 78 of this Annual Report for her securities holding.

Profile of Directors (cont'd)

TAN WOOI CHUON

• Independent Non Executive Director • Company Director • Malaysian

Aged 43, and was appointed to the Board of the Company on 30 September 2010. He is the Chairman of Audit Committee, Member of Remuneration Committee and Nominating Committee.

Mr. Tan has 4 years working experience in audit firm, 5 years working experience as Finance Manager in electronic manufacturing company, 4 years working experience as Finance and MIS manager in consumer manufacturing company, 3 years working experience as Group Financial Controller of a public listed company on the Nasdaq.

He is presently an Associate Member of the Chartered Institute of Management Accountants UK, ACMA. He has no directorships in other public companies.

He does not have any family relationship with any director and/or major shareholder of the Company.

He does not have any conflict of interest with the Company. He has no convictions for any offences for over the past 10 years. Please refer to page 78 of this Annual Report for his securities holding.

LOH ENG WEE

• Independent Non Executive Director • Legal Practitioner • Malaysian

Aged 43, and was appointed to the Board of the Company on 14 October 2011. He is the Chairman of Nomination Committee, Member of Remuneration Committee and Audit Committee.

Mr. Loh graduated from University Malaya in 1994 with a Bachelor of Law (Hons). He did his Chambering in Cheong Wai Meng & Van Buerle in 1994 and was admitted as an advocate and solicitor in1995. He subsequently joined San & Associate as their advocate and solicitor, and in 1997, he was appointed as the partner of the firm. Mr. Loh's legal specialisation includes matters relating to banking, corporate, civil, land and conveyancing. He is an Independent Non- Executive Director and Audit Committee member of Tatt Giap Group Berhad & Pensonic Holdings Berhad, which are listed on Bursa Malaysia Securities Berhad. He also sits on the board of several private limited companies.

He does not have any family relationship with any director and/or major shareholder of the Company.

He does not have any conflict of interest with the Company. He has no convictions for any offences for over the past 10 years. Please refer to page 78 of this Annual Report for his securities holding.

Profile of Directors (cont'd)

DATO' HJ. ISMAIL BIN DIN

• Independent Non Executive Director • Company Director • Malaysian

Aged 68, and was appointed to the Board of the Company on 24 October 2011. He is the Chairman of Remuneration Committee, Member of Nomination Committee and Audit Committee.

Dato' has accumulated more than 40 years of working experience. After completed his Higher School Certificate in 1968. Dato was attached to Koperasi Tunas Muda Sungai Ara Bhd for 31 years and his last senior management position that he held was Chairman of the Board. He was on the Board of Hospital Pantai, Pulau Pinang and also the Chairman for Sunway Tunas Sdn. Bhd. from 2000 to 2003. He was previously a Managing Director for Keris Group of Companies and also held a dealership for EON, Suzuki, Mitsubishi and Fiat. He is active in socio-political circle where he sits in various committees.

He does not have any family relationship with any director and/or major shareholder of the Company.

He does not have any conflict of interest with the Company. He has no convictions for any offences for over the past 10 years. Please refer to page 78 of this Annual Report for his securities holding.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

Principal activities

The Company is an investment holding and provision of management administrative services to its subsidiary companies.

The principal activities of its subsidiaries are as disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than the Company disposed of its 55% equity interest in a subsidiary company, Biosmart Sdn. Bhd.

Results

	The Group RM	The Company RM
Net loss for the financial year	(14,081,052)	(4,240,566)

Reserves and provisions

There were no material transfers to and from reserves or provisions during the financial year except as disclosed in the financial statements.

Dividends

No dividend were paid or declared since the end of the last financial year.

The Directors do not recommend any dividend for the financial year ended 31 December 2011.

Directors

The Directors who have held office since the date of the last report are:-

Dato' Ooi Kee Liang
Datin Phor Li Wei
Tan Wooi Chuon
+ Loh Eng Wee
# Dato' Hj. Ismail Bin Din
^ Koh Yueh Leong
* Goh Ah Teu @ Goh Keng Chiew
^ Huang Shih-Yen

* Resigned on 24.10.2011
^ Resigned on 14.10.2011
# Appointed on 24.10.2011
+ Appointed on 14.10.2011

DIRECTORS' REPORT (continued)

In accordance with the Articles of Association, Dato' Ooi Kee Liang, Dato' Hj. Ismail Bin Din and Loh Eng Wee will retire at the forthcoming Annual General Meeting and are eligible for re-election.

Directors' interest in shares

The interest of the Directors who held office at the end of the financial year in shares in the Company were as follows:

	Number of ordinary shares of RM0.10 each			
Name of directors	**Balance at 01.01.11**	**Bought**	**Sold**	**Balance at 31.12.11**
Dato' Ooi Kee Liang				
- direct interest	-	1,000	-	1,000
- deemed interest	75,202,600	-	-	75,202,600
Datin Phor Li Wei				
- direct interest	-	1,000	-	1,000
- deemed interest	75,202,600	-	-	75,202,600

By virtue of their interest in the shares of the ultimate holding company, Dato' Ooi Kee Liang and Datin Phor Li Wei are also deemed to be interested in the shares of all the subsidiaries to the extent the ultimate holding company has an interest.

None of the other Directors in office at the end of the financial year had any interest in the Ordinary Shares of the Company and related corporations during the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965.

Directors' benefits

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 25 to the financial statements.

During and as of the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

DIRECTORS' REPORT (continued)

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) any current assets which were unlikely to realised their book value in the ordinary course of business have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as disclosed in Note 24 to the financial statements.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

DIRECTORS' REPORT (continued)

Significant events

The Board of Directors has announced that the Group had defaulted on payment of principal and interest in respect of bank borrowings in accordance with Guidance Note 5/2006 (GN5) of the ACE Market Listing requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 August 2009. On 29 April 2011, the Company was deemed an Affected Listed Issuer pursuant to Guidance Note 3/2006 (GN3) and paragraph 2.1(g) of the ACE Market Listing requirements of Bursa Malaysia.

The Group is making arrangements to dispose of properties which are deemed surplus to the requirements of the Group in order to repay the defaulted bank borrowings of which details have been publicly disclosed in a series of announcements. The Group has proposed changes to its Group as below :

(i) Acquisition of Ideal Consortium Sdn. Bhd. (formerly known as Merge Consortium Sdn. Bhd.) and Ideal Property BPO Sdn. Bhd. (formerly known as Vulture Ventures Sdn. Bhd.)

(ii) Winding up of Equator Europe B.V., a 70% owned subsidiary of the Company, which had been declared bankrupt under the 105 Dutch Bankruptcy Act.

(iii) Disposal of its 55% equity interest in a subsidiary, Biomart Sdn. Bhd. during the financial year.

The Group has embarked on formularising a proposed regularisation plan which includes fund raising and restructuring the defaulted principal and interest repayments and achieve profitable business operations in the new business venture with the continued support from its shareholders, bankers and creditors.

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, except for the following:

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 RM1,081,646.78 interest, legal costs, scale cost and other damages deem fit by the Court. The High Court of Johor Bahru has on 9 January 2012 dismissed the claim of ORIX against EBSB and Equator. 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 realise its assets to settle its debts.

Subsequent events

On March 2012, Equator Biotech Sdn. Bhd., a wholly-owned subsidiary company received a Writ of Summons filed by a bank concerning a claim of an outstanding amount RM98,841. The subsidiary company is in the midst of negotiation with bank for settlement of outstanding amount.

DIRECTORS' REPORT (continued)

Auditors

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed in accordance with
a resolution of the Directors,

DATO' OOI KEE LIANG

DATIN PHOR LI WEI

Penang
23 April 2012

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by Malaysian Accounting Standards Board in Malaysia so as to give a true and fair view of financial position of the Group and of the Company as at 31 December 2011 and of the results of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with
a resolution of the Directors,

DATO' OOI KEE LIANG

DATIN PHOR LI WEI

Penang
23 April 2012

STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, TEOH EE KEN being the Officer primarily responsible for the financial management of IDEAL SUN CITY HOLDINGS BERHAD (Formerly known as EQUATOR LIFE SCIENCE BERHAD), do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed TEOH EE KEN at GEORGETOWN)
in the State of PENANG on 23 April 2012)

TEOH EE KEN
Before me,

COMMISSIONER FOR OATHS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of IDEAL SUN CITY HOLDINGS BERHAD (Formerly known as EQUATOR LIFE SCIENCE BERHAD), which comprise the Statements of Financial Position as at 31 December 2011 of the Group and of the Company, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements a true and fair view in accordance with Financial Reporting Standards issued by the Malaysian Accounting Standards Boards and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Group and the Company have accumulated losses of RM48,567,882 and RM39,613,839 respectively as of 31 December 2011. As of 31 December 2011, the Group's current liabilities exceeded its current assets by RM4,046,543 thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Certain subsidiary companies have defaulted in their borrowings and the interest payment obligations as disclosed in Notes 22 and 23 to the financial statements. The Group is making arrangements to dispose of properties which are deemed surplus to the requirements of the Group to repay the defaulted bank borrowings. In addition, the Group diversified into Project Management Consultancy which the Group believes that it is able to contribute positively to the future earnings for the Group and the Group is also in the midst of formularising a regularisation plan.

Accordingly, the appropriateness of the going concern basis and the underlying assumptions used in the preparation of the financial statements is dependent on the ability of the Group to dispose of its assets, restructure the defaulted principal and interest repayments, obtain the continued support from their bankers and creditors, and improve its profitability.

The financial statements of the Group and of the Company do not include any adjustments that may be required to be made to the amounts and the classification of the assets and liabilities had it been inappropriate to prepare the financial statements on a going concern basis due to the material uncertainty.

REPORT ON THE FINANCIAL STATEMENTS (Continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries, of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than as disclosed in Note 11 to the financial statements.

OTHER MATTERS

The supplementary information on Note 30 to financial statements to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Company as at 31 December 2010, were audited by another auditor whose report dated 29 April 2011, expressed an unqualified opinion on these statements.

PKF
AF 0911
CHARTERED ACCOUNTANTS

LOH CHYE TEIK
1652/8/12(J)
CHARTERED ACCOUNTANT

Penang
23 April 2012

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
CONTINUING OPERATIONS					
Revenue	2	647,969	2,553,110	-	-
Cost of sales		(11,720,629)	(6,515,712)	-	-
Gross loss		(11,072,660)	(3,962,602)	-	-
Other income		1,188,595	992,134	1,607	781,509
Distribution and administration expenses		(3,490,799)	(1,586,172)	(788,585)	(471,017)
Other operating expenses		(2,112)	(848,134)	(3,453,588)	(11,689,591)
Loss from operation	4	(13,376,976)	(5,404,774)	(4,240,566)	(11,379,099)
Finance costs	5	(704,076)	(982,576)	-	-
Loss before tax		(14,081,052)	(6,387,350)	(4,240,566)	(11,379,099)
Tax expense	6	-	-	-	-
Loss for the year from continuing operations		(14,081,052)	(6,387,350)	(4,240,566)	(11,379,099)
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	7	-	2,481,879	-	-
Loss for the year		(14,081,052)	(3,905,471)	(4,240,566)	(11,379,099)
Other comprehensive income					
Share of other comprehensive income by minority interest		-	(6,087)	-	-
Currency translation differences		-	288,034	-	-
Total comprehensive loss for the year		(14,081,052)	(3,623,524)	(4,240,566)	(11,379,099)
Profit or loss attributable to :					
Owners of the Company		(14,081,052)	(3,906,346)		
Minority interest		-	875		
		(14,081,052)	(3,905,471)		
Total comprehensive loss attributable to:					
Owners of the Company		(14,081,052)	(3,618,312)		
Minority interest		-	(5,212)		
		(14,081,052)	(3,623,524)		
Attributable to:					
Basic average loss per ordinary share					
From continuing and discontinued operations					
Basic (sen)	8	(5.99)	(1.66)		
From continuing operations					
Basic (sen)	8	(5.99)	(2.72)		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	9	-	2,096,784	-	-
Plantation development Expenditure	10	-	4,128,874	-	-
Investment in subsidiary companies	11	-	-	4	-
Other financial asset	12	1,006,080	1,281,022	-	-
		1,006,080	7,506,680	4	-
Current assets					
Inventories	13	923,850	8,152,508	-	-
Trade receivables	14	245,735	1,453,102	-	-
Non-trade receivables, deposits and prepayments	15	101,088	182,616	22,555	15,000
Amount owing by subsidiary companies	16	-	-	8,294,793	11,612,773
Other financial asset	12	864,607	1,386,195	-	-
Tax recoverables		1,700	79,328	1,700	1,700
Cash and bank balances		41,975	80,517	3,998	160
		2,178,955	11,334,266	8,323,046	11,629,633
Assets classified as held for sale	17	3,077,505	6,002,578	-	-
		5,256,460	17,336,844	8,323,046	11,629,633
TOTAL ASSETS		6,262,540	24,843,524	8,323,050	11,629,633
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	18	23,500,800	23,500,800	23,500,800	23,500,800
Reserves	19	(26,541,263)	(12,460,211)	(17,587,220)	(13,346,654)
Total equity		(3,040,463)	11,040,589	5,913,580	10,154,146
Current liabilities					
Trade payables	20	520,519	2,554,784	-	-
Non-trade payables and accruals	21	3,436,706	2,669,678	1,372,344	438,361
Hire purchase payables	22	817,046	817,046	-	-
Borrowings	23	4,528,732	7,761,427	-	-
Provision	24	-	-	1,037,126	1,037,126
Total liabilities		9,303,003	13,802,935	2,409,470	1,475,487
TOTAL EQUITY AND LIABILITIES		6,262,540	24,843,524	8,323,050	11,629,633

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holder of the Company						
	Non-distributable			Distributable			
	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	Total RM	Minority Interests RM	Net Equity RM
The Group							
At 1 January 2010	23,500,800	22,026,619	(288,034)	(30,580,484)	14,658,901	5,212	14,664,113
Other comprehensive income/(loss)	-	-	288,034	-	288,034	(6,087)	281,94
Profit/(loss)for the year	-	-	-	(3,906,346)	(3,906,346)	875	(3,905,471)
Total comprehensive income/(loss) for the financial year	-	-	288,034	(3,906,346)	(3,618,312)	(5,212)	(3,623,524)
At 31 December 2010	23,500,800	22,026,619	-	(34,486,830)	11,040,589	-	11,040,589
Total comprehensive loss for the financial year	-	-	-	(14,081,052)	(14,081,052)	-	(14,081,052)
At 31 December 2011	23,500,800	22,026,619	-	(48,567,882)	(3,040,463)	-	(3,040,463)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Company	Share capital RM	Non-distributable reserve share premium RM	Accumulated losses RM	Net equity RM
At 1 January 2010	23,500,800	22,026,619	(22,957,048)	22,570,371
Effect of adoption of FRS139	-	-	(1,037,126)	(1,037,126)
As restated	23,500,800	22,026,619	(23,994,174)	21,533,245
Total comprehensive loss for the financial year	-	-	(11,379,099)	(11,379,099)
At 31 December 2010	23,500,800	22,026,619	(35,373,273)	10,154,146
Total comprehensive loss for the financial year	-	-	(4,240,566)	(4,240,566)
At 31 December 2011	23,500,800	22,026,619	(39,613,839)	5,913,580

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Loss before tax		(14,081,052)	(3,905,471)	(4,240,566)	(11,379,099)
Adjustments for:					
Allowance for doubtful debts		-	74,500	-	5,513,067
Amortisation of					
- other financial asset		241,008	332,783	-	-
- plantation development expenditure		243,570	458,764	-	-
- prepaid leasehold land		-	1,267	-	-
Depreciation of property, plant and equipment		274,040	513,691	-	-
Finance costs		704,076	989,059	-	-
Impairment loss on investment in subsidiary companies		-	-	-	5,852,113
Inventories written down to net realisable value		907,330	891,435	-	-
Net waiver of debts owing by					
- subsidiary companies		-	-	3,453,588	275,052
- other party		82,159	-	-	-
Unrealised exchange loss		1,616	38,352	-	-
Written off of					
- inventories		5,253,258	1,643,019	-	-
- plantation development expenditure		3,885,304	-	-	-
- property, plant and equipment		1,788,524	64,859	-	-
Allowance for doubtful debts no longer required		-	-	-	(781,507)
Gain on disposal of					
- assets classified held for sale		(583,741)	-	-	-
- property, plant & equipment		(67,629)	(805,116)	-	-
- prepaid leasehold land		-	(117,367)	-	-
- subsidiary companies		(211,663)	(2,957,864)	-	-
Interest income		(1,605)	(21,809)	-	-
Liquidation of subsidiary companies		-	(235,114)	-	-
Operating loss before working capital changes		(1,564,805)	(3,035,012)	(786,978)	(520,374)
Decrease in inventories		919,638	2,345,790	-	-
Increase in receivables		(175,753)	(1,113,073)	(7,555)	(14,000)
Increase in payables		219,414	556,245	933,979	153,998
Decrease in other financial asset		555,522	-	-	-
Increase in subsidiary companies		-	-	(135,606)	-
Cash generated from/ (used in) operation		(45,984)	(1,246,050)	3,840	(380,376)
Balance carried forward		(45,984)	(1,246,050)	3,840	(380,376)

CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Balance brought forward		(45,984)	(1,246,050)	3,840	(380,376)
Tax paid		(34,503)	-	-	-
Interest received		1,605	21,809	-	-
Finance costs paid		(363,647)	(796,662)	-	-
Net cash generated from/ (used in) operating activities		(442,529)	(2,020,903)	3,840	(380,376)
Cash flows from investing activities					
Proceeds from disposal of					
- assets held for sale		3,543,813	7,694,130	-	-
- property, plant and equipment		101,849	30,000	-	-
Refunded from other investment		-	32,627	-	-
Repayment from subsidiary companies		-	-	-	380,374
Net cash inflow/(outflow) from disposal/liquidation of subsidiary companies	(i)	(8,980)	(20,962)	2	2
Purchase of					
- Investment in subsidiaries		-	-	(4)	-
- Property, plant and equipment		-	(7,617)	-	-
Net cash generated from/ (used in) investing activities		3,636,682	7,728,178	(2)	380,376
Cash flows from financing activities					
Repayment of					
- Bankers' acceptance		(1,000,000)	-	-	-
- Term loans		(1,361,167)	-	-	-
Net cash (used in) investing activities		(2,361,167)	-	-	-
Net increase in cash and cash equivalents		832,986	5,707,275	3,838	-
Effect on foreign exchange translation		-	103,217	-	-
Cash and cash equivalents at 1 January		(791,011)	(6,601,503)	160	160
Cash and cash equivalents at 31 December	(ii)	41,975	(791,011)	3,998	160

CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Note :

(i) Net cash inflow/(outflow) from disposal/liquidation of subsidiary companies

During the financial year, the Company disposed of its 55% equity interest in a subsidiary company, Biosmart Sdn. Bhd. (2010: discontinued its operations in the European countries upon disposal of Monstera Sdn. Bhd. and liquidation of Equator Europe B.V.). The net cash inflow/(outflow) from disposal/liquidation of subsidiary companies are as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash consideration received	2	2	2	2
Cash and bank balances in the disposed/liquidation subsidiary companies	(8,982)	(20,964)	-	-
Net cash inflow/(outflow) from disposal/ liquidation of subsidiary companies	(8,980)	(20,962)	2	2

(ii) Cash and cash equivalents

Cash and cash equivalents consist of the following:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	41,975	80,517	3,998	160
Bank overdrafts	-	(871,528)	-	-
Liquidation of subsidiary companies	41,975	(791,011)	3,998	160

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies

The financial statements of the Group and of the Company have been prepared under the historical cost convention other than as disclosed in the notes to financial statements and in accordance with the provisions of the Companies Act, 1965, in Malaysia and applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board.

The financial statements of the Group and of the Company are also prepared on the going concern basis.

However, the Group and the Company incurred a net loss of RM14,081,052 and RM4,240,566 respectively during the financial year ended 31 December 2011 and, as at that date, the Group's current liabilities exceeded current assets by RM4,046,543. The shareholders' deficit of the Group as at 31 December 2011 was RM3,040,463 thereby indicated the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The ability of the Group and the Company to continue as a going concern is dependent upon receiving continuous financial support from its shareholders and its ability to operate profitably in the foreseeable future.

At the time of this report, there is no reason for the Directors to believe that there is any significant uncertainty that the shareholders will not continue to provide their financial support. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets' amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company is unable to continue as a going concern. The assumption is premised on future events, the outcome of which is inherently uncertain.

(a) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the following new and amended FRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
• FRS 1, First-time Adoption of Financial Reporting Standards (Compiled Jan 2011)	1 July 2010
• Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 and Disclosures for First-time Adopters	1 January 2011
• Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Additional Exemptions for First-time Adopters	1 January 2011
• Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2011
• Amendments to FRS 2, Share-based Payment	1 July 2010
• Amendments to FRS 2, Share-based Payment - Group Cash-settled Share-based Payment Transactions	1 January 2011
• FRS 3, Business Combinations (Compiled Apr 2011)	1 July 2010
• Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
• Amendments to FRS 7, Financial Instruments: Disclosures -Improving Disclosures about Financial Instruments	1 January 2011
• Amendments to FRS 7, Financial Instruments: Disclosures	1 January 2011
• Amendments to FRS 101, Presentation of Financial Statements	1 January 2011

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

• Amendments to FRS 121, The Effects of Changes in Foreign Exchange Rates	1 January 2011
• Amendments to FRS 128, Investments in Associates	1 January 2011
• Amendments to FRS 131, Interests in Joint Ventures	1 January 2011
• Amendments to FRS 132, Financial Instruments: Presentation	1 January 2011
• Amendments to FRS 138, Intangible Assets	1 July 2010
• Amendments to FRS 139, Financial Instruments: Recognition and Measurement	1 January 2011
• Amendments to FRS 3, Business Combinations	1 January 2011
• FRS 127, Consolidated and Separate Financial Statements (Compiled Jan 2011)	1 July 2010
• FRS 134, Interim Financial Reporting	1 January 2011
• IC Interpretation 4, Determining Whether an Arrangement contains a Lease	1 January 2011
• Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
• IC Interpretation 12, Service Concession Arrangements	1 July 2010
• Amendments to IC Interpretation 13, Customer Loyalty Programmes	1 January 2011
• IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
• IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 July 2010
• IC Interpretation 18, Transfer of Assets from Customers	1 January 2011
• Amendments to IC Interpretation 15, Agreements for Construction of Real Estate	30 August 2010
• TR i-4, Shariah Compliant Sales Contracts	1 January 2011

Except for the changes in accounting polices arising from the adoption of the revised FRS 3 and Revised FRS 127, as well as the new disclosures required under the amendments to FRS 7, the adoption of the other standards and interpretations above did not have any effect on the financial performance or position of the Group and of the Company.

The effects of changes in accounting policy are described below:

Amendments to FRS 7, Financial Instruments: Disclosures

Amendments to the FRS 7, introduces addition disclosures to improve the information about fair value measurements and liquidity risk.

(a) Fair value hierarchy

The Group and the Company shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities If there has been a change in valuation technique, the Group and the Company shall disclose that change and the reasons for making it.

In addition, the Group and the Company shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices) (Level 2); and

(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Notes to the financial statements at 31 December 2011

1. **Summary of significant accounting policies (continued)**

(a) Changes in accounting policies (continued)

(b) Liquidity risk

The Group and the Company shall disclose:

(i) A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;

(ii) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and

(iii) A description of how it manages the liquidity risk inherent in (i) and (ii) above.

The additional disclosures are included in the notes to the financial statements for the year ended 31 December 2011. Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

<u>Revised FRS 3, Business Combinations and Revised FRS 127, Consolidated and Separate Financial Statements</u>

The revised FRS 3 introduces a number of changes in the accounting or business combinations occurring after 1 January 2011.

The FRS requires the acquirer, having recognised the identifiable assets, the liabilities and any non-controlling interests, to identify any difference between:

(i) The aggregate of the fair value of consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

(ii) The net identifiable assets acquired.

The difference will, generally, be recognised as goodwill. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss.

Revised FRS 127 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss. Furthermore, the standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107, Statements of Cash Flows, FRS 112, Income Taxes, FRS 121, The Effects of Changes in Foreign Exchange Rates, FRS 128, Investments in Associates and FRS 131, Interests in Joint Ventures.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(b) Standards issued but not yet effective

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
• FRS 10, Consolidated Financial Statements	1 January 2013
• FRS 11, Joint Arrangements	1 January 2013
• FRS 12, Disclosure of Interests in Other Entities	1 January 2013
• FRS 13, Fair Value Measurement	1 January 2013
• FRS 119, Employee Benefits	1 January 2013
• FRS 124, Related Party Disclosures	1 January 2012
• FRS 127, Separate Financial Statements	1 January 2013
• FRS 128, Investment in Associates and Joint Ventures	1 January 2013
• Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
• Amendments to FRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets	1 January 2012
• Amendments to FRS 101, Presentation of Financial Statements -Presentation of Items of Other Comprehensive Income	1 July 2012
• Amendments to FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012
• Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
• IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
• Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 July 2011

The Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Following the issuance of Malaysian Financial Reporting Standards ("MFRS") and IC interpretation by Malaysian Accounting Standards Board on 19 November 2011, the Group's and the Company's next set of financial statements will be prepared in accordance with International Financial Reporting Standards Framework. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance the Group and the Company.

(c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(i) Depreciation of Property, Plant and Equipment (continued)

The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(iii) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates.

Possible changes in these estimates could result in revisions to the valuation of inventories.

(iv) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement.While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(v) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(vi) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

Notes to the financial statements at 31 December 2011

1. **Summary of significant accounting policies (continued)**

(d) Basis of consolidation

(i) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied Revised FRS 3, Business Combinations, in accounting for business combinations.

<u>Acquisitions on or after 1 January 2011</u>

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the financial statements at 31 December 2011

1. **Summary of significant accounting policies (continued)**

(d) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

<u>Acquisitions on or after 1 January 2011(continued)</u>

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(iii) Loss of control

The Group applied Revised FRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and their carrying amount would be regarded as cost on initial measurement of the investment.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(e) Revenue and income recognition

Revenue is recognised to the extend that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

(i) Sales of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

Interest income is recognised on an accrual basis, based on effective yield on the investment.

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(f) Employee benefits expense

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group's and the Company's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further liability in respect of the defined contribution plans.

(g) Income taxes

Income tax expenses represents the sum of the tax currently payable and deferred tax.

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(h) Impairment

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Impairment of non-financial assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(i) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Building	5% - 20%
Plant and machinery	10%
Furniture, fittings and office equipment	10% - 25%
Motor vehicles	20%

(j) Plantation development expenditure

Plantation development expenditure represents planting expenditure incurred from the commencement of development to the date of maturity of the plants. Plantation development expenditure is capitalised at cost and amortised over a period of 10 years commencing from the date of maturity of plants.

Where an indication of impairment exists, the carrying amount of plantation development expenditure is assessed and written down immediately to its recoverable amount.

(k) Investment in subsidiary companies

A subsidiary company is an entity over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Subsidiary companies are consolidated from the date of which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost less accumulated impairment loss, if any, in the Company's separate financial statements.

(l) Inventories

Inventories, comprising raw materials, finished goods and consumables, are stated at the lower of cost and net realisable value.

Cost is determined using weighted average method. Cost of raw materials and consumables includes all original price plus cost incurred in bringing them to their present location and condition.

Cost of finished goods includes the cost of raw materials, direct labour and an appropriate proportion of the fixed and variable plantation overheads.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(n) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Notes to the financial statements at 31 December 2011

1. **Summary of significant accounting policies (continued)**

(o) Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at the fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(i) Financial assets

• *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

• *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all financial assets of the Group and the Company, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised in the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

• *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the financial statements at 31 December 2011

1. **Summary of significant accounting policies (continued)**

(o) Financial instruments (continued)

(ii) Financial liabilities and equity instruments issued by the Company

- *Classification as debts or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

- *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

- *Sundry payables*

Sundry payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method except for short-term balances when the recognition of interest would be immaterial.

- *Sundry payables*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

- *Derecognition of financial liabilities*

The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

(p) Equity instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by the shareholders.

The transactions costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares. When treasury shares are issued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(q) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes to the financial statements at 31 December 2011

1. **Summary of significant accounting policies (continued)**

(r) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(t) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

A financial guarantee contract is considered a contingent liability in accordance with FRS 4 Insurance Contracts.

(u) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Notes to the financial statements at 31 December 2011

1. Summary of significant accounting policies (continued)

(v) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2. Revenue

Revenue represents the invoiced value of goods sold less discounts and returns.

3. Employee benefits expense

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
(a) Staff costs				
(i) Direct staff costs				
- Salaries, wages, allowances and overtime	157,232	328,649	-	-
- Contributions to defined contribution plan	7,753	15,190	-	-
- Social security contributions	1,010	2,108	-	-
	165,995	345,947	-	-
(ii) Admin staff costs				
- Salaries, wages, allowances and overtime	247,973	208,224	100,103	119,840
- Contributions to defined contribution plan	25,047	22,293	9,156	14,400
- Social security contributions	1,684	1,363	465	826
	274,704	231,880	109,724	135,066
	440,699	577,827	109,724	135,066

Notes to the financial statements at 31 December 2011

3. Employee benefits expense (continued)

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
(b) Directors' remuneration				
Salaries and other emoluments	130,369	226,200	130,369	113,400
Fees	-	59,500	-	59,500
Contribution to defined contribution plan	13,548	22,248	13,548	12,888
Social security contributions	361	-	361	-
	144,278	307,948	144,278	185,788
Total employee benefits expense	584,977	885,775	254,002	320,854
Executive directors:				
Salaries and other emoluments	130,369	226,200	130,369	113,400
Contribution to defined contribution plan	13,548	22,248	13,548	12,888
Social security contributions	361	-	361	-
	144,278	248,448	144,278	126,288
Non executive directors:				
Fees	-	59,500	-	59,500
	144,278	307,948	144,278	185,788

Notes to the financial statements at 31 December 2011

4. Loss from operations

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Loss from operations is arrived at after charging/(crediting):				
Audit fee	37,400	52,000	17,000	17,000
Allowance for doubtful debts	-	74,500	-	5,513,067
Allowance for doubtful debts no longer required	-	-	-	(781,507)
Depreciation of property, plant and equipment	274,040	513,691	-	-
Amortisation of				
- other financial asset	241,008	332,783	-	-
- plantation development expenditure	243,570	458,763	-	-
- prepaid land lease	-	1,267		
Impairment loss on investment in subsidiary companies	-	-	-	5,852,113
Interest income	(1,605)	(21,809)	-	-
Inventories written down to net realisable value	907,330	891,435	-	-
Gain on disposal of				
- assets classified as held for sale	(583,741)	-	-	-
- prepaid land lease	-	(117,367)	-	-
- property, plant and equipment	(67,629)	(805,116)	-	-
- subsidiary companies	(211,663)	(2,957,864)	-	-
Employee benefits expense (Note 3)	584,977	885,775	254,002	320,854
Rental of premises	28,152	1,050	-	-
Liquidation of subsidiary companies	-	(235,114)	-	-
Net waiver of debts owing by				
- subsidiary companies	-	-	3,453,588	275,052
- others	82,159	2,000	-	2,000
Waiver of banking facilities	(150,832)	-	-	-
Written off of				
- deposit	(30,115)	1,000	-	1,000
- inventories	5,253,258	1,643,019	-	-
- property, plant and equipment	1,788,524	64,859	-	-
- plantation development expenditure	3,885,304	-	-	-
(Gain)/loss on foreign exchange				
- realised	496	(84,789)	-	46,359
- unrealised	1,616	38,352	-	-

Notes to the financial statements at 31 December 2011

5. Finance costs

	The Group	
	2011	**2010**
	RM	**RM**
Continuing operations		
Interest on:		
Bank overdrafts	15,772	129,716
Bankers' acceptance	218,890	273,403
Term loans	462,624	518,344
Hire purchase and finance lease	6,790	61,113
	704,076	982,576

6. Tax expense

Reconciliation of effective tax rate

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Loss before tax:				
Continuing operations	(14,081,052)	(6,387,350)	(4,240,566)	(11,379,099)
Discontinued operations	-	2,481,879	-	-
	(14,081,052)	(3,905,471)	(4,240,566)	(11,379,099)
Loss before tax	(14,081,052)	(3,905,471)	(4,240,566)	(11,379,099)
Income tax using Malaysia tax rate at 25% (2010 : 25%)	(3,520,263)	(976,368)	(1,060,142)	(2,844,775)
Non-deductible expenses	2,335,607	2,483,368	1,060,142	2,844,775
Non taxable income	(374,872)	(1,000,000)	-	-
Deferred tax assets not recognised	1,559,738	-	-	-
Double deduction	(210)	-	-	-
Utilisation of deferred tax assets previously not recognised	-	(507,000)	-	-
Tax expense for the year	-	-	-	-

Notes to the financial statements at 31 December 2011

7. Discontinued operations

	The Group	
	2011 RM	2010 RM
Revenue	-	3,104,631
Cost of sales	-	(2,555,514)
Gross profit	-	549,117
Investment revenue	-	21,809
Other operating income	-	95,499
Selling expenses	-	(248,802)
Administrative expenses	-	(1,002,790)
Finance costs	-	(6,482)
Other operating expenses	-	(119,450)
Loss before tax	-	(711,099)
Income tax expense	-	-
Loss from operations in European Countries	-	(711,099)
Gain on disposal of subsidiary companies	-	2,957,864
Liquidation of subsidiary companies	-	235,114
Profit for the year	-	2,481,879

The following amounts have been included in arriving at the loss before tax of the discontinued operations :

	The Group	
	2011 RM	2010 RM
Staff costs	-	534,882
Audit fee	-	11,000
Depreciation of property, plant and equipment	-	9,438
Finance costs	-	6,438
Amortisation of prepaid land lease	-	1,267
Cash flows from discontinued operations		
Net cash outflows from operating activities	-	(378,277)
Net cash inflows from investing activities	-	38,951
Net cash outflows	-	(339,326)

Notes to the financial statements at 31 December 2011

8. Basic average loss per ordinary share

Basic average loss per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year held by the Group calculated as follows:

	The Group	
	2011	**2010**
	Sen	**Sen**
Basic		
From continuing operations	(5.99)	(2.72)
From discontinued operations	-	1.06
Total basic earnings per share	(5.99)	(1.66)
	2011	**2010**
	RM	**RM**
Basic		
Loss attributable to owners of the Company	(14,081,052)	(3,906,346)
Profit from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	2,481,879
Loss used in the calculation of basic earnings per share from continuing operations	(14,081,052)	(6,388,225)
	2011	**2010**
	Units	**Units**
Number of ordinary shares in issue as of January 1 and December 31	235,008,000	235,008,000

Diluted earnings per ordinary share are not presented as there are no dilutive potential ordinary shares outstanding during the financial year.

9. Property, plant and equipment

Particulars of the property, plant and equipment are as follows:

(a) Cost

The Group	**Balance at 01.01.11 RM**	**Additions RM**	**Disposals/ Write-off RM**	**Balance at 31.12.11 RM**
2011				
Building	1,086,097	-	(1,086,097)	-
Plant and machinery	1,962,227	-	(1,962,227)	-
Plant and machinery (under hire purchase)	1,662,750	-	(1,662,750)	-
Furniture, fittings and office equipment	296,802	-	(296,802)	-
Motor vehicles	7,850	-	(7,850)	-
Total	5,015,726	-	(5,015,726)	-

Notes to the financial statements at 31 December 2011

9. Property, plant and equipment (continued)

Particulars of the property, plant and equipment are as follows (continued) :

(a) Cost (continued)

The Group	Balance at 01.01.10 RM	Additions RM	Disposals/ Write-off RM	Reclassifi-cation RM	Balance at 31.12.10 RM
2010					
Freehold land and building	2,406,647	-	-	(1,320,550)*	1,086,097
Plant and machinery	2,540,289	-	(239,312)	(338,750)	1,962,227
Plant and machinery (under hire purchase)	1,324,000	-	-	338,750	1,662,750
Furniture, fittings and office equipment	460,591	7,617	(171,406)	-	296,802
Motor vehicles	199,292	-	(191,442)	-	7,850
Total	6,930,819	7,617	(602,160)	(1,320,550)	5,015,726

* Reclassified to Assets classified as held for sale, Note 17 to the financial statements

(b) Accumulated Depreciation

The Group	Balance at 01.01.11 RM	Current depreciation RM	Disposals/ Write-off RM	Balance at 31.12.11 RM
2011				
Building	536,419	42,113	(578,532)	-
Plant and machinery	1,495,321	221,077	(1,716,398)	-
Plant and machinery (under hire purchase)	676,133	-	(676,133)	-
Furniture, fittings and office equipment	203,225	10,850	(214,075)	-
Motor vehicles	7,844	-	(7,844)	-
Total	2,918,942	274,040	(3,192,982)	-

	Balance at 01.01.10 RM	Current depreciation RM	Disposals/ Write-off RM	Balance at 31.12.10 RM
2010				
Building	453,226	83,193	-	536,419
Plant and machinery	1,476,378	209,720	(190,777)	1,495,321
Plant and machinery (under hire purchase)	509,857	166,276	-	676,133
Furniture, fittings and office equipment	293,331	47,280	(137,386)	203,225
Motor vehicles	175,108	7,222	(174,486)	7,844
Total	2,907,900	513,691	(502,649)	2,918,942

Notes to the financial statements at 31 December 2011

9. Property, plant and equipment (continued)

(c) Carrying Amount

	The Group 2011 RM	The Group 2010 RM
Building	-	549,678
Plant and machinery	-	466,906
Plant and machinery (under hire purchase)	-	986,617
Furniture, fittings and office equipment	-	93,577
Motor vehicles	-	6
Total	-	2,096,784

During 2010, a subsidiary company entered into a conditional Sales and Purchase Agreement to dispose of its freehold land. Accordingly, the cost and net book value of the freehold land has been reclassified to “Assets Classified As Held for Sale”.

10. Plantation development expenditure

	The Group 2011 RM	The Group 2010 RM
Cost:		
At beginning of year	7,824,812	7,824,812
Written off during the year	(7,824,812)	-
At end of year	-	7,824,812
Accumulated amortisation:		
At beginning of year	2,796,463	2,337,700
Charge for the year (Note 4)	243,570	458,763
Written off during the year	(3,040,033)	-
At end of year	-	2,796,463
Accumulated impairment losses:		
At beginning of year	899,475	899,475
Written off during the year	(899,475)	-
At end of year	-	899,475
	-	4,128,874

Notes to the financial statements at 31 December 2011

11. Investment in subsidiary companies

	The Company 2011 RM	The Company 2010 RM
Unquoted shares at cost	17,500,806	17,638,302
Allowance for impairment	(17,500,802)	(17,638,302)
Carrying amount	4	-

Movement of allowance for impairment

	The Company 2011 RM	The Company 2010 RM
At 1 January	17,638,302	11,944,638
Reversal for the year due to disposal	(137,500)	(158,449)
Charged for the year (Note 4)	-	5,852,113
At 31 December	17,500,802	17,638,302

The details of the subsidiaries are as follows:

Name of companies	Place of incorporation	Percentage equity held 2011	2010	Principal activities
# Equator Biotech Sdn. Bhd.	Malaysia	100%	100%	Bioconversion, micro propagation, cultivation, importing and exporting of ornamental plants
# Equator MO Sdn. Bhd.	Malaysia	100%	100%	Dormant
# Equator TC Sdn. Bhd.	Malaysia	100%	100%	Dormant
^ Ideal Property BPO Sdn. Bhd. (formerly known as Vulture Ventures Sdn. Bhd.)	Malaysia	100%	-	Sales of ornamental plants, project management consulting
^ Ideal Consortium Sdn. Bhd. (formerly known as Merge Consortium Sdn. Bhd.)	Malaysia	100%	-	Dormant
* Biosmart Sdn. Bhd.	Malaysia	-	55%	Manufacturing and trading of organic fertiliser and instant compost technology related equipments and additives

The auditors' reports on the financial statements of these subsidiary companies have been modified with an emphasis of matter due to uncertainties on the ability to continue as a going concern.

^ Newly acquired companies

* Disposed of during the financial year

Above all existing subsidiaries are audited by PKF Malaysia

During 2010, Equator Biotech Sdn. Bhd. (EBSB) disposed of its subsidiary company, Equator Plants B.V. (EPBV) to another subsidiary company Monstera Sdn. Bhd. (MSB). Subsequent to the disposal of EPBV to MSB, EBSB then disposed of its entire equity interest in MSB.

Notes to the financial statements at 31 December 2011

11. Investment in subsidiary companies (continued)

During the financial year, the Group disposed of its 55% equity interest in Biosmart Sdn. Bhd. (2010: discontinued its operations in the European countries upon disposal of Monstera Sdn. Bhd. and liquidation of Equator Europe B.V.) The net liabilities as of the date of disposal/liquidation and as of the balance sheet date were as follows:

	2011		2010	
	At date of disposal/ liquidation RM	31 December 2010 RM	At date of Disposal RM	31 December 2009 RM
Property, plant and equipment	-	1,017,555	14,204	28,078
Prepaid leasehold land	-	-	106,362	107,629
Other investment	-	-	502,126	643,212
Inventories	148,432	168,600	439,299	1,378,547
Trade receivables	1,380,969	1,452,303	127,083	85,406
Other receivables and prepaid expenses	1,520	1,520	58,253	124,051
Amount owing by/(to) related company	-	634,860	-	(7,047,387)
Cash and bank balances	8,982	40,959	20,964	23,700
Trade payables	(1,676,873)	(1,775,828)	(3,741,122)	(870,311)
Other payables and accrued expenses	(74,691)	(237,056)	(720,145)	(775,438)
Amount owing to holding company	-	(3,450,147)	-	-
Hire purchase payables	-	(817,046)	-	-
Net liabilities disposed	(211,661)	(2,964,280)	(3,192,976)	(6,302,513)
Gain on disposal of subsidiary	211,663		2,957,864	
Liquidation of subsidiaries	-		235,114	
Total consideration satisfied by cash	2		2	
Net cash inflow/(outflow) arising on disposal:				
Cash consideration received	2		2	
Cash and bank balances disposed off	(8,982)		(20,964)	
	(8,980)		(20,962)	

Notes to the financial statements at 31 December 2011

12. Other financial asset

	The Group	
	2011	2010
	RM	RM
Other financial assets	2,111,695	3,000,000
Amortisation (Note 4)	(241,008)	(332,783)
Receivable carried at amortised cost	1,870,687	2,667,217
Current	864,607	1,386,195
Non-current	1,006,080	1,281,022
	1,870,687	2,667,217

For 2010, the receivable is expected to be repaid over a period of 2 years by yearly instalments of RM1.5 million commencing on or before 31 December 2011 and is secured by landed properties acquired by Mostera Sdn. Bhd. However, the repayment period has been extended for another 2 years by yearly instalments of approximately RM1 million due to cash flow constrain on Monstera Sdn. Bhd. The receivable is stated at an amortised cost of RM1,870,687 as at 31 December 2011.

13. Inventories

	The Group	
	2011	2010
	RM	RM
At cost :		
Raw materials	-	153,872
Finished goods	-	4,048,807
Consumables	-	516,679
At net realisable value :		
Finished goods	923,850	3,433,150
	923,850	8,152,508

Notes to the financial statements at 31 December 2011

14. Trade receivables

	The Group	
	2011	2010
	RM	RM
Trade receivables	367,868	1,621,125
Less : Allowance for doubtful debts	(122,133)	(168,023)
	245,735	1,453,102

Movement in the allowance for doubtful debts:

	The Group	
	2011	2010
	RM	RM
Balance as at beginning of the year	168,023	1,387,386
Amount written off during the year as uncollectible	-	(1,219,363)
Reversal for the year due to disposal of subsidiary	(45,890)	-
	122,133	168,023

The normal trade credit terms is 30 days (2010 : 30 days). Other credit terms are assessed and approved on a case by case basis.

15. Non-trade receivables, deposits and prepayments

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-trade receivables	46,368	254,746	7,555	-
Less : Allowance for doubtful debts	-	(118,230)	-	-
	46,368	136,516	7,555	-
Deposits and prepayments	54,720	46,100	15,000	15,000
	101,088	182,616	22,555	15,000

Notes to the financial statements at 31 December 2011

15. Non-trade receivables, deposits and prepayments (continued)

Movement in the allowance for doubtful debts:

	The Group	
	2011	**2010**
	RM	**RM**
Balance as at beginning of the year	118,230	43,730
Additional during the year (Note 4)	-	74,500
Amount written off during the year as uncollectible	(43,730)	-
Reversal for the year due to disposal of subsidiary	(74,500)	-
	-	118,230

The carrying amount of non-trade receivables, deposits and prepayments are approximate fair value due to relatively short term nature of these financial assets.

16. Amount owing by subsidiary companies

Amount owing by subsidiary companies are unsecured, non-interest bearing and repayable on demand.

Significant related party transactions are disclosed in Note 25 to the financial statements.

17. Assets classified as held for sale

	The Group	
	2011	**2010**
	RM	**RM**
Cost		
Property, plant and equipment	1,320,550	1,320,550
Prepaid lease payments on leasehold land	4,950,208	4,950,208
Disposal during the year	(3,016,962)	-
	3,253,796	6,270,758
Accumulated amortisation on prepaid leasehold land	(268,180)	(268,180)
Disposal during the year	91,889	-
	(176,291)	(268,180)
	3,077,505	6,002,578

Notes to the financial statements at 31 December 2011

17. Assets classified as held for sale (continued)

Prepaid lease payments relate to the lease of land of the Group which are located in Johor, Malaysia. These leases will expire in 2068.

The leasehold lands are charged to banks for bank borrowings granted to the Group and the Company as disclosed in Note 23 to the financial statements.

As at end of financial year, the Group had appointed a property agent to dispose of a piece of leasehold industries land. The proceeds from disposal are expected to exceed the net carrying amount of assets and accordingly, no impairment loss has been recognised on the classification of the assets as held for sale.

18. Share capital

	The Group and The Company	
	2011	2010
	RM	RM
Authorised:		
500,000,000 ordinary shares of RM0.10 each	50,000,000	50,000,000
Issued and fully paid:		
235,008,000 ordinary shares of RM0.10 each	23,500,800	23,500,800

19. Reserves

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-distributable reserves:				
Share premium	22,026,619	22,026,619	22,026,619	22,026,619
Accumulated losses	(48,567,882)	(34,486,830)	(39,613,839)	(35,373,273)
	(26,541,263)	(12,460,211)	(17,587,220)	(13,346,654)

Share premium

Share premium of the Group and of the Company arose mainly from the allotment of ordinary shares at a premium, net of share issue expenses.

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Balance as at beginning and end of the financial year	22,026,619	22,026,619	22,026,619	22,026,619

Notes to the financial statements at 31 December 2011

20. Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 days (2010 : 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

21. Non-trade payables and accruals

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other payables	2,283,475	1,309,841	1,242,182	243,517
Accrued expenses	1,153,231	1,359,837	130,162	194,844
	3,436,706	2,669,678	1,372,344	438,361

Non-trade payables are non-interest bearing and are expected to be settled within 1 year.

22. Hire purchase payables

	The Group	
	2011	2010
	RM	RM
Total outstanding	817,046	817,046
Less: Interest-in-suspense outstanding	-	-
Principal outstanding	817,046	817,046
Less: Amount due within 12 months (shown under current liabilities)	(817,046)	(817,046)
Non-current portion	-	-

A subsidiary company of the Group has defaulted in the repayment of hire purchase instalments and legal action has been instituted by the leasing creditor for the recovery of the principal, interest and other costs as disclosed in Note 28 to the financial statements. The hire purchase payables have been transfer from the disposed subsidiary company to another subsidiary company during the financial year.

The average effective interest rate was 9.07% (2010 : 9.07%) per annum.

Notes to the financial statements at 31 December 2011

23. Borrowings

	The Group	
	2011	2010
	RM	RM
Bank overdrafts	-	871,528
Term loans	2,528,732	3,889,899
Bankers' acceptances	2,000,000	3,000,000
	4,528,732	7,761,427

The long-term loans were repayable at the following terms:

	Total number of instalments	Amount per instalment (all interest inclusive) RM	Commencement of instalment
Loan I	120 equal monthly Instalments	31,546	November 2006
Loan II	60 equal monthly instalments	9,922	December 2007

Certain subsidiary companies of the Group have defaulted in the repayment of the bank borrowings and have been informed by the banks for the recovery of the principal, interest and other costs. Accordingly, the entire bank borrowings have been classified as current liabilities.

The Directors expect that the Group and the Company will be able to repay a portion of the term loans upon disposal of its leasehold land as disclosed in Note 17 to the financial statements.

The average effective interest rates are as follows:

	The Group and The Company	
	2011	2010
	%	%
Bank overdrafts	-	6.70
Term loans	9.95	9.32
Bankers' acceptances	9.95	9.11

The bank borrowings are secured by way of:
(a) pledge over leasehold lands.
(b) facility agreement of RM5,100,000 as principle instruments and
(c) corporate guarantee of the holding company.

Notes to the financial statements at 31 December 2011

24. Provision

	The Company	
	2011	2010
	RM	RM
Provision for contingent loss	1,037,126	1,037,126

The provision for contingent loss relate to financial guarantee contract of the Company for defaulted loan granted to a subsidiary company as mentioned in Note 23 to the financial statements.

25. Significant related parties disclosures

(a) Related parties and their relationship with the Group and the Company are disclosed in Note 11 to the financial statements.

(b) Significant transactions with the related parties are as follows:-

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Subsidiary companies				
Waiver of debts owing by:				
Equator Plants B.V.	-	-	-	225,544
Monstera Sdn. Bhd.	-	-	-	49,504
Biosmart Sdn. Bhd.	-	-	3,453,588	-
Allowance for doubtful debts (no longer required):				
Equator Biotech Sdn. Bhd.	-	-	-	4,774,137
Biosmart Sdn. Bhd.	-	-	-	738,930
Equator MO Sdn. Bhd.	-	-	-	(337,754)
Equator TC Sdn. Bhd.	-	-	-	(171,850)
Equator Plants B.V.	-	-	-	(271,903)
Other related party				
Jeo Jeo Plantation Sdn. Bhd.				
Purcahses of raw materials and consumables	-	49,524	-	-

Notes to the financial statements at 31 December 2011

25. Significant related parties disclosures (continued)

(c) Transaction with directors and key management personnel

There is no other transaction with the Directors of the Group and of the Company other than remuneration package paid to the Directors in accordance with the terms and conditions of their appointment as disclosed in Note 3 to the financial statements.

There is no significant transaction with key management personnel of the Group and of the Company during the year.

26. Financial instruments

Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables and bank balances. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Notes to the financial statements at 31 December 2011

26. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Credit risk concentration profile

The Group does not have any major concentration of credit risk relating to any single customer as at the end of the reporting date.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Ageing analysis refer report

The ageing analysis of the Group's trade receivables as at 31 December 2011 is as follows:-

The Group	Gross Amount RM	Collective Impairment RM	Carrying Value RM
2011			
Pass due:			
- more than 1 month	367,868	(122,133)	245,735
2010			
Pass due:			
- less than 1 month	1,415,850	-	1,415,850
- more than 1 month	205,275	(168,023)	37,252
	1,621,125	(168,023)	1,453,102

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 30 days, which are deemed to have higher credit risk, are monitored individually.

Notes to the financial statements at 31 December 2011

26. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Ageing analysis refer report (continued)

Trade receivables that are past due but not impaired

The Company believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(b) Foreign currency risk

The Group are not exposed to any significant foreign currency risk other than in the normal course of business for the foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies. The Group does not speculate in foreign currencies.

(c) Interest rate risk

The Group is exposed to interest rate risk which is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Exposure to interest rate risk relates primarily to interest bearing borrowings.

The policy of the Group is to borrow on fixed/floating rate basis to finance capital expenditure/operations. The Group does not hedge its interest rate risk. The Company has a policy to ensure that the interest rates obtained are competitive under most favorable terms and conditions.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in their respective notes to the financial statements.

Notes to the financial statements at 31 December 2011

26. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

The interest rate risk that financial instruments' value will fluctuate as a result of changes in market interest rates and the effective interest rates on classes of financial assets and liabilities exposed to interest rate risk are as follows:-

(i) Fair value

The fair value of financial liability approximates its carrying amount due to the short maturity of this instrument.

(ii)

The Group	Less than 1 year RM	After 1 year to 5 years RM	Total RM	Average Effective Interest Rates %
2011				
Fixed rate				
Hire purchase Payables	817,046	-	817,046	9.07
Floating rate				
Bankers' acceptances	2,000,000	-	2,000,000	9.95
Term loans	2,528,732	-	2,528,732	9.95

The Group	Less than 1 year RM	After 1 year to 5 years RM	Total RM	Average Effective Interest Rates %
2010				
Fixed rate				
Hire purchase payables	817,046	-	817,046	9.07
Bank overdrafts	871,528	-	871,528	6.70
Bankers' acceptances	3,000,000	-	3,000,000	9.11
Term loans	3,889,899	-	3,889,899	9.32

Notes to the financial statements at 31 December 2011

26. Financial instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	The Group	
	2011	**2010**
	Increase / (Decrease)	**Increase / (Decrease)**
	RM	**RM**
Effects on loss after taxation		
Increase of 10 basis points (bp)	4,529	7,761
Decrease of 10 bp	(4,529)	(7,761)
Effects on equity		
Increase of 10 bp	4,529	7,761
Decrease of 10 bp	(4,529)	(7,761)

Liquidity risk

The Company seeks to maintain optimum levels of liquidity at all times, sufficient for its operating, investing and financing activities.

The policy is to ensure that through efficient working capital management (accounts receivable and accounts payable management), the Company is able to convert its current assets into cash to meet all demands for payments as and when they fall due.

Owing to the nature of its business, the Company seeks to maintain sufficient credit lines available to meet its liquidity/ contingent funding requirement while ensuring effective working capital management.

The Group has defaulted certain borrowings as mentioned in Notes 22 and 23 to the financial statements. This resulted in a significant liquidity and cash flow risks to the Group and the Company. The ability of the Group and the Company to continue as going concerns is dependent on timely disposal of their assets and defer the defaulted principal and interest repayments, obtained the continued support from their bankers and creditors and achieve profitable business operation in the new business venture.

Notes to the financial statements at 31 December 2011

27. Capital management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables. Total capital is calculated as equity plus net debt.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:

Group	**2011**	**2010**
	RM	**RM**
Hire purchase payables	817,046	817,046
Bank overdrafts	-	871,528
Bankers' acceptances	2,000,000	3,000,000
Term loans	2,528,732	3,889,899
Trade payables	520,519	2,554,784
Non-trade payables and accruals	3,436,706	2,669,678
Net debt	9,303,003	13,802,935
Total equity	(3,040,463)	11,040,589
Total equity and net debt	6,262,540	24,843,524
Gearing ratio	1.49	0.56

28. Significant events

The Board of Directors has announced that the Group had defaulted on payment of principal and interest in respect of bank borrowings in accordance with Guidance Note 5/2006 (GN5) of the ACE Market Listing requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 August 2009. On 29 April 2011, the Company was deemed an Affected Listed Issuer pursuant to Guidance Note 3/2006 (GN3) and paragraph 2.1(g) of the ACE Market Listing requirements of Bursa Malaysia.

The Group is making arrangements to dispose of properties which are deemed surplus to the requirements of the Group in order to repay the defaulted bank borrowings of which details have been publicly disclosed in a series of announcements. The Group has proposed changes to its Group as below :

Notes to the financial statements at 31 December 2011

28. Significant events (continued)

(i) Acquisition of Ideal Consortium Sdn. Bhd. (formerly known as Merge Consortium Sdn. Bhd.) and Ideal Property BPO Sdn. Bhd. (formerly known as Vulture Ventures Sdn. Bhd.)
(ii) Winding up of Equator Europe B.V., a 70% owned subsidiary of the Company, which had been declared bankrupt under the 105 Dutch Bankruptcy Act.
(iii) Disposal of its 55% equity interest in a subsidiary, Biomart Sdn. Bhd. during the financial year.

The Group has embarked on formularising a proposed regularisation plan which includes fund raising and restructuring the defaulted principal and interest repayments and achieve profitable business operations in the new business venture with the continued support from its shareholders, bankers and creditors.

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, except for the following:

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 RM1,081,646.78 interest, legal costs, scale cost and other damages deem fit by the Court. The High Court of Johor Bahru has on 9 January 2012 dismissed the claim of ORIX against EBSB and Equator. 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 realise its assets to settle its debts.

29 Subsequent events

On March 2012, Equator Biotech Sdn. Bhd., a wholly-owned subsidiary company received a Writ of Summons filed by a bank concerning a claim of an outstanding amount RM98,841. The subsidiary company is in the midst of negotiation with bank for settlement of outstanding amount.

Notes to the financial statements at 31 December 2011

30. Supplementary information – breakdown of accumulated losses into realised and unrealised

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2011 into realised and unrealised loss is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with 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.

	The Group 2011 RM	The Company 2011 RM
Total accumulated losses of the Group and of the Company		
- Realised	(48,346,608)	(39,613,839)
- Unrealised	(221,274)	-
Accumulated losses as per consolidated statements of financial position	(48,567,882)	(39,613,839)

31. Comparative

The financial statements of Company as at 31 December 2010 were audited by another auditor whose report dated 29 April 2011, expressed an unqualified opinion on these statements.

32. General information

The Company is a private limited company that is incorporated and domiciled in Malaysia, is listed on the ACE Market of Bursa Malaysia Security Berhad.

The registered office is located at Suite 12-02, 12th Floor, Menara MAA, 170 Argyll, 10050 Penang.

The principal place of business is located at 1-5-1 Krystal Point Corporate Park, Jalan Tun Dr Awang, 11900 Bayan Lepas, Pulau Pinang.

The Company is an investment holding company. The principal activities of its subsidiaries are as disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved and authorised for issue by the board of Directors on 23 April 2012.

ANALYSIS OF SHAREHOLDINGS AS AT 14 MAY 2012

SHARE CAPITAL

Authorised	:	RM50,000,000
Issued and Fully paid-up	:	RM23,500,800
Class of Shares	:	Ordinary Shares of RM0-10 each
Voting Right	:	One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS

Holdings	**No. of Holders**		**%**	**Total Holdings**	**%**
1 - 99	4	0.24	0.238	198	0.00
100 – 1,000	279	16.61	16.607	240,500	0.10
1,001 - 10,000	708	42.14	42.142	3,984,898	1.70
10,001 - 100,000	506	30.12	30.119	22,941,589	9.76
Less than 5% of the issued shares	182	10.83	10.833	132,638,215	56.44
5% of the issued shares	1	0.06	0.059	75,202,600	32.00
Total	1,680	100.00	100.00	235,008,000	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

	Name	**Shareholdings**	**%**
1	Ideal Sun City Sdn. Bhd.	75,202,600	32.00
2	Wang, Ting Peng	8,516,894	3.62
3	Yang Wen-Shiung	7,925,400	3.37
4	Phnuah Farn Farn	7,030,403	2.99
5	Inter-Ample Sdn. Bhd.	6,683,492	2.84
6	Tan Chong Jun	4,897,000	2.08
7	Maybank Securities Nominees (Asing) Sdn. Bhd. [*Kim Eng Securities Pte Ltd for Yuanta Asset Management Ltd*]	3,908,400	1.66
8	Lee, Yen-Chuan	3,046,300	1.30
9	Nara Horticultural Co., Ltd	3,022,400	1.29
10	Tan Ka Lin	2,500,000	1.06
11	Chong Wui Chaw	2,370,700	1.01
12	Lin, Fu-Mei	2,284,617	0.97
13	HSBC Nominees (Asing) Sdn. Bhd. [*Exempt AN for the Bank of New York Mellon SA/NV*]	2,000,000	0.85
14	Goh Sau Ming	1,816,400	0.77
15	Mansor Bin Musa	1,730,700	0.74
16	Weng, Chin-Fan	1,696,125	0.72
17	Ang Chiew Hooi	1,640,000	0.70
18	Koh Liang Tian	1,636,900	0.70
19	Kok Sook Ee	1,564,700	0.67
20	RHB Capital Nominees (Tempatan) Sdn. Bhd. [*Pledged securities account for Lee Sai Cheng*]	1,493,800	0.64
21	Jeo Jeo Plantations Sdn. Bhd.	1,445,200	0.62

ANALYSIS OF SHAREHOLDINGS AS AT 14 MAY 2012

	Name	Shareholdings	%
22	Soo Siew Seng	1,350,000	0.57
23	Koh Yueh Lai	1,329,404	0.57
24	Teh Hock Seong	1,290,000	0.55
25	Tan Hui Lun	1,258,000	0.54
26	Ho Khim Taik	1,250,000	0.53
27	Koh Yueh Leong	1,153,480	0.49
28	Ng Chee Cheng	1,100,000	0.47
29	Koh Yueh Leong	1,068,237	0.45
30	Awan Travel Sdn. Bhd.	1,037,800	0.44
	Total	153,248,952	65.21

SUBSTANTIAL SHAREHOLDERS

Name	Shareholdings		%	
	Direct	Indirect	Direct	Indirect
1. Ideal Sun City Sdn. Bhd.	75,202,600	-	32.00	-
2. Dato' Ooi Kee Liang	1,000	75,202,600*	0.00	32.00
3. Datin Phor Li Wei	1,000	75,202,600*	0.00	32.00

DIRECTORS' SHAREHOLDINGS

	Name	Direct		Indirect	
		No. of shares held	%	No. of shares held	%
1.	Dato' Ooi Kee Liang	1,000	0.00	75,202,600	32.00*
2.	Datin Phor Li Wei	1,000	0.00	75,202,600	32.00*
3.	Tan Wooi Chuon	-		-	
4.	Loh Eng Wee	-		-	
5.	Dato' Hj. Ismail Bin Din	-		-	

Note:

* Deemed interested through Ideal Sun City Sdn. Bhd

LIST OF PROPERTIES

The details of the landed properties of the Equator Group as at 31 December 2011 are as follows:

No.	Registered owner/ Title No./ Location	Approx. Land Area/ Tenure/ Expiry Date	Approx. Built-up Area/ Age of Building	Description/ Existing Use	Date of Acquisition/ Purchase Consideration	Net book value as at 31 December 2011 (At cost) RM
1	IDEAL PROPERTY CONCEPT SDN. BHD. (Formerly known as Equator Biotech Sdn. Bhd) PLO NO 29, Mukim Senai/ Kulai / District of Johor Bahru, Johor Darul Takzim	0.707 acre (30,796.92 sq. ft)/ 60 Years State Lease/ Years 2068	Nil	Industrial Land	28.06.2006 / RM430,804	409,725
2	PLO No 30A, Mukim Senai/ Kulai / District of Johor Bahru, Johor Darul Takzim	4.6565 acres (202,837.14 sq. ft)/ 60 Years State Lease/ Years 2068	Nil	Industrial Land	28.06.2006(2)/ RM 2,810,940	2,667,780

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IDEAL SUN CITY HOLDINGS BERHAD
(Formerly known as Equator Life Science Berhad)
(Company No. 640850-U)
(Incorporated in Malaysia)

FORM OF PROXY

I/We,..
(Full Name in Block Letters (I/C No./Passport No./Company No.)

of ....
(Address)

being a member/members of IDEAL SUN CITY HOLDINGS BERHAD (Formerly known as Equator Life Science Berhad)

hereby appoint ....
(Full Name in Block Letters (I/C No./Passport No./Company No.)

of ....
(Address)

or failing whom, the Chairman as *my/our proxy to vote for *me/us on *my/our behalf at the Eighth Annual General Meeting of the Company, to be held at Room 2, Level 1, Vistana Hotel, 213, Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Friday, 22 June 2012 at 1.15p.m. in the manner indicated below :

ORDINARY RESOLUTION		For	Against
Ordinary Resolution 1	Re-election of Dato' Ooi Kee Liang		
Ordinary Resolution 2	Re-election of Mr. Loh Eng Wee		
Ordinary Resolution 3	Re-election of Dato' Hj. Ismail Bin Din		
Ordinary Resolution 4	Re-appointment of Auditors		
Ordinary Resolution 5	Authority to Issue Shares		
SPECIAL RESOLUTION	Proposed Amendments to the Articles of Association		

Please indicate with an "X" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Dated this _______ day of ______________________________2012

Number of shares held	

For appointment of two proxies, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1	_____________	________%
Proxy 2	_____________	________%

____
Signature / Common Seal of Shareholder

Notes:

(1) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
(2) For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company, Suite 12-02, 12th Floor, Menara Zurich, 170, Jalan Argyll, 10500 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
(3) A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
(4) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
(5) If the appointer is a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.
(6) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
(7) Only depositors whose names appear on the Record of Depository as at 15 June 2012 shall be entitled to attend the said Annual General Meeting or appoint proxies to attend and vote on his / her stead.
* Strike out whichever is not desired.

Fold this flap for sealing

Then fold here

Affix stamp

The Secretary
IDEAL SUN CITY HOLDINGS BERHAD
(Formerly known as Equator Life Science Berhad)
(Company No: 640850-U)

Suite 12-02, Level 12th Floor,
Menara Zurich,
170, Jalan Argyll,
10050 Penang
Malaysia

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