IDEAL

CREATING LEGACY

超越时尚 ▪ 缔造典范

IDEAL SUN CITY HOLDINGS BERHAD

(640850-U)

2012
ANNUAL REPORT

IDEAL
CREATING LEGACY
超越时尚 ▪ 缔造典范

IDEAL SUN CITY HOLDINGS BERHAD (640850-U)

CONTENTS

Notice of Ninth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at Emas 1, 1st Floor, B-Suite, B-Tower, Bayan Point, 19, Medan Kampung Relau 11900 Penang on Wednesday, 19 June 2013 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 2012 together with the Reports of the Directors and Auditors thereon. **Please refer to Note A**

As Ordinary Business

2. To re-elect Datin Phor Li Wei retiring under the provision of Article 101 of the Articles of Association of the Company, and who, being eligible, has offered herself for re-election. **Ordinary Resolution 1**

3. To re-elect Mr Tan Wooi Chuon 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 2**

4. To re-appoint Messrs PKF as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 3**

As Special Business

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

5. **Authority to Issue Shares**

   "THAT pursuant to Section 132D of the Companies Act, 1965, 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 authorised 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." **Ordinary Resolution 4**

6. 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 : 28 May 2013
Penang

Notice of Ninth 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 at a meeting shall be entitled to appoint not more than two (2) persons as his proxies to attend and vote. A proxy need not be a Member. There shall be no restrictions as to the qualification of the proxy 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 authorised nominee as defined under the Securities Industry (Central Depositors) Act 1991, 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.

3. 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.

4. The instrument appointing a proxy or proxies shall be in writing, executed by or on behalf of the appointor. 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 authorised.

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 12 June 2013 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 19 June 2013, 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 4 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.

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

AUDIT COMMITTEE

TAN WOOI CHUON
Chairman

DATO' HJ ISMAIL BIN DIN
Member

LOH ENG WEE
Member

NOMINATION COMMITTEE

LOH ENG WEE
Chairman

DATO' HJ ISMAIL BIN DIN
Member

TAN WOOI CHUON
Member

REMUNERATION COMMITTEE

DATO' HJ. ISMAIL BIN DIN
Chairman

LOH ENG WEE
Member

TAN WOOI CHUON
Member

SECRETARIES

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

AUDITORS

PKF (AF 0911)
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
CREATING LEGACY
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IDEAL SUN CITY HOLDINGS BERHAD (640850-U)

Ideal Group of Companies (“IDEAL Group”) was established in 1994 and listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) under the name Equator Life Science Berhad (ELSB) on 25 May 2005. On 27 October 2011, Equator Life Science Berhad (“ELSB”) changed its name to Ideal Sun City Holdings Berhad (“IDEAL”)

In the first quarter of 2012, the IDEAL Group has started diversification of business from propagation of ornamental plants into the Project Management Business for commercial and residential property development industry to diversify its earnings base and hence.

IDEAL Group’s full scope of project management services includes Project Design Evaluation, Project Value Engineering and Project Construction Management. Project Design Evaluation Services evaluates the clients existing project design to increase the net saleable area of the project. Project Value Engineering reduces the construction costs and implementation time of the project. Project Construction Management Services ensures that the project’s objectives and implementation is smooth and timely.

As of first quarter of 2013, the Group has successfully secured eight (8) projects with total estimated services revenue of RM39 million from a total construction value of over RM750 million.

For IDEAL Group the Project Management Business will continue be the major contributor to the IDEAL Group’s net profits in the future.

Corporate Structure

IDEAL SUN CITY HOLDINGS BERHAD (640850-U)

IDEAL PROPERTY BPO SDN. BHD. (938077-M)
• Percentage Equity Held : **100 %**

IDEAL CONSORTIUM SDN. BHD. (939960-H)
• Percentage Equity Held : **100 %**

IDEAL PROPERTY CONCEPT SDN. BHD. (426721-D)
• Percentage Equity Held : **100 %**

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

IDEAL PROPERTY LEGACY SDN. BHD. (708816-H)
(Formerly known as Equator MO Sdn. Bhd.)
• 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 and its subsidiaries ("IDEAL Group") for the financial year ended 31 December 2012."

Financial Review

The IDEAL Group achieved a turnover of RM7.2million for the financial year under review. This represents a significant increased as compared to only RM0.6million revenue reported for previous financial year 2011. The significant increase was mainly due to the diversification of business into Project Management Services. With the higher revenue recorded for the financial year under review, IDEAL Group reported a healthy profit after tax of RM3.86million as compared to a net loss after taxation of RM14.08million in the previous financial year 2011. The turnaround of IDEAL Group into black for current financial year was mainly due to the efforts put in by the directors to diversify into Property Management Services business.

Prospect

As of first quarter of 2013, the Group has successfully secured eight (8) Project Management Services projects with total estimated services revenue of RM39 million from a total construction value of over RM750 million.

The Group anticipates the performances of the IDEAL Group will be favourable as compared to financial year ended 31 December 2012.

Acknowledgement

On behalf of the Board, I would like to express my gratitude and deep appreciation of the efforts, perseverance, determination, dedication, support and commitment of the management and staff their duties over the past year.

I wish to also extend my sincere thanks 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

The Board is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder's value and to improve its financial performance.

With the introduction of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"or "The Code") in March 2012, the Board endeavours to adopt and apply, where practicable, the principles as set out in MCGG 2012 in its quest to enhance shareholders' value.

The Board is pleased to provide the following statements, which outlines the corporate governance practices that were place throughout the financial year 31 December 2012, unless otherwise stated.

BOARD OF DIRECTORS

Roles and Responsibilities of the Board

The Board takes full responsibility for the overall performance of the Group. The main responsibilities of the Board comprise the followings:-

- Review and adopt the strategic plan for the Group;
- Oversee the Conduct of the Group's business to ensure it is properly managed;
- Identify principle risks and ensure the implementation of the appropriate internal controls and mitigation measures;
- Oversee the human resource development process including succession planning;
- Oversee the development and implementation of a shareholder communications policy;
- Review the adequacy and the integrity of the Group's internal control system and management information of the Group.

The Board has delegated certain responsibilities to several Board Committees such as Audit Committee, Nomination Committee and Remuneration Committee which operates within clearly defined terms of reference.

Directors' Code of Ethics

The Directors shall be guided by the Code of Ethics for Director issued by the Companies Commission of Malaysia and also observe the Code of Ethics in performance of their duties.

Composition and Balance

The Board consists of five (5) members, comprising one (1) Executive Chairman, one (1) Executive Director and three (3) Independent Non-Executive Directors. Ideal Sun City Holdings Berhad thus complies with the ACE Market Listing Requirements ("AMLR") on board composition of at least two (2) Directors are Independent Directors.

The Board collectively has wide and varied financial, legal, technical, management and commercial experience and is of persons of high caliber and integrity. The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group's business activities, but also the importance of independence in decision making at the Board level.

A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.

The Independent Non-Executive Directors do not participate in the day-to-day management of the Group and they have no business or other relationship with the Group which could be perceived to materially interfere with their exercise of independent judgment. The Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

Recommendation and Commentary 2.2 of the Code states that the Board should establish a policy formalizing its approach to boardroom diversity. The Board has no immediate plans to implement a gender diversity policy or targets as it is of the view that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities

Statement on Corporate Governance (cont'd)

regardless of gender. Presently, there is one (1) female Director serve on the Board. Such appointment showed that the Board does not consider gender to be a bar to Board membership.

The roles of the Chairman and Chief Executive Officer are held by the same Director. This departs from Recommendation 3.4 of the MCCG 2012 which stipulates that the positions of Chairman and Chief Executive Officer should be held by the different individuals, and the Chairman must be a Non-Executive member of the Board. In view of the Company and the Group are undergoing a series of corporate restructuring exercises, the Board believes that for its current situation, it is more expedient for the two roles to be held by the same person as long as there are pertinent checks and balance to ensure no one person in the Board has unfettered powers to make major decisions for the Company and the Group unilaterally. Furthermore, the Board in the form of the three (3) Independent Non-Executive Directors is sufficient to ensure balance of power and authority on the Board.

The appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed has been made, given that the Board is open for full deliberation of all matters submitted to the Board and Shareholders' meetings. In addition, the Board has strong independent elements within the Board in the form of the Independent No-Executive Directors. Thus, the Board does not consider it necessary at this juncture to identify a Senior Independent Non-Executive Director.

Board Meeting

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Directors at the Board Meetings.

The Board of Directors meets regularly at least four (4) times a year with due notice of issues to be discussed and records its deliberations and conclusions in discharging its duties and responsibilities. Additional meetings will be convened as and when required. In the intervals between Board meetings, for exceptional matters requiring urgent Board decision, Board approvals are sought via circular resolutions, which are supported with sufficient information required to make an informed decision.

During the financial year, the Board met five (5) times, where it deliberated and considered various matters including the Group's financial results, strategic decisions and direction of the Group. Details of attendance of each Board member were as follows:

Directors	Attendance
Dato' Ooi Kee Liang	5/5
Datin Phor Li Wei	5/5
Dato' Hj Ismail Bin Din	5/5
Loh Eng Wee	5/5
Tan Wooi Chuon	5/5

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively and in line with the Listing Requirements, a Directors of IDEAL must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to IDEAL.

Supply of Information

All Directors are provided with an agenda and a set of Board papers containing information relevant to the business of the meeting, including information on financial, operational and corporate matters prior to Board meetings. The Board papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

The Chairman of the Audit Committee would brief the Board on any salient matters raised at the Audit Committee meetings and which require the Board's notice or direction.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary attends all Board Meetings and advices the Board on procedures, the requirement of the Company's Memorandum and Articles of Association, the Company Act, 1965 and the AMLR. The Company Secretary also ensures that there is good information flow within the Board.

Statement on Corporate Governance (cont'd)

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary.

New Appointment, Re-appointment and Re-election of Directors

The Nomination Committee established by the Board is responsible for evaluating and nominating suitable candidates to the Board to ensure the proper Board balance and size as well as to fill vacant seats on Board Committees.

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee with due consideration given to the mix of expertise and experience required for an effective Board.

The Recommendation 3.3 of MCCG 2012 states that the tenure of an independent director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years term, an independent director may continue to serve on the board subject to the Director's re-designation as a Non-Independent Director.

In line with this recommendation, the Nomination Committee had performed an annual review on the independency of independent directors and there are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company.

Director over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

In accordance with the Company's Articles of Association, all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

The performance of the Directors who are subject to re-election and re-appointment and at the forthcoming AGM has been assessed by the Nomination and Remuneration Committee who had submitted the recommendations to the Board for deliberations and approval.

The Board has determined that the performance of the above Directors who are subject to re-election and re-appointment respectively at the forthcoming AGM, have continued to demonstrate the necessary commitment to be fully effective members of the Board. Hence, the Board unanimously recommends that the shareholders vote in favour of the re-election and re-appointment of the above Directors at the forthcoming AGM.

Directors' Training

The Board acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, latest regulatory updates, and management strategies. In compliance with the Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have completed their Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

Updates on the Code of Corporate Governance 2012, Companies Act, 1965 and Listing Requirements were given by the Company Secretaries to all Directors to facilitate knowledge enhancement in the areas of the Code of Corporate Governance and relevant compliance areas.

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as new developments within the industry in which the Group operates.

For the financial year ended 2012, The Directors attended these training programmes :-

1. Asean Corporate Governance Scorecard- The Way Forward
2. Malaysian Code on Corporate Governance 2012 & Recognition and Management of Risk

Statement on Corporate Governance (cont'd)

Committees Established By the Board

The Board delegates specific responsibilities to three committees namely Audit Committee, Remuneration Committee and Nomination Committee. All the committees have written terms of reference and, where applicable, comply with the recommendations of the Code. The Boar receives reports of the committee's proceedings and deliberations.

(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 Report in this Annual Report.

(ii) Nomination Committee

In compliance with the Malaysian Code on Corporate Governance 2000, the Board has established a Nomination Committee on 25 May 2005.

The Nomination Committee comprises exclusively of Independent and Non-Executive Directors and the members of Nomination Committee are as follows:-

i.	Loh Eng Wee	- Chairman
ii.	Dato' Hj Ismail Bin Din	- Member
iii.	Tan Wooi Chuon	- Member

The Nomination Committee will be responsible for identifying and recommending to the Board suitable nominees for appointment. The Nomination 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 Nomination 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 Nomination Committee shall meet whenever there is a need arises for the Committee to perform its functions, and at least once every year in carrying out the annual review of the Board, its Committees and the contribution of individual Directors to the Group.

(iii) Remuneration Committee

In compliance with the Malaysian Code on Corporate Governance 2000, the Board has established a Remuneration Committee on 25 May 2005.

The Remuneration Committee comprises the following members and majority of them are Non-Executive Directors are recommended by the MCCG 2012 :-

i.	Dato' Hj Ismail Bin Din	- Chairman
ii.	Loh Eng Wee	- Member
iii.	Tan Wooi Chuon	- Member

The Remuneration Committee's primary responsibility is to review and recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary. Directors do not participate in decisions on their own remuneration. The individual Non-Executive Directors concerned shall abstain from all discussion pertaining to their remuneration packages.

Statement on Corporate Governance (cont'd)

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2012 are disclosed in page 54 of the financial statements. The number of Directors whose remuneration fall within the following bands:

		Number of Directors	
Range of remuneration	**Executive**	**Non-executive**	**Total**
RM1 to RM50,000	-	3	3
RM 50,001 to RM 100,000	2	-	2
RM 100,001 to RM 150,000	-	-	-
RM 150,001 to RM 200,000	-	-	-
Total	2	3	5

INVESTORS RELATION AND SHAREHOLDERS COMMUNICATION

The Group appreciates feedback from its valued shareholders and consistent with this, it is the intention of the Board that the shareholders are well informed of all major developments that have an impact on the Group.

The various channels of communication with the shareholders are as follows:-

- The Annual Report;
- The AGM
- The various disclosures and announcements made to Bursa Securities;
- The Company website, namely **www.idealsuncity.cc**

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.

Recommendation 8.2 of Code recommends that the Board should encourage poll voting for substantive resolutions. The Board is of the view the current level of shareholders' attendance at AGMs, voting by way of show of hands continues to be efficient. The Board will evaluate the suitability and feasibility of carrying out electronics polling at its general meetings in future.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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.

Statement on Corporate Governance (cont'd)

ACCOUNTABILITY AND AUDIT

Compliance with Applicable Financial Reporting Standard

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 Malaysian Financial Reporting Standard (MFRS) approved by Malaysian Accounting Standards Board.

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 2012 can be found from page 24 to page 71 of this Annual Report.

Risk Management Framework and Internal Control

The Board has the overall responsibility of monitoring a sound internal control system that cover effective and efficient operations, compliances with law and regulations and risk management. This is to safeguard shareholders' investment and the Group's assets apart from assuring financial controls.

Risk management is given equal priority by establishing policies to identify, evaluation and manage the Company's corporate risk profile to mitigate any possible effects arising thereupon.

Detailed information on internal control is set out in the Statement on Risk Management & Internal Control on page 19 to page 20.

Relationship with the Auditors

The Company has established a transparent and appropriate relationship with the Company's auditors through the Audit Committee to discuss their audit plan, audit findings and financial statement. Professional advice of the auditors are sought to ensure compliance with the accounting standards. Annual appointment or reappointment of the external auditor is via shareholder's resolution at the Annual General Meeting on the recommendation of the Board.

Directors' Responsibility Statement

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.

Statement on Corporate Governance (cont'd)

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 profit after taxation of RM3,860,618 has varied by RM18,618 representing a variation of 0.5% from the announced unaudited profit after taxation of RM3,842,000 for the financial year ended 31 December 2012.

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.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012.

Audit Committee Report

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, which all the members 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

MEETINGS AND QUORUM OF THE AUDIT COMMITTEE

The Audit Committee met seven (7) times during the financial year ended 31 December 2012 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 18 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 2012.

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:-

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

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

b) 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.
   iii) 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.

Audit Committee Report (cont'd)

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.

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;

Audit Committee Report (cont'd)

- 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.

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 2012 are as follows:

Directors	Attendance
Tan Wooi Chuon	7/7
Loh Eng Wee	7/7
Dato' Hj Ismail Bin Din	7/7

Activities Undertaken By Audit Committee:

The activities of the Audit Committee during the financial year ended 31 December 2012 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 KFF Advisory Sdn. Bhd. 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 on Risk Management And Internal Control

The Malaysian Code on Corporate Governance stipulates that the board of directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Pursuant to Para 15.26(b) of the Bursa Malaysia securities Berhad, the Board of Directors of Ideal Sun City Holdings Berhad is pleased to provide the Statement of Risk Management and Internal Control that disclose the nature and scope of the risk management and internal control of the Group during the financial year under review.

Responsibility for Risk and Internal Control

The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. The Board and management are responsible and accountable for maintaining a sound system of risk management and internal control.

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. Because of the limitations that are inherent in any system of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board.

Risk Management

The Board and management believe 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 among directors 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 on going process of identifying, evaluating and managing the Group's risk has operated throughout the year covered in this Annual Report.

Internal Audit

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional company to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's system of internal control.

The internal auditors report to the Audit Committee on areas for improvement, highlight significant findings in respect of any non-compliance and will subsequently follow up to determine the extent of the recommendations that have been implemented.

In view of the Group is still under restructuring exercise, the audit coverage is specific tailored accordingly. The expenditure incurred for the internal audit function for current financial year was RM7,800.

Internal Controls

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:-

- Certain responsibilities are delegated to Board Committees with clear Terms of Reference which are reviewed periodically.
- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A Code of Ethics is established for all employees, which defines the ethical standards and conduct of work required
- A Confidentiality Policy is established for the management, control and protection of confidential information used by the Group to avoid leakage and improper use of such information.
- The Audit Committee reviews internal control issues identified by internal auditors, the external auditors, and management, and evaluate the adequacy and effectiveness of the risk management and internal control system;

Statement on Risk Management And Internal Control (cont'd)

Internal Controls (cont'd)

- Quarterly meetings for Board of Director are held to discuss on quarterly financial statements and issues that warrant the Board's attention; and

- There exists sufficient insurance coverage and physical safeguards on major assets to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and 'replacement value',

Based on the internal auditors' report for the financial year ended 31st December 2012, there is a reasonable assurance that the Group's systems of internal control are generally adequate. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board is of the view that the system of internal control and risk management is in place for the year under review, and up to the date of approval of this Statement and the Risk Management Statement, is sound and appear to be working satisfactorily.

The Board has received assurance from the CEO and CFO that the company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

Review of This Statement

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement and the Risk Management and Internal Control for inclusion in the 2012 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statements are inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

This statement is issued in accordance with a resolution of the Directors.

Profile of Directors

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

Aged 42, 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 from Ohio State University, US in 1994.

Dato' Ooi has accumulated over 18 years' experience within the property development and construction industry where he has garnered numerous successes in both, the managing and running of property development business as well as in his property consultancy business.

Dato'Ooi started his career in 1994 as a Process Engineer in a Penang based company principally involved in packaging of semiconductors for multinational companies. In 1995, he joined a renowned property development company in Penang as its Marketing & Finance Director where he is responsible for the Company's overall property marketing and finance division. He successfully implemented various innovative marketing programmes which were highly successful with at least 90% sales take up rate. He was later promoted to the position of Chief Executive Officer in 2000. He left the Penang based property developer in 2001 to pursue his own property consultancy business under Ideal Concept Intelligence Sdn. Bhd. However, in year 2007, Dato' Ooi had scaled down the property consultancy business with the completion of last project in Cambodia and started focusing on property development for commercial and residential properties on his own.

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 73 of this Annual Report for his securities holding.

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

Aged 42, is the Executive Director of Ideal Sun City Holdings Berhad. Datin was appointed to the Board of Company on 30 September 2010. Datin has no directorships in other public companies.

Datin Phor responsible for overseeing the overall finance, human resource and administrative functions of the Group which include amongst others overseeing the internal control function, and corporate planning. She obtained her Bachelor of Science majoring in Accounting from Franklin University, US in 1995.

Datin Phor started her career in KPMG Peat Marwick as an audit assistant in 1995. In 1997, She joined Astarex Sdn. Bhd., a company principally involved in trading of gold and jewelleries, as its Finance and Administration Manager. In 2001, She joined Ideal Concept Intelligence Sdn. Bhd. as its Executive Director. She is among the pioneers of Ideal Concept Intelligence Sdn. Bhd. and has been instrumental the ISO 9001: Quality Management System for Ideal Concept Intelligence Sdn. Bhd., Ideal Capital Intelligence Sdn. Bhd. and Ideal Homes Properties Sdn. Bhd. Datin possesses more than 17 years of hands-on experience in finance and administration.

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

Datin Phor 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 73 of this Annual Report for her securities holding.

Profile of Directors (cont'd)

TAN WOOI CHUON

• Independent Non Executive Director • Company Director • Malaysian

Aged 44, 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 Nomination 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 73 of this Annual Report for his securities holding.

LOH ENG WEE

• Independent Non Executive Director • Legal Practitioner • Malaysian

Aged 44, 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 and 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 73 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 69, 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 73 of this Annual Report for his securities holding.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The Company is principally involved in investment holding and providing management services. 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 of the Group and of the Company during the financial year except the Group has diversified the Group's business activities into project management of property development.

Results

	Group RM	Company RM
Profit for the financial year	3,860,618	97,263

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 2012.

Directors of the Company

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

Dato' Ooi Kee Liang
Datin Phor Li Wei
Dato' Hj. Ismail Bin Din
Tan Wooi Chuon
Loh Eng Wee

DIRECTORS' REPORT (continued)

Directors' interest in shares

The interest in the ordinary shares of the Company those who were Directors at the financial year end, as recorded in the Registered of Directors' Shareholding, are as follows:

	Number of ordinary shares of RM0.10 each			
Name of Directors	**Balance at 01.01.12**	**Bought**	**Sold**	**Balance at 31.12.12**
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 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 Company has an interest.

None of the other Directors holding office at 31 December 2012 had any interest in shares of the Company and its 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 nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) 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 26 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling Directors to 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.

Options granted over unissued shares

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT (continued)

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 no known bad debts 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 an amount which they might be expected so to realise.

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

(i) which would necessitate the writing off of bad debts or the amount of the provision for doubtful debts inadequate in the financial statements of the Group to any substantive 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, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other than disclosed in Note 29 to the financial statements, at the date of this report, there does not exist:

(i) any charge on the assets of the Group and 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 and 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 12 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 its obligations as and when they fall due.

In the opinion of the Directors, except as otherwise stated in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 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.

Significant events

(i) Default on borrowings

The Group and the Company have accumulated losses of RM44,707,264 and RM39,516,576 of 31 December 2012 which resulted from losses sustained in prior years. In the prior year, the Company and Ideal Property Concept Sdn. Bhd. ("IPC") have defaulted on their borrowings and the interest payment obligations as disclosed in Notes 21 and 24 to the financial statements.

DIRECTORS' REPORT (continued)

Significant events (continued)

(i) Default on borrowings (continued)

Malayan Banking Berhad ("MBB")

On March 2012, IPC received a Writ of Summons filed by MBB concerning a claim of an outstanding amount RM98,841. MBB, vide its letter dated 3 September 2012, had confirmed that the outstanding debt with MBB has been settled via the full and final settlement arrangement entered into on 25 August 2012.

RHB Bank Berhad ("RHB")

RHB, vide its letter dated 3 September 2012, had restructured the previously defaulted bank borrowings into a new term loan amounting to RM5,311,105, with a monthly repayment of RM105,004 over a 5 years period.

Arising from the above, IPC is no longer in default on the MBB and RHB borrowings. The remaining claim is in respect of Orix Credit Malaysia Sdn. Bhd. ("ORIX") for a sum of RM1,081,647, of which further details are set out in item (iii) below.

(ii) Regularisation Plan

The Group has embarked on formularising a proposed regularisation plan which includes fund raising and restructuring on 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.

(iii) Material Litigation

As at the date of this report, the Group was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group, except for the following:

The Company and IPC have been presented a Writ of Summons by ORIX on 15 April 2009 to the High Court of Johore Bahru and which have been served to the Company and IPC on 18 May 2009, with IPC and the Company were named as the First and Second Defendant respectively by ORIX to claim the repayment of sums of RM1,081,647 including interest, legal costs, scale cost and other damages deem fit by the Court.

The High Court of Johore Bahru had on 9 January 2012 dismissed the claim of ORIX against the Company and IPC. ORIX has filed an appeal to Appeal Court in Putrajaya on 1 February 2012. The Company and IPC will seek further legal advice in due course and negotiate with the Plaintiff to restructure the debt. In addition, the Company and IPC will maintain efforts to realise its assets to settle its debts.

Subsequent events

On 28 February 2013, IPC and Drilmaco Sdn. Bhd. have entered into a sale and purchase agreement to dispose of 2 parcels of leasehold industrial land for a total consideration of RM4,906,315.

DIRECTORS' REPORT (continued)

Auditors

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

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DATO' OOI KEE LIANG

DATIN PHOR LI WEI

Penang
19 April 2013

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

In the opinion of the Directors, the financial statements set out on pages 11 to 66 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2012 and of their financial performance and their cash flows for the financial year ended on that date.

In the opinion of the Directors, the information set out in Note 31 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DATO' OOI KEE LIANG

DATIN PHOR LI WEI

Penang
19 April 2013

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

I, TEOH EE KEN being the Officer primarily responsible for the financial management of IDEAL SUN CITY HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 66 are in my opinion 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.

Subscribedand solemnly declared by the)
abovenamed TEOH EE KEN at GEORGETOWN)
in the State of PENANG on 19 April 2013)

TEOH EE KEN
Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IDEAL SUN CITY HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of **IDEAL SUN CITY HOLDINGS BERHAD**, which comprise the statements of financial position as at 31 December 2012 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 as set out on pages 11 to 66.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, 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 entity'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 entity'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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performances and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which disclose the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that:

(a) the Group and the Company, as at 31 December 2012, has accumulated losses of RM44,707,264 and RM39,516,576; and

(b) the Group is in the process of regularising their financial position, with the Proposed Regularisation Plan being submitted to the relevant authorities on 25 September 2012 and, as at the date of this report, is pending approval from the relevant authorities.

The above indicates 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IDEAL SUN CITY HOLDINGS BERHAD (Continued)

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act, to be kept by the Company and its subsidiaries of which we have acted as auditor, 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit report on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Proft or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.

2. 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.

PKF
AF 0911
CHARTERED ACCOUNTANTS

LOH CHYE TEIK
1652/8/14(J)
CHARTERED ACCOUNTANT

Penang
19 April 2013

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Revenue	3	7,202,163	647,969	292,226	-
Cost of sales		(1,377,775)	(11,720,629)	-	-
Gross profit/(loss)		5,824,388	(11,072,660)	292,226	-
Other income		171,957	1,188,595	1,061,608	1,607
Distribution and administration expenses		(1,677,881)	(3,490,799)	(1,256,571)	(788,585)
Other operating expenses		-	(2,112)	-	(3,453,588)
Profit/(loss) from operations	5	4,318,464	(13,376,976)	97,263	(4,240,566)
Finance costs	6	(406,846)	(704,076)	-	-
Profit/(loss) before tax		3,911,618	(14,081,052)	97,263	(4,240,566)
Tax expense	7	(51,000)	-	-	-
Profit/(loss) for the financial year		3,860,618	(14,081,052)	97,263	(4,240,566)
Other comprehensive income, net of tax					
Revaluation of leasehold lands	19	1,822,495	-	-	-
Transfer to deferred taxation	20	(455,624)	-	-	-
Total other comprehensive income for the financial year		1,366,871	-	-	-
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the Company		3,860,618	(14,081,052)	97,263	(4,240,566)
Basic average earnings/(loss) per ordinary share (sen)	8	1.64	(5.99)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	9	4,833,437	-	-	-
Investment in subsidiaries	11	-	-	100,002	4
Other financial asset	12	-	1,006,080	-	-
		4,833,437	1,006,080	100,002	4
Current assets					
Inventories	13	617,010	923,850	-	-
Trade receivables	14	1,914,381	245,735	-	-
Non-trade receivables	15	38,254	101,088	6,719,107	8,317,348
Other financial asset	12	1,302,586	864,607	-	-
Tax recoverables		1,700	1,700	1,700	1,700
Short-term deposit with licensed banks	16	1,460,000	-	-	-
Cash and bank balances		86,172	41,975	11,622	3,998
		5,420,103	2,178,955	6,732,429	8,323,046
Assets classified as held for sale	17	-	3,077,505	-	-
		5,420,103	5,256,460	6,732,429	8,323,046
TOTAL ASSETS		10,253,540	6,262,540	6,832,431	8,323,050
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	18	23,500,800	23,500,800	23,500,800	23,500,800
Reserves	19	(21,313,774)	(26,541,263)	(17,489,957)	(17,587,220)
TOTAL EQUITY		2,187,026	(3,040,463)	6,010,843	5,913,580
Non- current liabilities					
Deferred tax liabilities	20	455,624	-	-	-
Borrowings	21	3,819,431	-	-	-
		4,275,055	-	-	-
Current liabilities					
Trade payables	22	510,330	520,519	-	-
Non-trade payables	23	1,522,748	3,436,706	821,588	1,372,344
Tax payables		51,000	-	-	-
Hire purchase payables	24	817,046	817,046	-	-
Borrowings	21	890,335	4,528,732	-	-
Provision	25	-	-	-	1,037,126
		3,791,459	9,303,003	821,588	2,409,470
TOTAL LIABILITIES		8,066,514	9,303,003	821,588	2,409,470
TOTAL EQUITY AND LIABILITIES		10,253,540	6,262,540	6,832,431	8,323,050

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company				
	Non-distributable			*Distributable*	
Group	**Share capital RM**	**Share premium RM**	**Revaluation reserve RM**	**Accumulated losses RM**	**Total RM**
At 1 January 2011	23,500,800	22,026,619	-	(34,486,830)	11,040,589
Total comprehensive loss for the financial year	-	-	-	(14,081,052)	(14,081,052)
At 31 December 2011	23,500,800	22,026,619	-	(48,567,882)	(3,040,463)
Other comprehensive income for the financial year	-	-	1,366,871	-	1,366,871
Profit for the financial year	-	-	-	3,860,618	3,860,618
Total comprehensive income for the financial year	-	-	1,366,871	3,860,618	5,227,489
At 31 December 2012	23,500,800	22,026,619	1,366,871	(44,707,264)	2,187,026

Company	**Share capital RM**	**Non-distributable reserve share premium RM**	**Accumulated losses RM**	**Total RM**
At 1 January 2011	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
Total comprehensive income for the financial year	-	-	97,263	97,263
At 31 December 2012	23,500,800	22,026,619	(39,516,576)	6,010,843

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit/(loss) before tax		3,911,618	(14,081,052)	97,263	(4,240,566)
Adjustments for:					
Amortisation of					
- other financial asset		149	241,008	-	-
- plantation development expenditure		-	243,570	-	-
Depreciation of property, plant and equipment		81,551	274,040	-	-
Finance costs		406,846	704,076	-	-
Inventories written down to net realisable value		-	907,330	-	-
Net waiver of debts owing by					
- subsidiaries		-	-	-	3,453,588
- other party		-	82,159	-	-
Net waiver of bank borrowings		(5,075)	-	-	-
Unrealised exchange loss		-	1,616	-	-
Written off of					
- inventories		-	5,253,258	-	-
- plantation development expenditure		-	3,885,304	-	-
- property, plant and equipment		-	1,788,524	-	-
Gain on disposal of					
- assets classified held for sale		-	(583,741)	-	-
- property, plant and equipment		-	(67,629)	-	-
- subsidiaries		-	(211,663)	-	-
Interest income on					
- other financial asset carried at amortised cost		(142,161)	-	-	-
- short-term deposit		(239)	(1,605)	-	-
Operating profit/ (loss) before working capital changes		4,252,689	(1,564,805)	97,263	(786,978)
Decrease in inventories		306,840	919,638	-	-
(Increase)/decrease in receivables		(1,605,812)	(175,753)	15,000	(7,555)
(Decrease)/ increase in payables		(1,423,886)	219,414	(123,404)	933,979
Decrease in other financial asset		710,113	555,522	-	-
Increase/(decrease) in subsidiaries		-	-	1,583,241	(135,606)
Decrease in related companies		(543,587)	-	(427,352)	-
Decrease in provisions		-	-	(1,037,126)	-
Cash generated from/ (used in) operating activities		1,696,357	(45,984)	107,622	3,840
Balance carried forward		1,696,357	(45,984)	107,622	3,840

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOW (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Balance brought forward		1,696,357	(45,984)	107,622	3,840
Tax paid		-	(34,503)	-	-
Interest received		239	1,605	-	-
Interest paid		(363,520)	(363,647)	-	-
Net cash generated from/ (used in) operating activities		1,333,076	(442,529)	107,622	3,840
Cash flows from investing activities					
Proceeds from disposal of					
- assets held for sale		-	3,543,813	-	-
- property, plant and equipment		-	101,849	-	-
Net cash (outflow)/inflow from disposal of subsidiary	(i)	-	(8,980)	-	2
Increase in investment in subsidiaries		-	-	(99,998)	(4)
Purchase of property, plant and equipment		(14,988)	-	-	-
Net cash (used in)/ generated from investing activities		(14,988)	3,636,682	(99,998)	(2)
Cash flows from financing activities					
Repayment of					
- bankers' acceptance		-	1,000,000	-	-
- term loans		-	1,361,167	-	-
Restructured bank borrowings		186,109	-	-	-
Net cash generated from/ (used in) financing activities		186,109	(2,361,167)	-	-
Net increase in cash and cash equivalents		1,504,197	832,986	7,624	3,838
Cash and cash equivalents at 1 January		41,975	(791,011)	3,998	160
Cash and cash equivalents at 31 December	(ii)	1,546,172	41,975	11,622	3,998

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOW (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

During year 2011, the Company disposed of its 55% equity interest in a subsidiary, Biosmart Sdn. Bhd.. The net cash (outflow)/inflow from disposal of subsidiary is follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Cash consideration received	-	2	-	2
Cash and bank balances in the disposed subsidiary	-	(8,982)	-	-
Net cash (outflow)/inflow from disposal of subsidiary	-	(8,980)	-	2

(ii) Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	86,172	41,975	11,622	3,998
Short-term deposit with licensed banks	1,460,000	-	-	-
	1,546,172	41,975	11,622	3,998

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group and of the Company date of transition to MFRSs).

The transitions to MFRSs do not have financial impact to the financial statements of the Group and the Company.

The Group and of the Company have early adopted the amendments to MFRS 101, Presentation of Financial Statements which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements.

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

The Group and the Company, as at 31 December 2012, has accumulated losses of RM44,707,264 and RM39,516,576 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) Standards issued and effective

On 1 January 2012, the following new and amended MFRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 January 2012.

Description	Effective for annual periods beginning on or after
• MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards	1 January 2012
• MFRS 2, Share-based Payment	1 January 2012
• MFRS 3, Business Combinations	1 January 2012
• MFRS 4, Insurance Contracts	1 January 2012
• MFRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 January 2012
• MFRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2012
• MFRS 7, Financial Instruments: Disclosures	1 January 2012
• MFRS 8, Operating Segments	1 January 2012
• MFRS 101, Presentation of Financial Statements	1 January 2012
• MFRS 102, Inventories	1 January 2012
• MFRS 107, Statement of Cash Flows	1 January 2012
• MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. **Basis of preparation (continued)**

(a) **Standards issued and effective (continued)**

Description	**Effective for annual periods beginning on or after**
• MFRS 110, Events After the Reporting Period	1 January 2012
• MFRS 111, Construction Contracts	1 January 2012
• MFRS 112, Income Taxes	1 January 2012
• MFRS 116, Property, Plant and Equipment	1 January 2012
• MFRS 117, Leases	1 January 2012
• MFRS 118, Revenue	1 January 2012
• MFRS 119, Employee Benefits	1 January 2012
• MFRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
• MFRS 121, The Effects of Changes in Foreign Exchange Rates	1 January 2012
• MFRS 123, Borrowing Costs	1 January 2012
• MFRS 124, Related Party Disclosures	1 January 2012
• MFRS 126, Accounting and Reporting by Retirement Benefit Plans	1 January 2012
• MFRS 127, Consolidated and Separate Financial Statements	1 January 2012
• MFRS 128, Investment in Associates	1 January 2012
• MFRS 129, Financial Reporting in Hyperinflationary Economies	1 January 2012
• MFRS 131, Interest in Joint Ventures	1 January 2012
• MFRS 132, Financial Instruments: Presentation	1 January 2012
• MFRS 133, Earnings Per Share	1 January 2012
• MFRS 134, Interim Financial Reporting	1 January 2012
• MFRS 136, Impairment of Assets	1 January 2012
• MFRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
• MFRS 138, Intangible Assets	1 January 2012
• MFRS 139, Financial Instruments: Recognition and Measurement	1 January 2012
• MFRS 140, Investment Property	1 January 2012
• MFRS 141, Agriculture	1 January 2012
• Amendment to MFRSs:	
- MFRS 7, *Mandatory Effective Date of MFRS 9 and Transition Disclosures*	Effective immediately on 1 March 2012
- MFRS 9, *Mandatory Effective Date of MFRS 9 and Transition Disclosures*	Effective immediately on 1 March 2012
• IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2012
• IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 January 2012
• IC Interpretation 4, Determining Whether an Arrangement contains a Lease	1 January 2012
• IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2012
• IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 January 2012
• IC Interpretation 7, Applying the Restatement Approach under MFRS 129 *Financial Reporting in Hyperinflationary Economies*	1 January 2012
• IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2012
• IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2012
• IC Interpretation 12, Service Concession Arrangements	1 January 2012
• IC Interpretation 13, Customer Loyalty Programmes	1 January 2012

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. Basis of preparation (continued)

(a) Standards issued and effective (continued)

Description	Effective for annual periods beginning on or after
• IC Interpretation 14, MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2012
• IC Interpretation 15, Agreements for the Construction of Real Estate	1 January 2012
• IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 January 2012
• IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 January 2012
• IC Interpretation 18, Transfers of Assets from Customers	1 January 2012
• IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 January 2012
• IC Interpretation 107, Introduction of the Euro	1 January 2012
• IC Interpretation 110, Government Assistance – No Specific Relation to Operating Activities	1 January 2012
• IC Interpretation 112, Consolidation – Special Purpose Entities	1 January 2012
• IC Interpretation 113, Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1 January 2012
• IC Interpretation 115, Operating Leases – Incentives	1 January 2012
• IC Interpretation 125, Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1 January 2012
• IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2012
• IC Interpretation 129, Service Concession Arrangements: Disclosures	1 January 2012
• IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services	1 January 2012
• IC Interpretation 132, Intangible Assets – Web Site Costs	1 January 2012

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Company's investment in unquoted shares will be measured at fair value through other comprehensive income.

MFRS 10, Consolidated Financial Statements

MFRS 10, Consolidated Financial Statements introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation - Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

MFRS 11, Joint Arrangements

MFRS 11, *Joint Arrangements* establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. Basis of preparation (continued)

(a) Standards issued and effective (continued)

MFRS 13, Fair Value Measurement

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs.

MFRS 119, Employee Benefits (2011)

The amendments to MFRS 119, *Employee Benefits* change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor method" permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to MFRS 119 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application.

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

(b) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
• MFRS 3, Business Combinations (IFRS 3 *Business Combinations* issued by IASB in March 2004)	1 January 2013
• MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
• MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
• MFRS 10, Consolidated Financial Statements	1 January 2013
• MFRS 11, Joint Arrangements	1 January 2013
• MFRS 12, Disclosure of Interests in Other Entities	1 January 2013
• MFRS 13, Fair Value Measurement	1 January 2013
• MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
• MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)	1 January 2013
• MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
• MFRS 128, Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
• Amendment to MFRSs:	
- MFRS 1, Government Loans	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. **Basis of preparation (continued)**

(b) Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
• Amendment to MFRSs:	
- MFRS 1, Annual Improvements 2009-2011 Cycle	1 January 2013
- MFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
- MFRS 10, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
- MFRS 10, *Investment Entities*	1 January 2014
- MFRS 11, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
- MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
- MFRS 12, *Investment Entities*	1 January 2014
- MFRS 101, Presentation of Items of Other Comprehensive Income	1 July 2012
- MFRS 101, Annual Improvements 2009 – 2011 Cycle	1 January 2013
- MFRS 116, Annual Improvements 2009 – 2011 Cycle	1 January 2013
- MFRS 127, *Investment Entities*	1 January 2014
- MFRS 132, Annual Improvements 2009 – 2011 Cycle	1 January 2013
- MFRS 132, Offsetting Financial Assets and Financial Liabilities	1 January 2014
- MFRS 134, Annual Improvements 2009 – 2011 Cycle	1 January 2013
• IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
• Amendment to IC Interpretations:	
- IC Interpretation 2, Annual Improvements 2009 – 2011 Cycle	1 January 2013

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

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(d) Critical accounting estimated and judgements

The preparation of financial statements in conformity with MFRS 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 and the Company's accounting policies. The estimates and judgements that affect the application of the Group's and of the Company'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) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. Basis of preparation (continued)

(d) Critical accounting estimated and judgements (continued)

(ii) 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.

The Group and the Company 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.

(iii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) 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.

(v) 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.

(vi) Fair value estimates for certain financial assets and liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which requires 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 and the Company uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1. Basis of preparation (continued)

(d) Critical accounting estimated and judgements (continued)

(vii) Deferred tax 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 statements of comprehensive income in the period in which actual realisation and settlement occurs.

(viii) Revaluation of properties

Leasehold lands of the Group are reported at valuations which are based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal period value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

2. Summary of significant accounting policies

(a) 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 subsidiary are measured in the Company's statement of financial position at cost less any impairment losses.

The accounting policies of subsidiary is 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 January 2011

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 the 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.

(iii) Loss of control

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 the 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.

(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.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(b) Revenue and income recognition (continued)

(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) Services rendered

Revenue from services rendered is recognised upon rendering of services and acceptance by customers.

(iii) Management fees

Management fees are recognised when services are rendered.

(iv) Interest income

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

(c) 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.

(d) Borrowing costs

Borrowing costs are stated at cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest rate method.

Borrowing are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(e) Income taxes

(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 provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting 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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(f) Impairment (continued)

(i) Impairment of financial asset (continued)

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 2012

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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.

Leasehold lands are revalued periodically, at least once in every 5 periods or earlier if circumstances indicate that the carrying amount may differ significantly from the market value.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Leasehold land is depreciated over lease period of 46 years. Depreciation of other property, plant and equipment is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following basis:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(h) Investment in subsidiaries

A subsidiary 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.

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(i) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(j) Inventories (continued)

The cost of raw materials and consumables represents the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of finished goods comprises the costs of raw materials, direct labour and a proportion of plantation overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

(k) Cash and cash equivalents

The Group and the Company adopts the indirect method in the preparation of the statement of cash flows.

Cash and cash equivalents comprise cash at bank and on hand, demand deposits which are not pledged and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(l) Assets classified as 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.

(m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, 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 instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The subsequent measurements of financial liabilities depend on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Company have not designated any financial liabilities as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(m) Financial liabilities (continued)

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, non-trade payables, amount due to related parties, holding company and loans and borrowings.

Trade payables, non-trade payables, amount due to related companies, amount due to subsidiary, holding company and loans and borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(n) 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

(p) 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 MFRS 4 Insurance Contracts.

(q) 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.

(r) 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.

3. Revenue

(i) Sales of goods

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

(ii) Services rendered

Revenue from services rendered is recognised upon rendering of services and acceptance by customers.

(iii) Management fees

Management fees are recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

4. Employee benefits expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
(a) Staff costs				
(i) Direct staff costs				
Salaries, wages, allowances and overtime	971,507	157,232	-	-
Contributions to defined contribution plan	93,029	7,753	-	-
Social security contributions	6,309	1,010	-	-
	1,070,845	165,995	-	-
(ii) Admin staff costs				
Salaries, wages, allowances and overtime	231,097	247,973	151,500	100,103
Contributions to defined contribution plan	20,777	25,047	15,948	9,156
Social security contributions	1,050	1,684	465	465
	252,924	274,704	167,913	109,724
	1,323,769	440,699	167,913	109,724
(b) Directors' remuneration				
Salaries, allowances and other emoluments	108,000	130,369	108,000	130,369
Contribution to defined contribution plan	10,800	13,548	10,800	13,548
Social security contributions	930	361	930	361
	119,730	144,278	119,730	144,278
Total employee benefits expense	1,443,499	584,977	287,643	254,002
Executive directors:				
Salaries, allowances and other emoluments	96,000	130,369	96,000	130,369
Contribution to defined contribution plan	10,800	13,548	10,800	13,548
Social security contributions	930	361	930	361
	107,730	144,278	107,730	144,278
Non executive directors:				
Allowances	12,000	-	12,000	-
	119,730	144,278	119,730	144,278

The total number of employees of the Group and of the Company at the end of the financial year is 23 and 3 (2011: 5 and 2) respectively.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

5. Profit/(loss) from operations

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(loss) from operations is arrived at after charging/(crediting):				
Audit fee				
- current year	37,000	37,400	16,000	17,000
- special audit/other services	15,000	15,000	15,000	3,000
- over provision in prior year	(12,000)	-	-	-
Depreciation of property, plant and equipment	81,551	274,040	-	-
Amortisation of				
- other financial asset	149	241,008	-	-
- plantation development expenditure	-	243,570	-	-
Interest income on				
- other financial asset carried at amortised cost	(142,161)	-	-	-
- short-term deposits	(239)	(1,605)	-	-
Inventories written down to net realisable value	-	907,330	-	-
Gain on disposal of				
- assets classified as held for sale	-	(583,741)	-	-
- property, plant and equipment	-	(67,629)	-	-
- subsidiaries	-	(211,663)	-	-
Employee benefits expense (Note 4)	1,443,499	584,977	287,643	254,002
Rental of premises	75,000	28,152	-	-
Net waiver of debts owing by				
- subsidiaries	-	-	-	3,453,588
- others	-	82,159	-	-
Waiver of bank borrowings	(5,075)	-	-	-
Written off of				
- deposits	-	(30,115)	-	-
- inventories	-	5,253,258	-	-
- property, plant and equipment	-	1,788,524	-	-
- plantation development expenditure	-	3,885,304	-	-
Loss on foreign exchange				
- realised	-	496	-	-
- unrealised	-	1,616	-	-

6. Finance costs

	Group	
	2012 RM	2011 RM
Interest on:		
Bank overdrafts	-	15,772
Bankers' acceptance	100,448	218,890
Term loans	263,072	462,624
Hire purchase	43,326	6,790
	406,846	704,076

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

7. Tax expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax				
(Current year provision)	51,000	-	-	-
Reconciliation of effective tax rate				
Profit/(loss) before tax	3,911,618	(14,081,052)	97,263	(4,240,566)
Income tax using Malaysia tax rate of 25% (2011 : 25%)	977,904	(3,520,263)	24,316	(1,060,142)
Non-deductible expenses	249,346	2,335,607	215,297	1,060,142
Non-taxable income	(113,646)	(374,872)	(259,282)	-
Deferred tax assets not recognised	19,669	1,559,738	19,669	-
Double deduction	-	(210)	-	-
Utilisation of deferred tax assets not previously recognised	(1,082,273)	-	-	-
Tax expense for the year	51,000	-	-	-

Subject to the agreement with the tax authority, the Group and the Company have unutilised tax losses and unabsorbed capital allowances as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unutilised tax losses	(16,818,133)	(21,222,081)	(78,677)	-
Unabsorbed capital allowances	(3,309,540)	(3,309,540)	-	-
	(20,127,673)	(24,531,621)	(78,677)	-

8. Basic average earnings/(loss) per ordinary share

Basic average earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit/(loss) 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:

	Group	
	2012	2011
Earnings/(loss) for the year attributable for equity holders of the Company (RM)	3,860,618	(14,081,052)
Weighted average number of ordinary shares in issue (units)	235,008,000	235,008,000
Basic earnings/(loss) per share (sen)	1.64	(5.99)

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

9. Property, plant and equipment

2012	Leasehold land RM	Office equipment RM	Total RM
Cost/ revaluation			
At 1 January	-	-	-
Additions	-	14,988	14,988
Reclassification from held for sale (Note 17)	3,253,796	-	3,253,796
Revaluation	1,822,495	-	1,822,495
At 31 December	5,076,291	14,988	5,091,279
Representing:			
At cost	-	14,988	14,988
At valuation	5,076,291	-	5,076,291
At 31 December	5,076,291	14,988	5,091,279
Accumulated depreciation			
At 1 January	-	-	-
Reclassification from held for sale (Note17)	176,291	-	176,291
Charge for the year	79,303	2,248	81,551
At 31 December	255,594	2,248	257,842
Carrying amount			
At cost	-	12,740	12,740
At valuation	4,820,697	-	4,820,697
At 31 December	4,820,697	12,740	4,833,437

The leasehold lands were reclassified from asset held for sale during the financial year. The leasehold lands have been revalued on 29 March 2012 based on valuations performed by Teoh Leong Seng, a valuer from Henry Butcher Malaysia (Johore) Sdn. Bhd.. The firm is an independent firm of professional valuers, and the valuation was arrived at using the "comparison method" of valuation.

At 31 December 2012, the leasehold lands with the carrying amount of RM4,820,697 (31 December 2011: RM3,077,505) are subject to a registered debenture to secure bank loans granted to the Company.

On 28 February 2013, the Group entered into sale and purchase agreement to dispose of the leasehold lands for a total consideration of RM4,906,315.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

9. Property, plant and equipment (continued)

2011	Building RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
At cost					
At 1 January	1,086,097	3,624,977	296,802	7,850	5,015,726
Disposals/write-off	(1,086,097)	(3,624,977)	(296,802)	(7,850)	(5,015,726)
At 31 December	-	-	-	-	-
Accumulated depreciation					
At 1 January	536,419	2,171,454	203,225	7,844	2,918,942
Charge for the year	42,113	221,077	10,850	-	274,040
Disposals/write-off	(578,532)	(2,392,531)	(214,075)	(7,844)	(3,192,982)
At 31 December	-	-	-	-	-
Carrying amount					
At 31 December	-	-	-	-	-

10. Plantation development expenditure

	Group 2012 RM	Group 2011 RM
At cost:		
At 1 January	-	7,824,812
Written off during the year	-	(7,824,812)
At 31 December	-	-
Accumulated amortisation:		
At 1 January	-	2,796,463
Charge for the year (Note 5)	-	243,570
Written off during the year	-	(3,040,033)
At 31 December	-	-
Accumulated impairment losses:		
At 1 January	-	899,475
Written off during the year	-	(899,475)
At 31 December	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

11. Investment in subsidiaries

	Company 2012 RM	Company 2011 RM
Unquoted shares at cost	17,500,806	17,500,806
Acquisition during the financial year	99,998	-
	17,600,804	17,500,806
Less: allowance for impairment	(17,500,802)	(17,500,802)
Carrying amount		
	100,002	4

Movement in the allowance for impairment

	Company 2012 RM	Company 2011 RM
At 1 January	17,500,802	17,638,302
Reversal for the year due to disposal	-	(137,500)
At 31 December	17,500,802	17,500,802

The details of the subsidiaries are as follows:

Name of companies	Place of incorporation	Percentage equity held 2012	Percentage equity held 2011	Principal activities
# Ideal Property Concept Sdn. Bhd. ("IPC")	Malaysia	100%	100%	Provision of project management services
# Ideal Property Legacy Sdn. Bhd. (Formerly known as Equator MO Sdn. Bhd.)	Malaysia	100%	100%	Dormant
# Equator TC Sdn. Bhd.	Malaysia	100%	100%	Dormant
# Ideal Property BPO Sdn. Bhd.	Malaysia	100%	100%	Sales of ornamental plants, project management services
# Ideal Consortium Sdn.Bhd.	Malaysia	100%	100%	Dormant

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

The above subsidiaries are audited by PKF Malaysia.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

11. Investment in subsidiaries (continued)

During the financial year 2011, the Group disposed of its 55% equity interest in Biosmart Sdn. Bhd.. The net liabilities as of the date of disposal and as of the balance sheet date were as follows:

	2011	
	At date of disposal RM	31 December 2010 RM
Property, plant and equipment	-	1,017,555
Inventories	148,432	168,600
Trade receivables	1,380,969	1,452,303
Non- trade receivables and prepaid expenses	1,520	1,520
Amount owing by related company	-	634,860
Cash and bank balances	8,982	40,959
Trade payables	(1,676,873)	(1,775,828)
Non-trade payables and accrued expenses	(74,691)	(237,056)
Amount owing to holding company	-	(3,450,147)
Hire purchase payables	-	(817,046)
Net liabilities disposed	(211,661)	(2,964,280)
Gain on disposal of subsidiary	211,663	
Total consideration satisfied by cash	2	
Net cash inflow/(outflow) arising on disposal:		
Cash consideration received	2	
Cash and bank balances disposed off	(8,982)	
	(8,980)	

12. Other financial asset

	Group	
	2012 RM	2011 RM
Other financial asset	1,543,743	2,111,695
Amortisation (Note 5)	(241,157)	(241,008)
Receivable carried at amortised cost	1,302,586	1,870,687
Current	1,302,586	864,607
Non-current	-	1,006,080
	1,302,586	1,870,687

For 2011, the receivable was 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 Monstera Sdn. Bhd.. However, the repayment period has been extended for another 2 years by yearly instalments of approximately RM1 million due to cash flow constraints of Monstera Sdn. Bhd.. The receivable is stated at an amortised cost of RM1,302,586 as at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

13. Inventories

	Group 2012 RM	Group 2011 RM
At net realisable value :		
Finished goods	617,010	923,850

14. Trade receivables

	Group 2012 RM	Group 2011 RM
Trade receivables	2,036,514	367,868
Less : Allowance for impairment	(122,133)	(122,133)
	1,914,381	245,735

Movement in the allowance for impairment:

	Group 2012 RM	Group 2011 RM
At 1 January	122,133	168,023
Reversal for the year due to disposal of subsidiary	-	(45,890)
At 31 December	122,133	122,133

The normal trade credit term is 90 days (2011: 30 days). Other credit terms are assessed and approved on a case by case basis.

15. Non-trade receivables

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Non-trade receivables	21,534	46,368	7,555	7,555
Deposits and prepayments	16,720	54,720	-	15,000
Amount owing by subsidiaries	-	-	6,711,552	8,294,793
	38,254	101,088	6,719,107	8,317,348

Movement in the allowance for impairment:

	Group 2012 RM	Group 2011 RM
Balance as at beginning of the year	-	118,230
Amount written off during the year as uncollectible	-	(43,730)
Reversal for the year due to disposal of subsidiary	-	(74,500)
	-	-

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

15. Non-trade receivables (continued)

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

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

Significant related party transactions are disclosed in Note 26 to the financial statements.

16. Short-term deposit with licensed banks

As of 31 December 2012, the short-term deposit carries interests at a rate of 2.00% per annum. The short-term deposit is maturing on January 2013.

17. Assets classified as held for sale

	Group	
	2012 RM	2011 RM
Cost		
Property, plant and equipment	-	1,320,550
Prepaid lease payments on leasehold land	3,253,796	4,950,208
Reclassified/ disposal during the financial year	(3,253,796)	(3,016,962)
	-	3,253,796
Accumulated amortisation on prepaid leasehold land		
At 1 January	176,291	268,180
Reclassified during the financial year	(176,291)	(91,889)
At 31 December	-	(176,291)
	-	3,077,505

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 21 to the financial statements.

During the financial year, the leasehold lands were reclassified to property, plant and equipment.

18. Share capital

	2012	2011	2012	2011
	Number of ordinary shares		RM	RM
Ordinary shares of RM0.10 each				
Authorised:				
At 1 January/ 31December	500,000,000	500,000,000	50,000,000	50,000,000
Issued and fully paid:				
At 1 January/ 31December	235,008,000	235,008,000	23,500,800	23,500,800

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

19. Reserves

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Non-distributable reserves:				
Share premium	22,026,619	22,026,619	22,026,619	22,026,619
Revaluation reserve	1,366,871	-	-	-
Accumulated losses	(44,707,264)	(48,567,882)	(39,516,576)	(39,613,839)
	(21,313,774)	(26,541,263)	(17,489,957)	(17,587,220)

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.

Revaluation reserve

The revaluation reserve relates to the revaluation of leasehold land, net of deferred tax.

20. Deferred tax liabilities

	Group	
	2012	**2011**
	RM	**RM**
At 1 January	-	-
Deferred tax liabilities on revaluation reserve	455,624	-
At 31 December	455,624	-

Deferred tax assets have not been recognised in respect of following items:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Unutilised tax losses	16,818,133	21,222,081	78,677	-
Unabsorbed capital allowances	3,309,540	3,309,540	-	-
	20,127,673	24,531,621	78,677	-

21. Borrowings

	2012	**2011**
	RM	**RM**
Non-current		
Term loans	3,819,431	-
Current		
Term loans	890,335	2,528,732
Bankers' acceptance	-	2,000,000
	890,335	4,528,732
	4,709,766	4,528,732

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

21. Borrowings (continued)

The restructured term loans is repayable at the following terms:

Total number of installments	Amount per installment (all interest inclusive) RM	Commencement date
60 equal monthly instalment	105,004	September 2012

During year 2011, IPC had defaulted in the repayment of the bank borrowings and has 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.

IPC had in September 2012 accepted the offer from the bank on the restructured term loan to regularise the facility outstanding into new term loan of RM5,311,105.

The average effective interest rates are as follows:

	2012 %	2011 %
Term loans	7.85	9.95
Bankers' acceptance	-	9.95

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.

22. Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 days (2011 : 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

23. Non-trade payables

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-trade payables	362,554	1,183,761	130,763	241,362
Accrued expenses	580,042	1,129,206	117,357	130,162
Amount owing to related company	580,152	1,123,739	573,468	1,000,820
	1,522,748	3,436,706	821,588	1,372,344

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

Amounts owing to related company is unsecured, non-interest bearing and are repayable on demand.

Significant related party transactions are disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

24. Hire purchase payables

	Group 2012 RM	Group 2011 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	-	-

IPC has defaulted in the repayment of hire purchase installments and legal action has been instituted by the lease creditor for the recovery of the principal, interest and other costs as disclosed in Note 29 to the financial statements. The hire purchase payables have been transferred from the disposed subsidiary to IPC during the financial year 2011.

The High Court of Johore Bahru had on 9 January 2012 dismissed the claim of the lease creditor. However, lease creditor has filed an appeal to Appeal Court on 1 February 2012. No date has been fixed yet for the Hearing of Appeal. The Company and IPC still in the midst of negotiation with lease creditor for settlement of the outstanding amount. Accordingly, the entire hire purchase have been classified as current liabilities.

The average effective interest rate was 9.07% (2011 : 9.07%) per annum.

25. Provision

	Company 2012 RM	Company 2011 RM
Provision for contingent loss	-	1,037,126

The provision for contingent loss related to a financial guarantee contract of the Company for a defaulted loan granted to a subsidiary as mentioned in Note 21 to the financial statements.

26. Significant related parties disclosures

(a) The Group and the Company have related party transactions and balances with the following companies:

Name of related party	Type of transactions	Transaction value 2012 RM	Transaction value 2011 RM
With subsidiaries:			
Ideal Property Concept Sdn. Bhd.	Management fee	146,113	-
Ideal Property BPO Sdn. Bhd.	Management fee	146,113	-
Biosmart Sdn. Bhd.	Waive of debts	-	3,453,558
With related party			
# Ideal Property Development Sdn. Bhd.	Rental of office	75,000	-

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

26. Significant related parties disclosures (continued)

The Directors are of the opinion that these transactions have been entered into the normal course of business and are based on normal trade terms. The entire amounts outstanding are unsecured and expected to be settled with cash.

The significant balances with related parties are disclosed in Note 15 and 23 to the financial statements.

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

Related party in which the Directors of the Company have interest.

(b) Transactions with directors and key management personnel

There are no other transactions with the Directors and key management personnel of the Group and of the Company other than the remuneration package in accordance with the terms and conditions of their appointment as disclosed in Note 4 to the financial statements.

27. 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.

Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables, non-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 unquoted investments, cash and bank balances), 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.

<u>Credit risk concentration profile</u>

The Group's major concentration credit risk relates to the amount owing by 1 customer which constituted approximately 40% of its trade receivables as at the end of the reporting period.

<u>Exposure to credit risk</u>

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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

27. Financial instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

Ageing analysis refer report

The ageing analysis of the Group's trade receivables as at 31 December 2012 is as follows:

Group	Gross amount RM	Collective impairment RM	Carrying value RM
2012			
Not past due	1,390,600	-	1,390,600
Past due:			
- 1 - 30 days	500	-	500
- 31 - 60 days	305,347	-	305,347
- more than 90 days	340,067	(122,133)	217,934
	2,036,514	(122,133)	1,914,381
2011			
Past due:			
- more than 30 days	367,868	(122,133)	245,735

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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. The Group use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Group 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.

Foreign currency risk

The Group are not exposed to any significant foreign currency risk. The Group does not speculate in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

27. Financial instruments (continued)

Financial risk management objectives and policies (continued)

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 Group 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.

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:

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:

	Group	
	2012 Increase / (decrease) RM	**2011 Increase / (decrease) RM**
Effects on loss after taxation		
Increase of 10 basis points (bp)	4,710	4,529
Decrease of 10 bp	(4,710)	(4,529)
Effects on equity		
Increase of 10 bp	3,532	4,529
Decrease of 10 bp	(3,532)	(4,529)

Liquidity risk

The Group 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 Group is able to convert its current assets into cash to meet all demands for payments as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

27. Financial instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

Maturity analysis

Group	Less than 1 year RM	After 1 year to 5 years RM	Total RM	Average effective interest rate %
2012				
Fixed rate				
Hire purchase payables	817,046	-	817,046	9.07
Floating rate				
Term loans	890,335	3,819,431	4,709,766	7.85
	1,707,381	3,819,431	5,526,812	
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
	5,345,778	-	5,345,778	

Fair value

In respect of financial instruments classified under current assets and current liabilities, the carrying amounts approximate fair value due to relatively short term of these financial instruments.

28. 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 non-trade payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

28. Capital management (continued)

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

Group	**2012 RM**	**2011 RM**
Hire purchase payables	817,046	817,046
Borrowings	4,709,766	4,528,732
Trade payables	510,330	520,519
Non-trade payables	1,522,748	3,436,706
Total debt	7,559,890	9,303,003
Less: cash and cash equivalents	(1,546,172)	(41,975)
Net debt	6,013,718	9,261,028
Total equity	2,187,026	(3,040,463)
Total capital	8,200,744	6,220,565
Gearing ratio	0.73	1.49

29. Significant events

(i) Default on borrowings

The Group and the Company have accumulated losses of RM44,707,264 and RM39,516,576 of 31 December 2012 which resulted from losses sustained in prior years. In the prior year, the Company and IPC have defaulted on their borrowings and the interest payment obligations as disclosed in Notes 21 and 24 to the financial statements.

Malayan Banking Berhad ("MBB")

On March 2012, IPC received a Writ of Summons filed by MBB concerning a claim of an outstanding amount RM98,841. MBB, vide its letter dated 3 September 2012, had confirmed that the outstanding debt with MBB has been settled via the full and final settlement arrangement entered into on 25 August 2012.

RHB Bank Berhad ("RHB")

RHB, vide its letter dated 3 September 2012, had restructured the previously defaulted bank borrowings into a new term loan amounting to RM5,311,105, with a monthly repayment of RM105,004 over a 5 years period.

Arising from the above, IPC is no longer in default on the MBB and RHB borrowings. The remaining claim is in respect of Orix Credit Malaysia Sdn. Bhd. ("ORIX") for a sum of RM1,081,647, of which further details are set out in item (iii) below.

(ii) Regularisation Plan

The Group has embarked on formularising a proposed regularisation plan which includes fund raising and restructuring on 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

29. Significant events (continued)

(iii) Material Litigation

As at the date of this report, the Group was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group, except for the following:

The Company and IPC have been presented a Writ of Summons by ORIX on 15 April 2009 to the High Court of Johore Bahru and which have been served to the Company and IPC on 18 May 2009, with IPC and the Company were named as the First and Second Defendant respectively by ORIX to claim the repayment of sums of RM1,081,647 including interest, legal costs, scale cost and other damages deem fit by the Court.

The High Court of Johore Bahru had on 9 January 2012 dismissed the claim of ORIX against the Company and IPC. ORIX has filed an appeal to Appeal Court in Putrajaya on 1 February 2012. The Company and IPC will seek further legal advice in due course and negotiate with the Plaintiff to restructure the debt. In addition, the Company and IPC will maintain efforts to realise its assets to settle its debts.

30. Subsequent events

On 28 February 2013, IPC, a wholly-owned subsidiary and Drilmaco Sdn. Bhd. have entered into a sale and purchase agreement to dispose of 2 parcels of leasehold industrial land for total consideration of RM4,906,315.

31. 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 2012 into realised and unrealised loss is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 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.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Total accumulated losses of the Group and of the Company				
- Realised	(44,442,664)	(48,346,608)	(39,516,576)	(39,613,839)
- Unrealised	(264,600)	(221,274)	-	-
Accumulated losses as per consolidated statements of financial position	(44,407,264)	(48,567,882)	(39,516,576)	(39,613,839)

32. General information

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

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

The principal place of business is located at 71-2 Ideal @ The One, Jalan Mahsuri, 11900 Bayan Lepas, Pulau Pinang.

The Company is an investment holding company and provision of management administrative service to its subsidiaries. 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 19 April 2013.

ANALYSIS OF SHAREHOLDINGS AS AT 6 MAY 2013

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	5	0.295	296	0.00
100 – 1,000	279	16.508	239,700	0.101
1,001 - 10,000	674	39.881	3,777,700	1.607
10,001 - 100,000	536	31.715	23,839,689	10.144
Less than 5% of the issued shares	195	11.538	131,948,015	56.146
5% of the issued shares	1	0.059	75,202,600	32.000
Total	1,690	100.000	235,008,000	100.000

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

	Name	Shareholdings	%
1	Ideal Sun City Sdn Bhd	75,202,600	32.000
2	Wang, Ting Peng	8,506,894	3.619
3	Yang Wen-Shiung	7,925,400	3.372
4	Inter-Ample Sdn Bhd	6,683,492	2.843
5	Tan Chong Jun	4,897,000	2.083
6	Goh Teng Whoo	3,475,100	1.478
7	Lim Tek Lin	3,420,000	1.455
8	Phnuah Farn Farn	3,200,003	1.361
9	Lee, Yen-Chuan	3,046,300	1.296
10	Nara Horticultural Co., Ltd	3,022,400	1.286
11	Tan Ka Lin	2,500,000	1.063
12	Lin, Fu-Mei	2,284,617	0.972
13	Weng, Chin-Fan	1,696,125	0.721
14	Ang Chiew Hooi	1,640,000	0.697
15	Koh Liang Tian	1,636,900	0.696
16	Goh Sau Ming	1,576,400	0.670
17	Kok Sook Ee	1,564,700	0.665
18	Tan Chong Pin	1,500,000	0.638
19	RHB Capital Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lee Sai Cheng]	1,493,800	0.635
20	Soo Siew Seng	1,350,000	0.574
21	Ong Chin Sean	1,347,800	0.573

ANALYSIS OF SHAREHOLDINGS AS AT 6 MAY 2013

	Name	Shareholdings	%
22	Koh Yueh Lai	1,329,467	0.565
23	Teh Hock Seong	1,290,000	0.548
24	Wan Sau Leong	1,200,000	0.510
25	Koh Yueh Leong	1,153,480	0.490
26	Tan Wei Han	1,152,100	0.490
27	Ng Chee Cheng	1,100,000	0.468
28	Fauna Ong Suan Cheng	1,000,000	0.425
29	HSBC Nominees (Asing) Sdn Bhd [Exempt An for The Bank of New York Mellon SA/NV (Amex-Foreign)]	1,000,000	0.425
30	Goh Miin Chyi	974,800	0.414
	Total	148,169,378	63.048

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 properties of the Ideal Group as at 31 December 2012 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 2012 (At cost) RM
1	IDEAL PROPERTY CONCEPT 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	641,806
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	4,178,891

CDS Account No

IDEAL SUN CITY HOLDINGS BERHAD

(Company No. 640850-U)
(Incorporated in Malaysia)

PROXY FORM

Number of shares held

I/We,.. Tel: ....
[Full name in block, NRIC No./Company No. and telephone number]

of ....

....

being a member/members of **Ideal Sun City Holdings Berhad**, hereby appoint:-

Full Name (in Block)	NRIC / Passport No	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC / Passport No	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 9th Annual General Meeting of the Company to be held at Emas 1, 1st Floor, B-Suite, B-Tower, Bayan Point, 19, Medan Kampung Relau 11900 Penang on Wednesday, 19 June 2013 at 1.15p.m. or any adjournment thereof, and to vote as indicated below:-

		For	Against
Ordinary Resolution 1	Re-election of Datin Phor Li Wei		
Ordinary Resolution 2	Re-election of Mr Tan Wooi Chuon		
Ordinary Resolution 3	Re-appointment of Messrs PKF as Auditors and to authorize the Board of Directors to fix their remuneration		
Ordinary Resolution 4	Authority to Issue Shares		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Dated this _______ day of _____________________________2013

____
Signature / Common Seal of Shareholder

Notes:

1. *A member of the Company entitled to attend and vote at a meeting shall be entitled to appoint not more than two (2) persons as his proxies to attend and vote. A proxy need not be a Member. There shall be no restrictions as to the qualification of the proxy 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 authorised nominee as defined under the Securities Industry (Central Depositors) Act 1991, 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.*

3. *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.*

4. *The instrument appointing a proxy or proxies shall be in writing, executed by or on behalf of the appointor. 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 authorised.*

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. *Those proxy forms which are indicated with "X" in the spaces provided to show how the votes are to be cast will also be accepted.*

7. *Only members registered in the Record of Depositors as at 12 June 2013 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.*

Fold this flap for sealing

Then fold here

Affix stamp

The Secretary
IDEAL SUN CITY HOLDINGS BERHAD
(Company No: 640850-U)

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

1st fold here

71-2, Ideal @ The One, Jalan Mahsuri,
11950 Bayan Lepas, Pulau Pinang.
Tel: +604-6411 334
Fax: +604-6441 888
Website: www.idealsuncity.cc