1. INTRODUCTION

The Board of Directors of ECB wishes to announce that Abad Naluri Sdn Bhd ("ANSB") has on 1 April 2011 notified that in furtherance to a Share Sale and Purchase Agreement between ECB and ANSB entered on 12 February 2007 for the acquisition of the entire equity of PPSB ("SSPA"), ANSB had on 31 March 2011 entered into a Sale and Purchase Agreement ("SPA") with The Penang Development Corporation ("PDC") for the acquisition of Parcel 2B, being a parcel of leasehold land measuring approximately 126.04 acres at Batu Kawan, to be alienated by the State Authority of Penang to PDC in accordance with the National Land Code, 1965 ("the Land"), for a total cash consideration of RM16.75 million ("Proposed Acquisition"). The terms of the sale of the Land are governed by the Principal Agreement between PDC and ANSB entered on 16 January 2004 ("Principal Agreement").

Under the terms of the SSPA, ANSB had agreed to nominate PPSB to accept the transfer of five parcels of leasehold land in Batu Kawan, Seberang Perai, namely Parcel 1 (150.0 acres), Parcel 2A (28.62 acres), Parcel 2B (126.04 acres), Parcel 3A (72.00 acres) and Parcel 3B (73.34 acres) upon their respective acquisition. All five parcels of leasehold land totaling 450 acres are intended for mixed development. Two parcels of land, namely Parcel 1 and Parcel 2A, with combined total land area of 178.62 acres have been nominated to, and secured by, PPSB simultaneous with the execution of the Principal Agreement.

ANSB has also notified that concurrently, on 31 March 2011, ANSB had also entered into a Supplemental Agreement to the Principal Agreement for the extension of time for the sale and purchase of the remaining parcels of land under the Principal Agreement ("Supplemental Agreement"). Under the Supplemental Agreement, ANSB will be entitled to execute the purchase of the remaining land parcels in Parcel 3A and Parcel 3B on or before 30 September 2013 or within 24 months from the date vacant possession of Parcel 2B is ready to be delivered by PDC to ANSB, whichever is the later, subject to the condition that the sale and purchase of Parcel 3A and 3B can only be effected upon PPSB's completion of the low cost and low-medium cost housings in Parcel 1 and Parcel 2A.

2. DETAILS OF PROPOSED ACQUISITION

2.1 Information on the Land

The Land shall have a leasehold tenure of 99-year upon its alienation by the State Authority of Penang to PDC. The Land will be subject to the category of land use for mixed development comprising residential and commercial properties. At present, the Land is bare and vacant. The Land is strategically located within 4 kilometers from the landing of the Second Penang Bridge on the mainland at Batu Kawan.

PPSB currently holds two parcels of land at Crescentia Park in Batu Kawan, Parcel 1 and Parcel 2A, which have a combined total land area of 178.62 acres ("the Existing Land").
The Land is contiguous to the Existing Land. The proposed development on the Land is mixed development consisting of different phases of development for residential and commercial properties ("Proposed Development"). The Proposed Development plans are to be submitted to PDC for its approval within three (3) months from date of issuance of title of the Land in PDC’s name.

The Proposed Development is expected to commence within twelve (12) months upon the approval of the development plans by the relevant authorities and to be completed within a period of seven (7) years from the date of issuance of title of the Land in PDC’s name or the date vacant possession of the Land is ready to be delivered by PDC to ANSB, whichever is the later. The Proposed Development is expected to generate an estimated Gross Development Value of RM293 million. As it is too preliminary to ascertain the total development cost and the expected profit to be derived from the Proposed Development, such information is not available.

The Land shall be acquired free from all encumbrances, and with vacant possession but subject to conditions and restrictions in the SPA, all conditions and restrictions implied by the National Land Code, 1965.

As the Land is to be alienated by the State Authority of Penang to PDC, ECB is not privy to the information on the original cost, net book value and date of investment in the Land and as such, ECB is unable to disclose this information.

2.2 Information on PDC

PDC is a body corporate incorporated in Malaysia under the Penang Development Corporation Enactment 1971.

2.3 Information on ANSB

ANSB is a private limited company incorporated in Malaysia on 9 October 1999 under the Companies Act, 1965. ANSB’s authorized share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 519,867 ordinary shares have been issued and fully paid up. ANSB is principally involved in property development.

2.4 Salient Terms of the SPA

The salient terms of the SPA are as follows:

a) Upon full payment of the purchase price, PDC shall execute and deliver a valid and registrable transfer of the Land in favour of ANSB or its subsidiary company, associate company or ECB.

b) PDC undertakes to obtain the State Authority’s approval for alienation of the Land to ANSB within 6 months after SPA.
EQUINE CAPITAL BERHAD (“ECB” or “Company”)

Proposed acquisition of a parcel of leasehold land at Batu Kawan, Seberang Perai Selatan measuring approximately 126.04 acres by Penaga Pesona Sdn Bhd (“PPSB”), a wholly-owned subsidiary of ECB, for a purchase consideration of RM16.75 million

c) The Proposed Development is to be completed within 7 years from the date of issuance of title of the Land in PDC’s name or vacant possession of the Land, whichever is later.

d) ANSB to submit the Proposed Development plans for PDC’s approval within 3 months from date of issuance of title of the Land in PDC’s name.

2.5 Basis of Purchase Consideration

The purchase consideration for the Land is based on the selling price of RM3.05 per square foot as stipulated in the Principal Agreement.

No valuation was carried out on the Land.

2.6 Terms of Payment

The purchase consideration shall be satisfied fully via cash in the following manner:

a) RM1,674,542.20 being 10% upon signing SPA
b) RM1,674,542.20 being 10% within 6 months after SPA
c) RM5,023,626.60 being 30% within 12 months after SPA
d) RM4,186,355.50 being 25% within 18 months after SPA
e) RM4,186,355.50 being 25% within 24 months after SPA

2.7 Source of Funding for the Purchase Consideration

The purchase consideration for the Proposed Acquisition will be funded through internally generated funds and bank borrowings. The exact mix of internally generated funds and bank borrowings has not been decided by ECB yet but will be based on an optimum mix after consideration of ECB’s gearing level and internal funds availability.

2.8 Liabilities to be assumed by the ECB

There is no liability, including contingent liability and guarantee, to be assumed by ECB pursuant to the Proposed Acquisition.

3. RATIONALE

With the recent improvement in property market sentiments which is moving in tandem with the gradual improvements to the Malaysian economy, and the progress achieved on the construction of the Second Penang Bridge at Batu Kawan, the developmental value and potential of the Land is expected to be greatly enhanced in the near future.

The rationale for the Proposed Acquisition is as follows:
a) The Proposed Acquisition is in line with ECB’s plans to acquire land to increase its land banks for continuity of its property development business.

b) The Proposed Acquisition will provide an opportunity to the Group to develop commercial and residential properties which will integrate with the Group’s existing township development on Parcel 1 and Parcel 2A in Crescentia Park, Batu Kawan.

4. PROSPECTS

Malaysia recorded a GDP growth of 7.2% in 2010 and Bank Negara Malaysia forecasts that the GDP growth in 2011 to be 5% to 6%. The Government has maintained its targets of achieving an average annual growth rate of 6.0% in the years up to 2020 in order to fulfill the goals of Vision 2020. Recent developments in the northern African countries involving civil unrests and threats of war, as well as the recently subsided political situation in the Korean Peninsula, have heightened concerns on these developments’ significant influence on the economic climate around the globe. Setting aside any adversity that may arise from the situations to have negative impacts on global economies, the local economy is expected to perform and continue in its growth path as projected by the Government.

In an effort to transform the country towards a developed and high-income nation, the Government had in October 2010 announced its Economic Transformation Programme (ETP) and the Government Transformation Programme (GTP), both of which are expected to be spearheaded by the private sector through the 10th and 11th Malaysia Plans. The ETP involved several high-impact strategic projects with the Government partnering the private sectors in undertaking several mega projects via Public-Private Partnership Initiatives such as the construction of highways, power plants and the Academic Medical Center. Primarily, the developments of these projects are likely to benefit the high population areas, mainly townships. These programmes are also expected to stimulate and enhance economic activities in areas within and surrounding these developments. It is anticipated that such economic activities will increase the demand for both commercial and residential properties.

Construction of the Second Penang Bridge, which was previously announced in earlier years, linking Batu Maung in Penang island to Batu Kawan on the mainland, is progressing and is expected to be completed by end 2013. The development of the Bridge is anticipated to simulate economic activities and spur economic growth at areas within Batu Kawan which falls within the boundaries of the Government promoted economic growth area in the Northern Corridor Economic Region encompassing the states of Perlis, Kedah, Penang and northern Perak.

The Government on 8 March 2011 launched My First Home Scheme, a programme that will enable people earning less than RM3,000 a month to get 100% financing from banks to buy houses costing between RM100,000 and RM220,000 to be repaid over a period of 30 years. This initiative is anticipated to stimulate and enhance demand for medium cost housing.
Given the above favorable business environment, The Proposed Acquisition is expected to provide an excellent opportunity for the Group to increase its property development activities in the northern region to enhance its revenue stream.

5. RISK FACTORS

The nature of business in the property development industry is dependent on the overall economic condition and market sentiments. The success of the property development projects and hence, their earnings potentials, is primarily dependent on the location and type of development, ability to obtain regulatory approvals and developers’ project management capabilities as well as prevalent market and economic conditions.

Save for risks arising from the development in market and economic conditions, ECB does not foresee any risk factors arising from the Proposed Acquisition.

6. FINANCIAL EFFECTS

6.1 Share Capital and Substantial Shareholders’ Shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of ECB and the shareholdings of the substantial shareholders of ECB.

6.2 Net Assets

The Proposed Acquisition will not have any material effect on the net assets of ECB Group. In view of the future profit contribution arising from the proposed development for the Land, the net asset of ECB Group is expected to be enhanced in the future.

6.3 Earnings

The Proposed Acquisition is not expected to have any material effect on the earnings of the ECB Group for the financial year ended 31 March 2011. However, the Board expects the Proposed Acquisition to contribute positively to the future earnings of the Group.

6.4 Gearing

The Proposed Acquisition is not expected to have a material effect on the gearing of ECB Group for the financial year ended 31 March 2011. This is based on the purchase consideration of RM16.75 million which will be funded through internal funds and bank borrowing which optimum mix has yet to be finalized.
EQUINE CAPITAL BERHAD ("ECB" or "Company")

Proposed acquisition of a parcel of leasehold land at Batu Kawan, Seberang Perai Selatan measuring approximately 126.04 acres by Penaga Pesona Sdn Bhd ("PPSB"), a wholly-owned subsidiary of ECB, for a purchase consideration of RM16.75 million

7. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of ECB as the highest percentage ratio applicable to this transaction pursuant to paragraph 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad was 9.16%.

8. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

None of the directors and/or major shareholders of ECB and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition.

9. DIRECTORS’ RECOMMENDATION

The Directors of ECB, having considered all aspects of the Proposed Acquisition, are of the opinion that the Proposed Acquisition is in the best interest of the Company.

10. OTHER MATTERS

10.1 Estimated timeframe for completion

Barring any unforeseen circumstance, the Proposed Acquisition is expected to be completed within a period of 24 months i.e. by March 2013.

10.2 Any departure from Securities Commission’s Policies and Guidelines on Issue/Offer of Securities


10.3 Documents available for inspection

The SPA is available for inspection at the registered office of ECB at No. 1, Jalan Putra Permai 1A, Taman Equine, 43300 Seri Kembangan, Selangor Darul Ehsan during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 1 April 2011.