

**EQUINE CAPITAL BERHAD**  
**PART A – EXPLANATORY NOTES PURSUANT TO MASB 26**

**1. BASIS OF PREPARATION**

The interim financial statements of Equine Capital Berhad (“ECB”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with MASB 26: “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2004. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2004.

The comparative figures for the preceding year-to-date ended 31 December 2003 were for a period of approximately four-and-half months since ECB’s acquisition of all subsidiaries in August 2003. ECB’s first quarterly announcement to Bursa Securities was for the quarter ended 30 September 2003.

**2. AUDITORS’ REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the financial statements of ECB for the financial year ended 31 March 2004 was not qualified.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group’s performance for the quarter ended 31 December 2004 was not affected by significant seasonal or cyclical fluctuations.

**4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

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

**5. CHANGES IN ESTIMATES**

There were no changes in estimates during the quarter under review that had a material effect on the interim financial statements.

**6. DEBT AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

## 7. DIVIDENDS PAID

There were no dividends paid during the quarter under review.

## 8. SEGMENTAL INFORMATION

The Group's operations comprise the following business segments:

Property development: Development of residential and commercial properties

Property investment: Rental of properties

Investment holding: Investment holding

The Group's primary segment reporting is based on the business segment. The Group operates predominantly in Malaysia and accordingly, no geographical segment is presented.

### Segment Revenue and Results

Group	<u>Property Development</u> RM'000	<u>Property Investment</u> RM'000	<u>Investment Holding</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
<b>01.4.2004 to 31.12.2004</b>					
<b>Revenue</b>					
External sales	106,032	1,045	-	-	107,077
<b>Results</b>					
Segment results	12,422	449	(623)		12,248
Unallocated items:					
- Finance costs					(3,527)
Share of profits in associated companies					11,522
Profit before taxation					20,243
Tax expense					(5,901)
Profit after taxation					14,342
Minority interests					(39)
Net profit for the period					14,303

<b>Group</b>	<b><u>Property Development</u> RM'000</b>	<b><u>Property Investment</u> RM'000</b>	<b><u>Investment Holding</u> RM'000</b>	<b><u>Elimination</u> RM'000</b>	<b><u>Total</u> RM'000</b>
<b>01.7.2003 to 31.12.2003</b>					
<b>Revenue</b>					
External sales	39,895	375	-	-	40,270
<b>Results</b>					
Segment results	3,137	285	(399)	-	3,023
Unallocated items:					
- Finance costs					(845)
Share of profits in associated companies					5,156
Profit before taxation					7,334
Tax expense					(2,477)
Profit after taxation					4,857
Minority interests					(22)
Net profit for the period					4,835

**Other Information**

<b>Group</b>	<b><u>Property Development</u> RM'000</b>	<b><u>Property Investment</u> RM'000</b>	<b><u>Investment Holding</u> RM'000</b>	<b><u>Elimination</u> RM'000</b>	<b><u>Total</u> RM'000</b>
<b>31.12.2004</b>					
Segment assets	429,787	18,900	23,490	-	472,177
Investment in companies					64,222
Total assets					536,399
Segment liabilities	199,147	59,157	550	-	258,854
Total liabilities					258,854
Capital expenditure					1,854
Depreciation					935
Non cash expenses other than depreciation					436

<b>Group</b>	<b><u>Property Development</u> RM'000</b>	<b><u>Property Investment</u> RM'000</b>	<b><u>Investment Holding</u> RM'000</b>	<b><u>Elimination</u> RM'000</b>	<b><u>Total</u> RM'000</b>
<b>31.3.2004</b>					
Segment assets	415,162	19,784	16,459	-	451,405
Investment in companies					55,050
Total assets					<u>506,455</u>
Segment liabilities	192,229	626	51,935	-	244,790
Total liabilities					<u>244,790</u>
Capital expenditure	1,339	-	-	-	1,339
Depreciation	559	84	-	-	643
Non cash expenses other than depreciation	1,720	-	-	-	1,720

## 9. SUBSEQUENT EVENTS

On 4 February 2005, ECB submitted an application to Securities Commission to undertake the Proposed CP/MTN Programme, comprising commercial papers of up to RM70 million ("CPs") and medium term notes of up to RM25 million ("MTNs").

The proceeds will be mainly utilised towards refinancing of the ECB Group's existing bank borrowings, for development of its properties in Taman Equine and Pusat Bandar Putra Permai ("PBPP"), and for working capital purposes of the Group. The refinancing of the Group's existing bank borrowings via the Proposed CP/MTN Programme is expected to result in interest savings to the ECB Group.

The CPs have a commitment period of five years and the MTNs have tenors of up to five years. The CPs and MTNs will be repaid via proceeds from the development projects at Taman Equine and PBPP.

Other than the above, there were no material events subsequent to the reporting period.

## 10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter ended 31 December 2004.

## 11. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets and contingent liabilities as at date of this report.

## 12. CAPITAL COMMITMENTS

There were no material capital commitments as at date of this report.

## **PART B – EXPLANATORY NOTES PURSUANT TO THE REVISED LISTING REQUIREMENTS OF BURSA SECURITIES**

### **1. REVIEW OF PERFORMANCE FOR THE CURRENT QUARTER AND COMPARISON WITH THE PRECEDING QUARTER'S RESULTS**

During the quarter under review, the Group recorded revenue of RM28.4 million and pre-tax profit of RM8.8 million. Cumulatively for the nine-months ended 31 December 2004, the Group achieved revenue of RM107.1 million and pre-tax profit of RM20.2 million.

Pre-tax profit for the quarter under review had increased by 54% as compared to the preceding quarter's pre-tax profit of RM5.7 million. During the quarter under review, the Company obtained approval from Majlis Perbandaran Subang Jaya to increase the development of low cost shops at PBPP from 24 units to 80 units and this had contributed to a higher gross profit margin during the quarter.

The result of the Group for the current quarter was further enhanced by higher share of profit from Pharmaniaga Logistics Sdn Bhd of RM5.4 million.

### **2. COMMENTARY ON PROSPECTS**

Earnings prospect of the Group continues to be anchored by lock-in sales of RM269.6 million as at 31 December 2004, generated by the ongoing Pusat Bandar Putra Permai ("PBPP") and the Equine Square shop-office projects. This figure reflects a take-up rate of 85% of the total gross development value ("GDV") of RM318.2 million for all ongoing projects. The corresponding unbilled sales as at 31 December 2004 was RM122.5 million.

On 27 January 2005, the Group launched a new phase within PBPP known as 'Permai Place', comprising 149 units of one-storey and two-storey shop-offices with an estimated GDV of RM54.5 million. As at the date of this report, 89 units with total sales value of RM31.5 million have been sold. This translates to a take-up rate of 60% within one month of launch.

Based on the current performance of the ECB Group, the Board of Directors is confident that the Group's results will be sustained for the remaining quarter of the financial year.

### **3. VARIANCES ON PROFIT FORECAST**

This explanatory note is not applicable as no profit forecast was issued for the financial year ending 31 March 2005.

#### 4. TAXATION

	Current Year Quarter <u>31.12.2004</u> RM'000	Preceding Year Corresponding Quarter <u>31.12.2003</u> RM'000	Current Year ToDate <u>31.12.2004</u> RM'000	Preceding Year ToDate <u>31.12.2003</u> RM'000
Current period taxation	2,194	1,774	6,883	2,685
Under provision in prior year	-	50	-	50
Share of taxation in associated companies	615	884	2,349	1,464
	<u>2,809</u>	<u>2,708</u>	<u>9,232</u>	<u>4,199</u>
Deferred taxation	(884)	(1,161)	(3,331)	(1,722)
	<u>1,925</u>	<u>1,547</u>	<u>5,901</u>	<u>2,477</u>

The effective tax rate for the quarter presented above was higher than the statutory tax rate principally due to the non availability of group relief in respect of losses incurred by certain subsidiary companies, and expenses which are not deductible for tax purposes.

#### 5. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

On 30 November 2004, the Board of Directors of ECB announced that Kuala Lumpur Industries Holdings Berhad ("KLIH"), a wholly owned subsidiary company of ECB, had on 30 November 2004 entered into a conditional share sale and purchase agreement with Pharmaniaga Berhad ("PB") for the disposal of its entire interest in Pharmaniaga Logistics Sdn Bhd for a total cash consideration of RM77.5 million ("Proposed Disposal").

The Proposed Disposal is subject to the following conditions precedent being fulfilled or satisfied on or before the Cut-Off Date:

- (a) the approval of the shareholders of ECB and KLIH;
- (b) the approval of the shareholders of PB and the approval of the Foreign Investment Committee ("FIC") to PB for PB's acquisition of the Sale Shares; and
- (c) the receipt by PB of the letter of undertaking from ECB's financier for the release of the original shares certificates and the share transfer forms of the Sale Shares and to execute such documents as may be required to discharge the pledge over the Sale Shares,

whereupon the SPA becomes unconditional.

The approval of the FIC was obtained on 4 February 2005 and the letter of undertaking from ECB's financier to PB was issued on 22 February 2005.

As at the date of this report, both ECB/KLIH and PB are working towards fulfilment of the other conditions precedent. Barring unforeseen circumstances, the Proposed Disposal is expected to be completed by 31 March 2005.

Save for the above, there were no sales of investments and/or properties during the quarter under review.

**6. DEALINGS IN QUOTED SECURITIES**

There were no purchases and disposals of quoted securities during the quarter under review.

**7. CORPORATE PROPOSALS**

There were no corporate proposals announced during the quarter under review up to the date of this Quarterly Report, other than the following:

- a) Proposed disposal of 30% interest in PLSB as detailed in Part B Note (5) above; and
- b) Proposed CP/MTN Programme as detailed in Part A Note (9) above.

**8. BORROWINGS AND DEBT SECURITIES**

	<b>As at End of Current Quarter <u>31.12.2004</u> RM'000</b>	<b>As at Preceding Year End <u>31.3.2004</u> RM'000</b>
Short term borrowings: Secured	78,764	76,230
Long term borrowings: Secured	37,548	35,506

**9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no material instruments with off balance sheet risk issued as at date of this report.

**10. CHANGES IN MATERIAL LITIGATION**

There were no material litigations that might adversely and materially affect the position of the Group as at the date of this report.

**11. DIVIDEND**

No dividend has been proposed for the current quarter ended 31 December 2004.

## 12. EARNINGS PER SHARE

### a) Basic

The basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	<b>Current Year Quarter <u>31.12.2004</u></b>	<b>Preceding Year Corresponding Quarter <u>31.12.2003</u></b>	<b>Current Year Totdate <u>31.12.2004</u></b>	<b>Preceding Year Totdate <u>31.12.2003</u></b>
Net profit for the period (RM'000)	6,833	3,279	14,303	4,835
Weighted average number of ordinary shares in issue ('000)	150,015	140,825	150,015	60,564
Basic earnings per share (sen)	<u>4.55</u>	<u>2.33</u>	<u>9.53</u>	<u>7.98</u>

### b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the period and weighted average number of ordinary shares in issue during the period have been adjusted for the effects of dilutive potential ordinary shares from the conversion of ICULS and RCSLS.

	<b>Current Year Quarter <u>31.12.2004</u></b>	<b>Preceding Year Corresponding Quarter <u>31.12.2003</u></b>	<b>Current Year Totdate <u>31.12.2004</u></b>	<b>Preceding Year Totdate <u>31.12.2003</u></b>
Net profit for the period (RM'000)	6,833	3,279	14,303	4,835
Adjustment for after tax effects of interest on RCSLS	-	532	-	815
Adjusted net profit for the period (RM'000)	6,833	3,811	14,303	5,650



Weighted average number of ordinary shares in issue (000)	150,015	140,825	150,015	60,564
Adjustment for assumed conversion of RCSLS <sup>#</sup> (000)	-	48,500	-	21,556
Adjustment for assumed conversion of ICULS (000)	77,323	77,400	77,323	34,400
Adjusted weighted average number of ordinary shares in issue and issuable (000)	227,338	266,725	227,338	116,520
Diluted earnings per share (sen)	3.01	1.43	6.29	4.85

# 7% Redeemable Convertible Secured Loan Stocks 2003/2008, which was fully redeemed by ECB in March 2004.

\* 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008

Note: The comparative figures for the preceding year-to-date ended 31 December 2003 were for a period of approximately four-and-half months since ECB's acquisition of all subsidiaries in August 2003.

### 13. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors duly passed at the Board of Directors' Meeting held on 24 February 2005.

By Order of the Board  
Mah Li Chen (MAICSA 7022751)  
Lim Siew Ting (MAICSA 7029466)  
Company Secretary  
Kuala Lumpur  
24 February 2005