

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 Malaysia”).

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 March 2004 were for a period of approximately seven-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 March 2005 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
01.4.2004 to 31.3.2005					
Revenue					
External sales	138,880	1,557	-	-	140,437
Results					
Segment results	18,834	573	10,203	-	29,610
Unallocated items:					
- Finance costs					(4,421)
Share of profits in associated companies					15,320
Profit before taxation					40,509
Tax expense					(9,491)
Profit after taxation					31,018
Minority interests					(48)
Net profit for the year					30,970

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
01.7.2003 to 31.3.2004					
Revenue					
External sales	85,601	762	3	-	86,366
Results					
Segment results	7,705	422	(220)	-	7,907
Unallocated items:					
- Finance costs					(1,807)
Share of profits in associated companies					8,122
Profit before taxation					14,222
Tax expense					(4,875)
Profit after taxation					9,347
Minority interests					(22)
Net profit for the period					9,325

Other Information

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
31.3.2005					
Segment assets	419,991	19,101	56,154	-	495,246
Investment in associated company					115
Total assets					495,361
Segment liabilities	178,455	517	24,666	-	203,638
Total liabilities					203,638
Capital expenditure					4,926
Depreciation					1,285
Non cash expenses other other than depreciation					1,798

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
31.3.2004					
Segment assets	415,162	19,784	16,459	-	451,405
Investment in associated 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

There were no material events subsequent to the reporting period.

10. CHANGES IN THE COMPOSITION OF THE GROUP

i) Disposal of an associated company, Pharmaniaga Logistics Sdn Bhd (PLSB)

On 30 November 2004, the Company 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 ("SPA") with Pharmaniaga Berhad ("PB") for the disposal of its entire 30% interest in PLSB for a total cash consideration of RM77.5 million.

The SPA became unconditional on 21 March 2005. The total cash consideration was fully settled by PB on 31 March 2005 and accordingly, the Group ceased to recognise its interest in PLSB.

ii) Acquisition of subsidiary companies

a) On 30 March 2005, Taman Equine (M) Sdn Bhd ("TESB"), a wholly owned subsidiary of ECB entered into a share sale and purchase agreement with Dato' Bahador Shah bin Md. Isa for the acquisition of 153,000 ordinary shares of RM1.00 each in Duta Security Sdn Bhd ("DSSB") for a total cash consideration of RM1.00. As a result, DSSB became a 51% owned subsidiary of TESB.

b) On 30 March 2005, ECB acquired 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Exceed Concept Sdn Bhd ("ECSB") for a total cash consideration on RM2.00. As a result, ECSB became a wholly owned subsidiary of ECB.

Save for the above, there were no changes in the composition of the Group during the quarter ended 31 March 2005.

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 MALAYSIA

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 RM33.4 million and pre-tax profit of RM20.3 million. Cumulatively for the financial year ended 31 March 2005, the Group achieved revenue of RM140.4 million and pre-tax profit of RM40.5 million.

Pre-tax profit for the quarter under review had increased significantly to RM20.3 million as compared to the preceding quarter's pre-tax profit of RM8.8 million. The higher pre tax-profit was due to the higher level of construction work-in-progress for ongoing projects during the quarter under review and the gain of RM10.9 million arising from the disposal of the 30% equity interest Pharmaniaga Logistics Sdn Bhd as detailed in Part A Note 10 (i) above.

2. COMMENTARY ON PROSPECTS

Earnings prospect of the Group continues to be anchored by lock-in sales of RM330.9 million as at 31 March 2005, mainly generated by the ongoing Pusat Bandar Putra Permai ("PBPP") and the Equine Square shop-office projects. This figure reflected a take-up rate of 83% of the total gross development value ("GDV") of RM396.5 million for all ongoing projects. The corresponding unbilled sales as at 31 March 2005 was RM153.7 million.

On 6 March 2005, the Group launched its first phase of development at Taman Mestika, Cheras known as 'Mestika Square', comprising 48 units of 2 storey and 3 storey shop-offices with an estimated GDV of RM26.6 million. As at the date of this report, 24 units with total sales value of RM14.6 million have been sold. This translates to a take-up rate of 55% within one month of launch.

Given the highly competitive nature of the property development market, the Group will continue to focus on the launching of attractive projects, with emphasis being placed on quality products at reasonable prices. As these launches are within the well established townships of Seri Kembangan and Cheras, the Group is confident that the launches will continue to achieve strong take-up rates.

3. VARIANCES ON PROFIT FORECAST

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

4. TAXATION

	Current Year Quarter <u>31.3.2005</u> RM'000	Preceding Year Corresponding Quarter <u>31.3.2004</u> RM'000	Current Year Todate <u>31.3.2005</u> RM'000	Preceding Year Todate <u>31.3.2004</u> RM'000
Current period taxation	3,332	3,336	10,215	6,022
(Over) / Under provision in prior year	(89)	-	(89)	50
Share of taxation in associated companies	1,395	775	3,744	2,238
	<u>4,638</u>	<u>4,111</u>	<u>13,870</u>	<u>8,310</u>
Deferred taxation	(1,048)	(1,713)	(4,379)	(3,435)
	<u>3,590</u>	<u>2,398</u>	<u>9,491</u>	<u>4,875</u>

The effective tax rate for the quarter presented above was lower than the statutory tax rate principally due to the non taxability of gain on disposal of an associated company. Without the gain on disposal, the effective tax rate is higher than the statutory tax rate 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

Save for the disposal of an associated company as detailed in Part A Note 10 (i) above, there were no sales of unquoted 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:

- i) On 4 February 2005, the Company submitted an application to Securities Commission ("SC") 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 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 Group.

SC had on 5 April 2005 approved the Proposed CP / MTN Programme and is now pending the completion of the legal documentation and fulfillment of all conditions precedent.

- ii) Disposal of an associated company as detailed in Part A Note 10 (i) above; and
- iii) Acquisition of subsidiary companies as detailed in Part A Note 10 (ii) above.

8. BORROWINGS AND DEBT SECURITIES

	As at End of Current Quarter <u>31.3.2005</u> RM'000	As at Preceding Year End <u>31.3.2004</u> RM'000
Short term borrowings:		
Secured	75,738	76,230
Long term borrowings:		
Secured	7,074	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 March 2005.

12. EARNINGS PER SHARE

a) Basic

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

	Current Year Quarter <u>31.3.2005</u>	Preceding Year Corresponding Quarter <u>31.3.2004</u>	Current Year Todate <u>31.3.2005</u>	Preceding Year Todate <u>31.3.2004</u>
Net profit for the period (RM'000)	16,667	4,490	30,970	9,325
Weighted average number of ordinary shares in issue ('000)	150,015	150,015	150,015	82,927
Basic earnings per share (sen)	11.11	2.99	20.64	11.24

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 year / period have been adjusted for the effects of dilutive potential ordinary shares from the conversion of ICULS and RCSLS.

	Current Year Quarter <u>31.3.2005</u>	Preceding Year Corresponding Quarter <u>31.3.2004</u>	Current Year Todate <u>31.3.2005</u>	Preceding Year Todate <u>31.3.2004</u>
Net profit for the period (RM'000)	16,667	4,490	30,970	9,325
Weighted average number of ordinary shares in issue (000)	150,015	150,015	150,015	82,927
Adjustment for assumed conversion of ICULS* (000)	77,323	77,323	77,323	45,105
Adjusted weighted average number of ordinary shares in issue and issuable (000)	227,338	227,338	227,338	128,032
Diluted earnings per share (sen)	7.33	1.98	13.62	7.28

* 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008

Note: The comparative figures for the preceding year-to-date ended 31 March 2004 were for a period of approximately seven-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 18 May 2005.

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