EQUINE CAPITAL BERHAD
PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

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 FRS 134: "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 2008. 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 the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2008 except for the adoption of the following amendments to the Financial Reporting Standards ("FRS") that are effective for the Group's financial statements commencing 1 April 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

However, there will be no material impact on the results and the financial position of the Group in applying amendments to these FRS as these standards will only impact the form and content of disclosures presented in the financial statements.

The interim financial information for the twelve months ended 31 March 2009 have been reviewed by the Company's auditors in accordance with International Standards on Review Engagements ("ISRE") 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

2. AUDITORS' REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of ECB for the financial year ended 31 March 2008 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 31 March 2009 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 issuances, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

7. DIVIDENDS PAID

There were no dividends paid or declared 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 letting	:	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	**Property Development RM'000**	**Property Letting RM'000**	**Investment Holding RM'000**	**Elimination RM'000**	**Total RM'000**
Results For 12 Months Ended 31.03.2009					
Revenue					
External sales	85,394	-	-	-	85,394
Rental Income	-	689	-	-	689
	85,394	689	-	-	86,083
Results					
Segment results	(37,159)	29	(571)	-	(37,701)
Unallocated items:					
- Finance costs					(5,958)
Share of loss of associate					(94)
Loss before tax					(43,753)
Tax expense					1,987
Net loss for the year					(41,766)

Group	Property Development RM'000	Property Letting RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
Results For 12 Months Ended 31.03.2008					
Revenue					
External sales	107,681		-	-	107,681
Rental Income	-	1,293	-	-	1,293
	107,681	1,293	-	-	108,974
Results					
Segment results	(30,137)	557	-	-	(29,580)
Unallocated items:					
- Finance costs					(2,935)
- Share of loss in an associate					(2,401)
Loss before tax					(34,916)
Tax expense					6,112
Net loss for the year					(28,804)

9. CARRYING AMOUNT OF REVALUED ASSETS

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

Investment properties are initially measured at cost. After initial recognition, investment properties are stated at fair value. The fair value of investment properties are the prices at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction.

In compliance with FRS 140 – Investment Property, two properties which were leased out for long term have been reclassified from land held for property development to investment property. These properties are accounted for in accordance with the fair value model and are stated at its revalued amount. The difference between the fair values and previous carrying amount of these properties has been recognized in the profit and loss account.

Other than as stated, no revaluation was carried out since the last financial year end.

10. SUBSEQUENT EVENTS

On 2 April 2009, ECB's wholly owned subsidiaries, Taman Equine Industrial Sdn Bhd and Taman Equine (M) Sdn Bhd entered into a Sale and Purchase Agreement with Tesco Stores (Malaysia) Sdn Bhd for the disposal of a parcel of land for a cash consideration of RM29.8 million.

On 14 May 2009, ECB announced that it had on 21 April 2009 received from Abad Naluri Sdn. Bhd. ("ANSB") a copy of a letter from a firm of lawyers acting on behalf of Penang Development Corporation ("PDC") dated 14 April 2009 which was addressed to ANSB, alleging non-fulfillment of obligations by ANSB under the terms and conditions of the Sale and Purchase Agreement ("SPA") between ANSB and PDC entered into on 16 January 2004 for the sale of 28.62 acres of land at Batu Kawan Seberang Perai Selatan Penang (referred to as Parcel 2A).

The alleged non-fulfillment of obligations by ANSB under the SPA pertains to the condition for the completion of development in Parcel 2A within four (4) years from the date of issuance of the document of title by PDC i.e. before the deadline of 7 June 2009. Should the alleged non-fulfillment of obligations by ANSB be admissible, PDC is entitled to rescind the SPA and all rights and obligations under the SPA will be revoked as provided under the SPA.

The rights of ANSB under the SPA, has been novated to its then subsidiary company, Penaga Pesona Sdn Bhd ("PPSB"). PPSB became a wholly-owned subsidiary of ECB when ECB entered into a share sale and purchase agreement with ANSB on 12 February 2007 to acquire the entire shareholdings of PPSB.

ANSB has advised ECB that the matter is in the midst of being clarified for resolution amongst the parties. As the issues are still being negotiated between the principal parties to the SPA; namely ANSB and PDC, ECB is not able to assess the likely outcome of the negotiation at this time.

Should the revocation of the SPA be effected, the principal effect upon such revocation on PPSB, and hence ECB, is the relinquishment of all the rights to property development activities on Parcel 2A with immediate cessation of such activities. The overall financial losses and implications to PPSB and ECB arising under such circumstances is not quantifiable at this stage. However, the Company is of the view that there would not be any immediate material financial impact to the Group arising from this matter.

The announcement was made after obtaining all necessary clarification from ANSB. To safeguard ECB's interests, ECB has sought legal advice on the matter. ECB will make further announcements as and when there are further material development on this matter.

Save for the above, there were no other material events subsequent to the reporting period.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities for the current quarter under review.

13. CAPITAL COMMITMENTS

There were no material capital commitments as at the 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

The Group achieved a revenue of RM12.1 million and a pre-tax loss of RM18.5 million for the quarter under review. For the cumulative year to date, the Group registered a pre-tax loss of RM43.8 million with revenue totalling RM86.1 million. The Group's revenue for the preceding quarter was RM14.5 million and the pre-tax loss was RM23.6 million.

The revenue for the current quarter has taken into account a sales reversal of RM12.0 million pertaining to the termination of two sales and purchase agreements (SPA) for the sale of land which were transacted in 2005(FY2006). Both SPAs were terminated for reason of non-fulfilment of payment terms. The termination of the two SPAs also necessitated a write back of profit amounting to RM7.3 million against the provision for losses from potential sales revocation of RM11.5 million which has been provided for in the last quarter's results.

Setting aside the sales reversal of RM12.0 million, the actual revenue for the current quarter would be RM24.0 million. The low revenue was mainly attributable to no new/major project launched during the financial year other than Palomino (which comprise 54 units two-storey link houses in Cheras with estimated GDV RM25.2 million in May 2008) while continuing works on existing projects to progress to various completion stages. Revenue for the current quarter was derived mainly from progress billings on existing projects of medium cost apartments and semi-detached bungalows in Seri Kembangan and shop houses in Cheras as well as Palomino's two-storey link houses.

In the preceding quarter, revenue of RM14.5 million was derived mainly from progress billings on existing projects of medium cost apartments and semi-detached bungalows in Seri Kembangan as well as shop houses in Cheras.

Other income of current quarter of RM5.8 million has included a fair value adjustment of investment properties of RM3.3 million which relates to the transfer of two leased properties from land held for property development to investment properties to be carried at fair value. (refer Part A – Note 9)

The current quarter's pre-tax loss was attributed mainly to the charging out of development expenditure incurred on the suspended projects of Festive Markets and Gourmet Deck, mainly construction costs, totalling RM12.6 million. These partially completed building structures which are currently occupying the land to be sold to Tesco Stores (Malaysia) Sdn Bhd are required to be demolished in order to fulfill the physical specifications of the land sold (as disclosed in Part A - Note 10). Other contributing factors were:-

a) provision for debts waived of RM3.2 million on other receivable as a result of agreement to settle long outstanding debt;
b) charge out of development expenditure amounting to RM1.8 million pertaining to a cancelled sale of prior year;
c) additional provision for liquidated and ascertained damages of RM0.7 million arising from extended delay in projects completion in Batu Kawan due to project site issues; and
d) lower profit contribution from tail-end construction progress in ongoing projects moving towards completion stages.

The preceding quarter's loss of RM22.7 million was arrived at after taking into account:

a) provision for losses from potential sales revocation of RM11.5 million,
b) provision for bumiputra quota penalty of RM6.0 million,
c) a provision for foreseeable losses of RM5.9 million for two projects in Batu Kawan, and
d) a charge out of over-capitalised borrowing costs of RM3.5 million.

2. COMMENTARY ON PROSPECTS

The completion of two projects, namely Permai Place with GDV RM58.0 million and 2nd phase of the Sovereign (Zone 2) with GDV RM27.1 million in Seri Kembangan, was achieved in November 2008 and January 2009 respectively. During the quarter, 6 units of the Rise bungalow with GDV of RM4.3 million were completed.

There was no new project launch during the quarter under review in view of the current unfavorable economic climate and also the fact that the Group is undergoing a consolidation phase to streamline its business operations.

In the light of the deteriorating Malaysian economy due to the uncertainties in the global economic environment, the property market in Malaysia is expected to weaken further. In anticipation of a challenging economic and business environment in 2009, the Group is taking appropriate measures to address the situation for the ensuing financial year as well as to overcome the financial impact on future years. Among these measures are:-

a) Disposal of non-core business assets to streamline Group operations as well as to enhance cash flows;
b) Disposal of land which either contributes strategic catalytic impact to spur future development of existing land banks, or those land with low development value/returns;
c) Reduce long term borrowings with banks to reduce financing costs with consequential improvement in the Group's profitability over the immediate and long terms;
d) Increase existing land bank for business continuity;
e) Strategic timing of new project launches and ensuring sustainable yield/returns on such projects; and
f) Completion of projects within specified timelines to fulfil commitments on timely delivery to purchasers and to avoid incurring compensation for liquidated and ascertained damages..

The implementation of these measures, are intended to sustain the operations of the Group during a difficult trading period whilst preparing for the anticipated recovery of the economy in the shorter term. With these measures, the Group hopes to lay a stronger foundation for growth as well as to generate better returns in future projects to be undertaken by the Group.

With the foregoing considerations, the Group has planned to launch several new major projects in the next financial year. In Seri Kembangan, new projects targeted to be launched are shop houses and semi-detached bungalows with a combined total GDV of RM268.0 million. In Batu Kawan, with the near completion of the first phase of property development involving low cost housing, the Group intends to move into its next phase of property development in medium to high range of products in double-storey houses and semi-detached bungalows with total GDV of RM147.0 million. The new project launches in these two key locations are expected to enhance the operations of the Group in the next financial year as well as to spur business activities of the Group over the longer term.

The Group had on 3 April 2009 announced the sale of a parcel of leasehold land in Seri Kembangan measuring approximately 10.05 acres to Tesco Stores (Malaysia) Sdn Bhd for a total cash consideration of RM29.8 million. On a commercial aspect, the disposal provides a strategic fit in the Group's overall development plans for the commercial layout of the Group's township in Seri Kembangan as well as enhances the marketability of the Group's properties in the area besides supporting the Group's township development efforts. From a financial perspective, the disposal will help to improve the Group's cash flow through the realization of a small portion of the Group's investment in development land into cash. The proceeds generated from the disposal are expected to be utilized towards reducing bank borrowings with consequential interest savings to the Group and for working capital purposes for on-going and future property development of the Group.

As part of its efforts to address the issues of business continuity, the Group will continuously source and evaluate opportunities to secure additional land banks for the Group's future property development activities.

The Group will continuously review and undertake all necessary actions which are likely to have a positive contribution towards improving the overall prospects of the Group.

3. VARIANCES ON PROFIT FORECAST

Not applicable as no profit forecast was issued for the financial year ending 31 March 2009.

4. TAXATION

	3 months ended		12 months ended	
	31.03.2009 RM'000	**31.03.2008 RM'000**	**31.03.2009 RM'000**	**31.03.2008 RM'000**
Current period taxation	3,737	(153)	7,439	2,140
Deferred taxation	(5,273)	(4,576)	(9,426)	(8,252)
	(1,536)	(4,729)	(1,987)	(6,112)

The effective tax rate for the current quarter's and cumulative results is not reflective of the statutory tax rate due mainly to the following reasons:

i) Restriction in the group relief available in respect of losses incurred by certain subsidiary companies; and

ii) Expenditure that are not available as deduction.

5. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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 report.

8. BORROWINGS AND DEBT SECURITIES

	As at 31.03.2009 RM'000	**As at 31.03.2008 RM'000**
Short term borrowings:		
Bank borrowings – secured	45,148	57,609
Hire purchase and lease creditors	1,248	1,320
	46,396	58,929
Long term borrowings:		
Bank borrowings – secured	66,274	69,857
Hire purchase and lease creditors	910	1,932
	67,184	71,789

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is no material instrument with off balance sheet risk issued as at the date of this report.

10. CHANGES IN MATERIAL LITIGATION

Save as disclosed below, the Company and its subsidiary companies are not engaged, either as plaintiff or defendant, in any litigation which has a material effect on the financial position of the Company and its subsidiary companies. The Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially and/or adversely affect the position or business of the Group.

Kuala Lumpur Industries Holdings Berhad ("KLIH"), a wholly-owned subsidiary of ECB had been served with a Writ of Summons together with a Statement of Claim dated 24 May 2006 ("the Suit") claiming for outstanding balance sum, damages and preservation of retention monies in relation to a project known as "Proposed Renovation and Refurbishment of Hotel Uzbekistan, Tashkent, Uzbekistan ("the Project")".

KLIH is named as the Third Defendant in the Suit by Syarikat Lian Ping Enterprise Sdn Bhd ("the Plaintiff") whereby the Plaintiff alleges that KLIH is the "alter ego" of Crystal Mist Sdn Bhd ("First Defendant") and Syarikat Cengal Merah Sdn Bhd ("Second Defendant") both being the nominated sub-contractor for interior design including building works for the Project and that KLIH was the entity directing the other two defendants at the material time.

ECB wishes to highlight that:-

(a) the Suit was technically not properly served on KLIH. It was served on Horwath Mok & Poon ("HMP"), whose representatives were the Special Administrators appointed by Pengurusan Danaharta Nasional Berhad pursuant to KLIH's Scheme, which was completed on 23 October 2003. KLIH was acquired by ECB on 7 August 2003 pursuant to the Scheme.

(b) the Plaintiff is making a claim where the cause of action arose in 1996 and prior to the Scheme of KLIH. ECB had, pursuant to the Scheme, settled part of the proved liabilities of KLIH Group and the remaining liabilities of KLIH Group were subsequently novated to and assumed by KLIH Debt Management Sdn Bhd ("KDM"), a special purpose vehicle established under the Scheme. Pursuant to the novation of the liabilities to KDM, all remaining liabilities of KLIH were deemed to have been extinguished and became that of KDM under the Scheme.

On 12 March 2009, KLIH sought confirmation from KDM that in such circumstances as highlighted in paragraphs (a) and (b) above, all of KLIH's liabilities including the cause of action in the suit have been novated to KDM. under the Novation Agreement dated 7 August 2003 between KLIH and KDM and Anuarul Azizan Chew Consulting Sdn Bhd.

On 14 May 2009, the Company had received an official letter from the Liquidators of KLIH Debt Management Sdn Bhd (in Creditors' Voluntary Liquidation) ("KDM") confirming that all the liabilities and obligations of KLIH had been novated to KDM pursuant to the Novation Agreement dated 7 August 2003 ("Novation Agreement") in connection with the corporate and debt restructuring scheme of KLIH ("Scheme") which was completed on 23 October 2003.

The claim made by SLP against KLIH was related back to 1996 and prior to the Scheme of KLIH. Pursuant to the Novation Agreement, the claim should not be maintained against KLIH as it had been novated to, and assumed by, KDM.

As such, KLIH ceases to be liable to the claim.

11. DIVIDEND

No dividend has been proposed or declared for the current quarter.

12. EARNINGS PER SHARE

a) Basic

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

	3 months ended		12 months ended	
	31.03.2009	**31.03.2008**	**31.03.2009**	**31.03.2008**
Loss attributable to equity holders of the Company (RM'000)	(16,998)	(25,081)	(41,766)	(28,804)
Weighted average number of ordinary shares in issue ('000)	227,338	191,413	213,269	163,832
Basic loss per share (sen)	(7.48)	(13.10)	(19.58)	(17.58)

b) Diluted

Fully diluted earnings per ordinary share for the current period was not presented as there was an anti-dilutive effect upon the conversion of the then remaining ICULS to ordinary shares on 26 August 2008.

13. AUTHORISATION FOR ISSUE

These interim financial statements have been authorised by the Board of Directors for issuance in accordance with a resolution of the Directors duly passed at the Board of Directors' Meeting held on 25 May 2009.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
25 May 2009