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 2009. 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 2009.

2. AUDITORS' REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of ECB for the financial year ended 31 March 2009 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 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 3 Months Ended 30.06.2009					
Revenue					
External sales	23,141	-	-	-	23,141
Rental Income	-	87	-	-	87
	23,141	87	-	-	23,228
Results					
Segment results	1,524	(9)	(182)	-	1,333
Unallocated items:					
- Finance costs					(1,431)
Share of loss of associate					-
Loss before tax					(98)
Tax expense					(478)
Net loss for the period					(576)

Group	**Property Development RM'000**	**Property Letting RM'000**	**Investment Holding RM'000**	**Elimination RM'000**	**Total RM'000**
Results For 3 Months Ended 30.06.2008					
Revenue					
External sales	28,158		-	-	28,158
Rental Income	-	172	-	-	172
	28,158	172	-	-	28,330
Results					
Segment results	1,580	(150)	(115)	-	1,315
Unallocated items:					
- Finance costs					(439)
Share of loss in an associate					(40)
Profit before tax					836
Tax expense					(810)
Net profit for the period					26

9. CARRYING AMOUNT OF REVALUED ASSETS

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

There has been no change to the valuations of the property, plant and equipment since the audited financial statements for the year ended 31 March 2009.

10. SUBSEQUENT EVENTS

On 19 August 2009, a subsidiary company of the Group, Taman Equine (M) Sdn. Bhd. entered into a sales and purchase agreement with a third party for the purchase of a parcel of commercial land measuring 16.0 acres at Taman Equine, Seri Kembangan for a cash consideration of RM47.4 million.

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

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"). This letter was dated 14 April 2009 and 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 in relation to 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, Penaga Pesona Sdn Bhd ("PPSB"). PPSB became a wholly-owned subsidiary of the Group when the Group entered into a share sale and purchase agreement with ANSB on 12 February 2007 to acquire the entire shareholdings of PPSB.

ANSB had advised the Group that the matter was being clarified for resolution amongst the parties. As the issues were still being negotiated between the principal parties to the SPA; namely ANSB and PDC, the Group was not able to assess the likely outcome of the negotiation.

Should the revocation of the SPA be effected, the principal effect upon such revocation on PPSB, and hence the Group, 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 the Group arising under such circumstances is not quantifiable.

Subsequently on 8 June 2009, the Group received from ANSB a copy of another letter from the PDC dated 5 June 2009 which was addressed to ANSB. This letter advised that upon ANSB's request of 3 June 2009, PDC has agreed to keep in abeyance all legal proceedings in respect of Parcel 2A, pending a discussion to resolve issues pertaining to the completion of the development in the said parcel and the submission of a proposed time frame for the completion of the said development.

The Board is of the view that there would not be any immediate material financial impact to the Group arising from this matter.

Save for the above, there were no material contingent assets or contingent liabilities for the current quarter under review.

13. CAPITAL COMMITMENTS

As at 30 June 2009, the Group has capital commitment which is authorized and not contracted for amounting to RM47.4 million in respect of a proposed acquisition of a parcel of commercial land measuring 16.0 acres at Taman Equine, Seri Kembangan by a subsidiary company of the Group, Taman Equine (M) Sdn. Bhd.

As mentioned in Note 10, subsequently on 19 August 2009, Taman Equine (M) Sdn. Bhd. entered into a sales and purchase agreement with a third party for the purchase of the said parcel of land for a cash consideration of RM47.4 million.

Other than as stated, 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 RM23.2 million and a pre-tax loss of RM98,646 for the quarter under review against the audited preceding quarter's revenue of RM12.1 million and pre-tax loss of RM21.3 million.

Revenue for the current quarter was derived mainly from continued recognition of construction progress of the Group's on-going development in Seri Kembangan, Cheras and Batu Kawan in Penang as well as sales of completed properties i.e. bungalow lots in Equine Park, Seri Kembangan.

The preceding quarter's revenue had taken into account a sales reversal of RM12.0 million pertaining to the termination of two sales and purchase agreements for the sale of land which were transacted in 2005 (FY2006). Setting aside the sales reversal of RM12.0 million, the actual revenue for the preceding quarter would be RM24.0 million. In comparison to the actual preceding quarter's revenue of RM24.0 million, the Group registered slightly lower revenue in the current quarter. The low revenue in the quarter under review was mainly attributable to the tail-end construction progress in on-going projects (Taman Mestika shop offices and Cahaya Permai medium cost apartments) which are moving towards completion stages which yielded a smaller percentages for revenue recognition.

The Group registered a pre-tax loss of RM98,646 for the quarter under review compared to a pre-tax loss of RM21.3 million recorded in the preceding quarter. The difference was mainly due to the absence in the quarter under review of certain items which were taken up in the profit and loss for the preceding quarter:-

a) charge out of development expenditure incurred on the suspended projects of Festive markets and Gourmet Deck, mainly construction costs, totalling RM12.6 million;
b) provision for debts waived of RM3.2 million on other receivable as a result of agreement to settle long outstanding debt;
c) charge out of development expenditure amounting to RM1.8 million pertaining to a cancelled sale of prior year;
d) additional provision for liquidated and ascertained damages of RM4.0 million attributable mainly to extended delay in project completion in Batu Kawan .
e) recognition of gain in fair value adjustment for investment properties of RM3.3 million as other income for the transfer of two leased properties from land held for property development to investment properties.

Setting aside the aforementioned items to profit and loss, the Group would have recorded a pre-tax loss of RM3.0 million in the preceding quarter. The improvement in pre-tax loss of the quarter under review of RM98,646 over preceding quarter's RM3.0 million was mainly due to higher sales volume of the completed properties which command higher gross profit margin.

2. COMMENTARY ON PROSPECTS

During the last financial year ended 31 March 2009, the Group embarked on some measures to address the anticipated challenging economic and business environment, for the current financial year as well as to overcome the financial impact on future years.

These measures were focused on enhancing cash flows, disposals of low-yield land or those with catalytic development effect, improving profitability through financing costs reduction and minimising compensation for late delivery, and addressing business continuity issue on land banks. These measures, were intended to assist the Group 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 current financial year:

a. 408 units of semi-detached bungalows in Seri Kembangan with a total GDV of RM260.0 million;
b. 116 units of shop offices in Seri Kembangan with an estimated GDV of RM135.0 million;
c. 259 units of double-storey houses and 172 units of semi-detached bungalows in Batu Kawan with total combined GDV of RM150.0 million; and
d. 22 units of shop offices in Cheras with a total GDV of RM8.0m.

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. 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 and also 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. Physical work on preparing the land according to specifications and requirements for the purpose of delivery to the purchaser has commenced in the second quarter of the current financial year and income will be recognized progressively based on site progress until its completion which is expected in mid-2010.

As part of its on-going efforts to address the issues of business continuity, the Group had on 19 August 2009 purchased a parcel of commercial land measuring 16 acres at Taman Equine, Seri Kembangan for a total cash consideration of RM47.4 million for the Group's future property development activities.

3. VARIANCES ON PROFIT FORECAST

Not applicable as no profit forecast was issued for the financial year ending 31 March 2010.

4. TAXATION

	Current Year Quarter 30.06.2009 RM'000	Preceding Year Corresponding Quarter 30.06.2008 RM'000	Current Year To date 30.06.2009 RM'000	Preceding Year To date 30.06.2008 RM'000
Current period taxation	818	1,241	818	1,241
Deferred taxation	(340)	(431)	(340)	(431)
	478	810	478	810

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

5. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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.

The financial impact to the ECB Group arising from the disposal is summarized as follows:

		RM
Sales Proceeds		29,768,904
Less: Book value of land disposed		
Total Land Cost	(10,685,929)	
Development Expenditure to be incurred on land	(6,665,055)	(17,350,984)
Profit – cumulative at completion		12,417,920
Development Expenditure on Land written off in Financial Year 2009		(12,647,469)
Net loss - overall		(229,549)

The disposal is expected to be completed within a period of eighteen months. The profit to be recognized progressively according to the stages of completion up to the completion stage is RM12.42 million.

Save for the 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 report

8. BORROWINGS AND DEBT SECURITIES

	As at 30.06.2009 RM'000	**As at 31.03.2009 RM'000**
Short term borrowings:		
Bank borrowings – secured	47,730	48,523
Hire purchase and lease creditors	1,261	1,248
	48,991	49,771
Long term borrowings:		
Bank borrowings – secured	62,809	62,900
Hire purchase and lease creditors	485	911
	63,294	63,811

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.

	Current Year Quarter 30.06.2009	Preceding Year Corresponding Quarter 30.06.2008	Current Year To date 30.06.2009	Preceding Year To date 30.06.2008
(Loss)/profit attributable to equity holders of the Company (RM'000)	(576)	26	(576)	26
Weighted average number of ordinary shares in issue ('000)	227,338	192,404	227,338	192,404
Basic (loss)/earnings per share (sen)	(0.25)	0.01	(0.25)	0.01

b) Diluted

The Group does not have any convertible securities as at the date of this report and accordingly diluted EPS is not applicable.

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 19 August 2009.

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