

**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.

The interim financial information for the six months ended 30 September 2009 have been reviewed by the Company’s auditors in accordance with International Standards on Review Engagements 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 2009 was not qualified.

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

The Group’s performance for the quarter ended 30 September 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	<u>Property Development</u> RM'000	<u>Property Letting</u> RM'000	<u>Investment Holding</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
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#### Results For 6 Months Ended 30.09.2009

##### Revenue

External sales	50,240	-	-	-	50,240
Rental Income	-	156	-	-	156
	<u>50,240</u>	<u>156</u>	<u>-</u>	<u>-</u>	<u>50,396</u>

##### Results

Segment results	2,301	(109)	(373)	-	1,819
Unallocated items:					
- Finance costs					(2,887)
Share of loss of associate					-
Loss before tax					<u>(1,068)</u>
Tax expense					<u>(1,586)</u>
Net loss for the period					<u>(2,654)</u>

Group	<u>Property Development</u> RM'000	<u>Property Letting</u> RM'000	<u>Investment Holding</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
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#### Results For 6 Months Ended 30.09.2008

##### Revenue

External sales	59,202	-	-	-	59,202
Rental Income	-	346	-	-	346
	<u>59,202</u>	<u>346</u>	<u>-</u>	<u>-</u>	<u>59,548</u>

##### Results

Segment results	(185)	(289)	(245)	-	(719)
Unallocated items:					
- Finance costs					(883)
Share of loss in an associate					(65)
Loss before tax					<u>(1,667)</u>
Tax expense					<u>(446)</u>
Net loss for the period					<u>(2,113)</u>

## **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**

There were no 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; namely ANSB and PDC.

Subsequently on 8 June 2009, the Group received from ANSB a copy of another letter from the PDC dated 5 June 2009 which 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**

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 RM27.2 million and a pre-tax loss of RM970,000 for the quarter under review against the preceding quarter's revenue of RM23.2 million and pre-tax loss of RM98,000.

Revenue for the current quarter was derived mainly from the sales of bungalow lots in Equine Park, Seri Kembangan and continued recognition of construction progress of the Group's on-going development in Seri Kembangan, Cheras and Batu Kawan in Penang. The higher revenue in the current quarter compared to preceding quarter was mainly attributable to higher sales quantity of bungalow lots.

The Group's higher pre-tax loss of RM970,000 for the quarter under review compared to preceding quarter's RM98,000 was attributed mainly to the following:

- a) additional provision for liquidated and ascertained damages totaling RM3.4 million arising from extended delay in project completion for Permai Square 2 in Seri Kembangan as well as low cost housing in Batu Kawan; and
- b) provision for doubtful debts of RM1.2 million.

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

The completion of two projects, namely Cahaya Permai medium costs apartment with GDV RM33.4 million and Mestika Square shop offices with GDV RM26.7 million, were achieved in July 2009. As at todate, Mestika Square shop offices were handed over to purchasers and Cahaya Permai medium costs apartment is targeted to hand over to purchasers in December 2009.

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

These measures 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, which 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, have been implemented during the last financial year.

In furtherance to implementing the aforesaid measures, 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 estimated GDV of RM260.0 million;
- b. 118 units of shop offices in Seri Kembangan with estimated GDV of RM145.0 million;
- c. 259 units of double-storey houses and 172 units of semi-detached bungalows in Batu Kawan with total combined estimated GDV of RM150.0 million; and
- d. 22 units of shop offices in Cheras with estimated 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 were utilized towards reducing bank borrowings with consequential interest savings to the Group and balance used 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 announced on 19 August 2009 the purchase of 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

	3 months ended		6 months ended	
	30.09.2009 RM'000	30.09.2008 RM'000	30.09.2009 RM'000	30.09.2008 RM'000
Current period taxation	1,609	(21)	2,427	1,220
Deferred taxation	(501)	(343)	(841)	(774)
	<u>1,108</u>	<u>(364)</u>	<u>1,586</u>	<u>446</u>

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

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 30.09.2009 RM'000	As at 31.03.2009 RM'000
Short term borrowings:		
Bank borrowings – secured	42,114	48,523
Hire purchase and lease creditors	1,173	1,248
	<u>43,287</u>	<u>49,771</u>
Long term borrowings:		
Bank borrowings – secured	56,781	62,900
Hire purchase and lease creditors	266	911
	<u>57,047</u>	<u>63,811</u>

## 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

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.

## 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		6 months ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
(Loss)/profit attributable to equity holders of the Company (RM'000)	(2,078)	(2,139)	(2,654)	(2,113)
Weighted average number of ordinary shares in issue ('000)	227,338	206,074	227,338	195,850
Basic (loss)/earnings per share (sen)	(0.91)	(1.04)	(1.17)	(1.08)

### 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 30 November 2009.

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