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 31 December 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 9 Months Ended 31.12.2009					
Revenue					
External sales	57,793	-	-	-	57,793
Rental Income	-	221	-	-	221
	57,793	221	-	-	58,014
Results					
Segment results	(5,049)	(369)	(477)	-	(5,895)
Unallocated items:					
- Finance costs					(4,293)
Share of loss of associate					-
Loss before tax					(10,188)
Tax expense					(670)
Net loss for the period					(10,858)

Group	Property Development RM'000	Property Letting RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
Results For 9 Months Ended 31.12.2008					
Revenue					
External sales	73,498	-	-	-	73,498
Rental Income	-	519	-	-	519
	73,948	519	-	-	74,017
Results					
Segment results	(20,829)	(17)	(444)	-	(21,290)
Unallocated items:					
- Finance costs					(3,835)
Share of loss in an associate					(94)
Loss before tax					(25,219)
Tax expense					451
Net loss for the period					(24,768)

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 EVENT

On 29 January 2010, two subsidiary companies of the Group, Kelab Taman Equine Sdn Bhd and Pertanian Taman Equine Sdn Bhd, entered into a Sale and Purchase Agreement each with Golden Arches Restaurants Sdn Bhd for the disposal of two parcels of adjoining leasehold land with a total area of approximately 4,827 square metres together with a building erected thereon, for a total cash consideration of RM5.3 million. The net gain on disposal of the land and building is RM2.4 million.

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.

There has been no development on the matter in the current quarter under review. The Board maintains 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 RM7.6 million and a pre-tax loss of RM9.1 million for the quarter under review against the preceding quarter's revenue of RM27.2 million and pre-tax loss of RM970,000.

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 property development projects in Seri Kembangan, Cheras and Batu Kawan in Penang. The revenue for the current quarter has also taken into account a reversal of sales revenue of RM6.2 million pertaining to the termination of two sales and purchase agreements (SPA) for the sale of land which were transacted in November 2002. The termination of the two SPAs also necessitated a write back of profit amounting to RM4.2 million which has been included in the provision for losses from potential sales revocation of RM11.5 million made in the previous financial year's accounts.

Setting aside the sales reversal, the actual revenue for current quarter would be RM13.8 million. The lower revenue in the current quarter compared to preceding quarter was mainly attributable to lower sales quantity of bungalow lots.

The Group's higher pre-tax loss of RM9.1 million for the quarter under review compared to preceding quarter's RM970,000 was attributed mainly to the following:

a) lower gross profit generated from lower sale quantity of bungalow lots by RM4.3 million as compared to preceding quarter;

b) additional provision for liquidated and ascertained damages totalling RM2.7 million arising from extended delay in completion for Batu Kawan projects;

c) charge out over-capitalised development expenditure of Batu Kawan projects of RM2.4 million

d) loss of RM0.9 million arising from disposal of a parcel of leasehold land in December 2009.

2. COMMENTARY ON PROSPECTS

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 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.

The Board is of the view that the Group's prospects for the forthcoming quarters will improve as the local economy starts to recover from the recent global economic crisis. The recovery in the local economy is expected to boost the confidence of investors in landed properties. To capitalize on the improving market sentiments, the Group will be launching several new projects in Seri Kembangan and Cheras in the forthcoming quarters.

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		9 months ended	
	31.12.2009 RM'000	**31.12.2008 RM'000**	**31.12.2009 RM'000**	**31.12.2008 RM'000**
Current period taxation	3,552	(1,125)	1,125	(3,702)
Deferred taxation	(2,636)	2,022	(1,795)	4,153
	916	897	(670)	451

The effective tax rate for the current quarter's and cumulative results is not reflective of the statutory tax rate due mainly 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 except as follows:

The Group had on 17 December 2009 announced the disposal of a parcel of leasehold land measuring approximately 11.81 acres to Tanjung Balai Development Sdn Bhd for a total cash consideration of RM28.0 million. This parcel of leasehold land has been classified as an Investment Property and the disposal fits into the Group's business strategy of disposing non-core assets to streamline the business operation. The gross proceeds of RM 28.0 million arising from the disposal will be utilized to reduce partially bank borrowings and to provide working capital for property development activities of the Group. The reduction of borrowings will assist in lowering interest costs of the Group as well as improving the Group's gearing position.

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

	RM'000
Sales Proceeds	28,000
Less: Book value of land disposed	(28,809)
Total Land Cost	261
Development Expenditure	17,512
Fair value adjustment in FY2009	11,036
Less: Provision for legal costs	(50)
Loss on disposal	(859)

Pending the completion of the transaction, the investment property has been reclassified as asset held for sale is as follows:

	RM'000
Book value of land disposed	28,809
Less: Provision for loss on disposal (excluding legal costs)	(809)
Net realizable value of land disposed	28,000
Other asset held for sale	1,476
Total classified as asset held for sale	29,476

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 31.12.2009 RM'000	As at 31.03.2009 RM'000
Short term borrowings:		
Bank borrowings – secured	42,114	48,523
Hire purchase and lease creditors	779	1,248
	42,893	49,771
Long term borrowings:		
Bank borrowings – secured	45,299	62,900
Hire purchase and lease creditors	237	911
	45,536	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

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		9 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loss attributable to equity holders of the Company (RM'000)	(8,204)	(22,655)	(10,858)	(24,768)
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	208,665

Basic (loss)/earnings per share (sen)	(3.61)	(9.97)	(4.78)	(11.87)

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 3 February 2010.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
3 February 2010