EQUINE CAPITAL BERHAD
<u>PART A – EXPLANATORY NOTES PURSUANT TO FRS 134</u>

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 March 2010 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 except as follows:-

Abad Naluri Sdn. Bhd. (ANSB) had on 16 January 2004 entered into a Principal Sale and Purchase Agreement (Principal Agreement) with Penang Development Corporation (PDC) for the purchase of seven (7) parcels of land in Batu Kawan, Penang. Under the terms of the Principal Agreement, both ANSB and PDC shall enter into separate sale and purchase agreements for each parcel of the land to complete the land purchase within seven years from the date of the Principal Agreement. The Principal Agreement also provides that ANSB may nominate any of its subsidiaries or associates or ECB to accept the transfer of the respective parcels of land when separate titles of the land have been issued and to assign the benefits of the sale and purchase agreements for the respective parcels of land to the nominated parties. On 14 September 2004, ANSB nominated its then subsidiary company, Penaga Pesona Sdn. Bhd. (PPSB) to accept and take the transfer of Parcel 1 and Parcel 2A land while the rights to ownership of the three (3) other parcels of land were also vested in PPSB. On 12 February 2007, the Group entered into a share sale and purchase agreement with ANSB for the acquisition of the entire equity interest in PPSB.

As of 31 March 2009, PPSB had completed the acquisition of two (2) of the five (5) parcels of land pursuant to the Principal Agreement. In addition, PPSB had recognized as land held for property development the remaining three (3) parcels of land at a total cost of RM36.1 million with its corresponding liability to long term trade payable, PDC. However, as no separate sale and purchase agreements have been entered into between PPSB and PDC for the remaining three (3) parcels of land, the purchase of these parcels have not occurred as of 31 March 2009. Accordingly, these three (3) parcels of land and its corresponding liability for the purchase consideration for the land amounting to RM36.1 million which should not be recognized as part of the Group's land held for property development, and long term trade payables, respectively, are now adjusted and included as a prior year adjustment as follows:

At 31 March 2009	As previously reported RM'000	Prior year adjustment RM'000	As restated RM'000
Group			
Balance Sheet			
Land held for property development	291,200	(36,055)	255,145
Non-current trade payables	36,055	(36,055)	-

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 March 2010					
Revenue					
External sales	83,056	-	-	-	83,056
Rental Income	-	266	-	-	266
	83,056	266	-	-	83,322
Results					
Segment results	(38,953)	2,382	(597)	-	(37,168)
Unallocated items:					
- Finance costs					(5,615)
Share of loss of associate					-
Loss before tax					(42,783)
Taxation					6,082
Net loss for the year					(36,701)

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 March 2009					
Revenue					
External sales	85,466	-	-	-	85,466
Rental Income	-	689	-	-	689
	85,466	689	-	-	86,155
Results					
Segment results	(40,010)	29	(573)	-	(40,554)
Unallocated items:					
- Finance costs					(5,917)
Share of loss in an associate					(94)
Loss before tax					(46,565)
Taxation					1,383
Net loss for the year					(45,182)

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.

There is no significant change in value of investment properties since the audited financial statements for the year ended 31 March 2009 except for the following:-

Wisma KLIH and a parcel of leasehold land with building were revalued to RM38.0 million and RM3.3 million respectively which resulted in a total fair value gain of RM3.3 million being recognized in the income statement for the quarter under review.

10. SUBSEQUENT EVENTS

On 28 April 2010, ECB's wholly owned subsidiary, Taman Equine Riding Sdn Bhd entered into a Sale and Purchase Agreement with Analisa Kekal Sdn Bhd for the disposal of a parcel of leasehold land measuring approximately 33.37 acres, for a total cash consideration of RM37.8 million. The proposed disposal of land is expected to generate a net profit of RM5.1 million to the ECB Group upon its expected completion in the financial year ending 31 March 2011.

On 29 April 2010, ECB's wholly owned subsidiary, Tujuan Ehsan Sdn Bhd entered into a Sale and Purchase Agreement with Safetags Solution Sdn Bhd for the disposal of a parcel of leasehold land measuring approximately 6.04 acres, for a total cash consideration of RM19.6 million. The proposed disposal of land is expected to generate a net profit of RM7.4 million to the ECB Group upon its expected completion in the financial year ending 31 March 2011.

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 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 RM25.3 million and a pre-tax loss of RM32.6 million for the quarter under review against the preceding quarter's revenue of RM7.6 million and pre-tax loss of RM9.1 million.

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 the sales revenue recognition of a work progress of a new project commenced since August 2009 amounting to RM9.2 million and the advanced stages of a project launched in May 2008 which contributed RM5.8 million.

The Group's higher loss before tax of RM32.6 million for the quarter under review compared to preceding quarter's loss before tax of RM9.1 million was attributed mainly to sales and marketing expenses for new projects launched and additional provision made for bumi quota penalty. This was mitigated by fair value adjustment gain arising from the revaluation of Wisma KLIH and a parcel of leasehold land with building to RM38.0 million and RM3.3 million respectively and profit recognition from work progress of a new project.

2. COMMENTARY ON PROSPECTS

The Malaysia economy improved in the second half of 2009 mainly due to the follow-through effects of recovery from the global economic crisis of 2008; the increase in confidence of the local market spurred growth in local consumption and higher public spending. It is anticipated that the domestic economy will improve further in the coming quarters of the year, as evidenced by the improved labour market, business and consumer sentiments. The government's efforts to liberalise the local economy with new economic policies, the continued access to financing with highly competitive borrowing rates and stabilization of the global economy are expected to further enhance the property sector in Malaysia.

The Board is of the view that the Group's prospects for the forthcoming financial year are likely to improve with the improving market sentiments which are expected to boost the marketability of the Group's future development on its remaining land banks in Seri Kembangan and Batu Kawan.

With the onset of the recovery of the local economy, the Group has launched a project in August 2009, consisting of 118 units of 3-storey and 4-storey shop offices with an estimated total GDV of RM170 million. Works on the project site has commenced since January 2010.

In view of the progressively improving market sentiments, in March 2010, the Group further launched a project for 152 units of semi-detached houses in Seri Kembangan with an estimated total GDV of RM113 million, during the quarter under review. Works on clearing the project site has however commenced ahead since January 2010.

In consideration of expectations of further improvement in the property market, the Group plans to launch several new projects in Seri Kembangan, Batu Kawan and Cheras in the forthcoming financial year:

a. 183 units of shop offices in Seri Kembangan;
b. 181 units of semi-detached houses and bungalows in Seri Kembangan;
c. 22 units of shop offices in Cheras;
d. 172 units of semi-detached houses in Batu Kawan; and
e. 174 units of shop offices in Batu Kawan.

3. VARIANCES ON PROFIT FORECAST

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

4. TAXATION

	3 months ended		12 months ended	
	31.03.2010 RM'000	31.03.2009 RM'000	31.03.2010 RM'000	31.03.2009 RM'000
Current period taxation	996	(3,739)	2,121	(7,441)
Deferred taxation	5,756	4,671	3,961	8,824
	6,752	932	6,082	1,383

The effective tax rate for the current quarter is not reflective of the statutory tax rate due mainly to the following reasons:

i) operating losses suffered resulting in tax losses; and
ii) restriction in the group relief available in respect of losses incurred by certain subsidiary companies.

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 11 February 2010 announced the disposal of a parcel of leasehold land measuring approximately 8.47 acres to Meridian Score Sdn Bhd for a total cash consideration of RM11.1 million. The disposal is expected to generate a profit after tax of RM1.4 million upon its expected completion in the next financial year.

Subsequent to the financial year end, the Group also disposed of two other parcels of land as more fully described in Note 10 of Part A.

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 31.03.2010 RM'000	As at 31.03.2009 RM'000
Short term borrowings:		
Bank borrowings – secured	36,909	48,523
Hire purchase and lease creditors	479	1,248
	37,388	49,771
Long term borrowings:		
Bank borrowings – secured	46,104	62,900
Hire purchase and lease creditors	331	911
	46,435	63,811

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is no material financial 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		12 months ended	
	31.03.2010	**31.03.2009**	**31.03.2010**	**31.03.2009**
Loss attributable to equity holders of the Company (RM'000)	(25,843)	(20,414)	(36,701)	(45,182)
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	213,269
Basic loss per share (sen)	(11.37)	(8.98)	(16.14)	(21.18)

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 20 May 2010.

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