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 2010. 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 2010, except for the adoption of the following new/revised FRSs, Amendments to FRSs and IC Interpretations with effect from the financial period 1 April 2010:

FRSs, Amendments to FRSs and Interpretations

FRS 7	:	Financial Instruments : Disclosures
FRS 8	:	Operating Segments
FRS 101	:	Presentation of Financial Statement (Revised in 2009)
FRS 123	:	Borrowing Costs
FRS 139	:	Financial Instruments : Recognition and Measurement
Amendment to FRS 1	:	First Time Adoption of Financial Reporting Standards
Amendment to FRS 2	:	Share-based Payment
Amendment to FRS 7	:	Financial Instruments : Disclosures
Amendment to FRS 127	:	Consolidated and Separate Financial Statements
Amendment to FRS 132	:	Financial Instruments : Presentation
Amendment to FRS 139	:	Financial Instruments : Recognition and Measurement
IC Interpretation 10	:	Interim Financial Reporting and Impairment

The adoption of the above standards and interpretations, and improvement is not expected to have any material financial effects to the Group except for the following:

<u>FRS 7: Financial Instruments: Disclosures</u>

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments of the Group and the Company's financial position and performance, the nature and extent of risks arising from the financial instruments, and the objectives, policies and processes for managing capital. By virtue of exemption in paragraph 44AB of FRS 7, the impact on the financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

<u>FRS 7: Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)</u>

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

<u>FRS 8: Operating Segments</u>

FRS 8, which replaces $FRS114_{2004}$ Segment Reporting, requires the identification of operating segments based on the internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to access its performance.

FRS 101: Presentation of Financial Statements (Revised in 2009)

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group and the Company's financial statements as this change in accounting policy affects only the presentation of the Group and the Company's financial statements.

FRS 139: Financial Instruments: Recognition and Measurement

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

2. AUDITORS' REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of ECB for the financial year ended 31 March 2010 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 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.

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 main business segments:

Property development	:	Development of residential and commercial properties, and sale of development land
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 June 2010					
Revenue					
External sales	30,515	57	-	-	30,572
Inter-segment sales	227	-	-	(227)	-
	30,742	57	-	(227)	30,572
Results					
Segment results	1,550	(62)	(252)	-	1,236
Unallocated items:					
- Finance costs					(1,222)
Profit before tax					14
Taxation					385
Net profit for the period					399

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 June 2009					
Revenue					
External sales	23,141	87	-	-	23,228
Inter-segment sales	-	-	-	-	-
	23,141	87	-	-	23,228
Results					
Segment results	1,524	(9)	(182)	-	1,333
Unallocated items:					
- Finance costs					(1,431)
Loss before tax					(98)
Taxation					(478)
Net loss for the period					(576)

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 2010.

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, the Group 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 company, 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 Directors are 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

During the quarter under review, the Board of Directors approved a proposed capital expenditure in respect of acquisition of land at a cost of RM16.7 million. As of the date of this report, the sale and purchase agreement is in the process of being executed.

Save for the above, 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 RM30.6 million and a pre-tax profit of RM14,305 for the quarter under review against the audited preceding quarter's revenue of RM16.7 million and pre-tax loss of RM31.1 million.

Revenue for the current quarter was derived mainly from the revenue recognition for two disposed parcels of land in Seri Kembangan and recognition of construction progress of the Group's on-going projects in Seri Kembangan, Cheras and Batu Kawan. The higher revenue in the current quarter compared to preceding quarter was mainly attributable to the revenue recognised upon completion of disposal of two parcels of land and revenue recognised on construction progress of newly launched projects in the current quarter under review.

The Group registered a pre-tax profit of RM14,305 for the quarter under review compared to a pre-tax loss of RM31.1 million in the preceding quarter. The better results in the current quarter was attributed mainly to profit recognition of land disposal, higher gross margins achieved on newly launched projects, coupled with the absence in the current quarter of sales and marketing expenses related to new project launches and no significant provision made for liquidated and ascertained damages.

2. COMMENTARY ON PROSPECTS

The Malaysian economy has been forecast to grow with a GDP growth rate of 6.0% in 2010 with the three key drivers being the public sector spending, manufacturing and commodities exports. As prevalent in an improving economy, the market sentiments are expected to be enhanced to strengthen consumers' confidence to continue to boost domestic consumption and business confidence.

Moving in tandem with the benefits of the improving economic conditions on the property industry, the Group aims to re-establish itself as an active developer in the property market. As an initial effort to realize this intention, the Group has planned several new launches in Seri Kembangan and Batu Kawan in the current financial year.

The projects which are expected to be launched in the current financial year and will likely contribute to an enlarged revenue base of the Group are:

a. 168 units of shop offices in Seri Kembangan with estimated gross development value (GDV) of RM168 million;
b. 128 units of semi-detached houses and 54 units of bungalows in Seri Kembangan with estimated GDV of RM186 million; and
c. 22 units of shop offices in Cheras with estimated GDV of RM9 million.

3. VARIANCES ON PROFIT FORECAST

Not applicable as no profit forecast was issued for the financial year ended 31 March 2011.

4. TAXATION

	Current Year Quarter 30.06.2010 RM'000	Preceding Year Corresponding Quarter 30.06.2009 RM'000	Current Year To Date 30.06.2010 RM'000	Preceding Year To Date 30.06.2009 RM'000
Current period taxation	1,457	818	1,457	818
Deferred taxation	(1,842)	(340)	(1,842)	(340)
	(385)	478	(385)	478

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 in certain subsidiaries 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:

a) On 28 April 2010, the Group entered into a sale and purchase agreement for the disposal of a parcel of leasehold land measuring approximately 33.37 acres to Analisa Kekal Sdn Bhd for a total cash consideration of RM37.8 million. The disposal is expected to generate a net profit of RM5.1 million to the ECB Group upon its expected completion in the current financial year.

b) On 29 April 2010, the Group entered into a sale and purchase agreement for the disposal of a parcel of leasehold land measuring approximately 6.04 acres to Safetags Solution Sdn Bhd for a total cash consideration of RM19.6 million. The disposal is expected to generate a net profit of RM7.4 million to the ECB Group upon its expected completion in the current financial year.

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 30.06.2010 RM'000	As at 31.03.2010 RM'000
Short term borrowings:		
Bank borrowings – secured	33,886	36,064
Bank overdrafts – secured	3,808	741
Hire-purchase creditors	171	468
	37,865	37,273
Long term borrowings:		
Bank borrowings – secured	45,161	45,929
Hire-purchase creditors	317	342
	45,478	46,271

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.

	Current Year Quarter 30.06.2010	Preceding Year Corresponding Quarter 30.06.2009	Current Year To Date 30.06.2010	Preceding Year To Date 30.06.2009
Profit/(loss) attributable to equity holders of the Company (RM'000)	399	(576)	399	(576)
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings/(loss) per share (sen)	0.18	(0.25)	0.18	(0.25)

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 25 August 2010.

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