

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:

FRS 7: Financial Instruments: Disclosures

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.

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

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

FRS 8: Operating Segments

FRS 8, which replaces FRS114₂₀₀₄ 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 September 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	<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
Results For 6 Months Ended 30 September 2010					
Revenue					
External sales	76,566	89	-	-	76,655
Inter-segment sales	485	-	-	(485)	-
	<u>77,051</u>	<u>89</u>	<u>-</u>	<u>(485)</u>	<u>76,655</u>
Results					
Segment results	13,643	(500)	(469)	-	12,674
Unallocated items:					
- Finance costs					(2,603)
Profit before tax					<u>10,071</u>
Taxation					<u>(3,397)</u>
Net profit for the period					<u>6,674</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
Results For 6 Months Ended 30 September 2009					
Revenue					
External sales	50,240	156	-	-	50,396
Inter-segment sales	-	-	-	-	-
	<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)
Loss before tax					<u>(1,068)</u>
Taxation					<u>(1,586)</u>
Net loss for the period					<u>(2,654)</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 2010.

10. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting period except as follows:

- a. On 26 October 2010, the Group's wholly-owned subsidiary company, Kuala Lumpur Industries Bhd. entered into a sales and purchase agreement for the disposal of a property known as "Wisma KLIH" to a third party for a cash consideration of RM58.0 million. The proposed disposal which sale consideration included an option for renovation and refurbishment of the property with value of RM10.0 million, is subject to the approval of the shareholders of the Company at an Extraordinary General Meeting to be convened.
- b. On 29 October 2010, the Group's subsidiary companies', Taman Equine (M) Sdn. Bhd. and Taman Equine Industrial Sdn. Bhd. terminated a sales and purchase agreement with Tesco Stores (Malaysia) Sdn. Bhd. for the disposal of a parcel of land measuring 10.05 acres for a cash consideration of RM29.77 million which was entered into on 2 April 2009. The termination which was mutually agreed by both the vendors and the purchaser has no effect on the earnings of the Group as no profit had been taken up in the financial statements of current or prior financial years.

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

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 RM46.1 million and a pre-tax profit of RM10.1 million for the quarter under review against the preceding quarter's revenue of RM30.6 million and pre-tax profit of RM14,305.

Revenue for the current quarter was derived mainly from the revenue recognition from disposal of a parcel of land in Seri Kembangan and recognition of construction progress of the Group's on-going projects in Seri Kembangan and Cheras. The higher revenue in the current quarter compared to preceding quarter was mainly attributable to the revenue recognised upon completion of disposal of a parcel of land and revenue recognised on advancing construction progress of on-going projects in the current quarter under review.

The Group registered a pre-tax profit of RM10.1 million for the quarter under review compared to a pre-tax profit of RM14,305 in the preceding quarter. The better results in the current quarter was attributed mainly to profit recognition of land disposal and higher gross margins achieved from on-going projects.

2. COMMENTARY ON PROSPECTS

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

The Government's recent Budget 2011 did not impose any unfavorable taxes on property transactions to curb purported speculative activities in the property market. On the contrary, the Government announced an incentive for first time purchasers on the 50% exemption of stamp duties on residential properties with value less than RM350,000 and financial assistance for low income group to secure residential property. Bank Negara Malaysia had also announced in November 2010 a new guideline on loan to value ratio for purchasers of third residential properties which is subject to a limit of 70%. While these developments are intended to assist first time purchasers as well as to fortify the property market against speculative activities, they are not expected to have significant impact on property development activities.

With no major restriction introduced by the Government and, the effects of the improving economic conditions on the property industry is expected to be un-impeded, the Group will capitalize on business opportunities, to re-establish itself as an active developer in the property market. As an effort towards realizing 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 are likely to 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 30.09.2010 RM'000	Preceding Year Corresponding Quarter 30.09.2009 RM'000	Current Year To Date 30.09.2010 RM'000	Preceding Year To Date 30.09.2009 RM'000
Current period taxation	4,876	1,609	6,333	2,427
Deferred taxation	(1,094)	(501)	(2,936)	(841)
	<u>3,782</u>	<u>1,108</u>	<u>3,397</u>	<u>1,586</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 30.09.2010 RM'000	As at 31.03.2010 RM'000
Short term borrowings:		
Bank borrowings – secured	61,877	36,064
Bank overdrafts – secured	3,394	741
Hire-purchase creditors	693	468
	<u>65,964</u>	<u>37,273</u>
Long term borrowings:		
Bank borrowings – secured	15,000	45,929
Hire-purchase creditors	275	342
	<u>15,275</u>	<u>46,271</u>

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 30.09.2010	Preceding Year Corresponding Quarter 30.09.2009	Current Year To Date 30.09.2010	Preceding Year To Date 30.09.2009
Profit/(loss) attributable to equity holders of the Company (RM'000)	6,275	(2,078)	6,674	(2,654)
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings/(loss) per share (sen)	2.76	(0.91)	2.94	(1.17)

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 24 November 2010.

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