

**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 FRS114<sub>2004</sub> 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 31 December 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

| <b>Group</b>   | <b><u>Property<br/>Development</u><br/>RM'000</b> | <b><u>Property<br/>Letting</u><br/>RM'000</b> | <b><u>Investment<br/>Holding</u><br/>RM'000</b> | <b><u>Elimination</u><br/>RM'000</b> | <b><u>Total</u><br/>RM'000</b> |
|--|---|---|---|--------------------------------------|--------------------------------|
| <b>Results For 9 Months Ended<br/>31 December 2010</b> |   |   |   |                                      |                                |
| <b>Revenue</b>   |   |   |   |                                      |                                |
| External sales   | 108,368   | 89  | -   | -                                    | 108,457                        |
| Inter-segment sales                                    | 13,609  | -   | -   | (13,609)                             | -                              |
|  | <u>121,977</u>                                    | <u>89</u>                                     | <u>-</u>  | <u>(13,609)</u>                      | <u>108,457</u>                 |
| <b>Results</b>   |   |   |   |                                      |                                |
| Segment results  | 11,795  | (779)   | (578)   | -                                    | 10,438                         |
| Unallocated items:                                     |   |   |   |                                      |                                |
| - Finance costs  |   |   |   |                                      | (3,877)                        |
| Profit before tax                                      |   |   |   |                                      | <u>6,561</u>                   |
| Taxation   |   |   |   |                                      | <u>(2,444)</u>                 |
| Net profit for the period                              |   |   |   |                                      | <u>4,117</u>                   |

| <b>Group</b>   | <b><u>Property<br/>Development</u><br/>RM'000</b> | <b><u>Property<br/>Letting</u><br/>RM'000</b> | <b><u>Investment<br/>Holding</u><br/>RM'000</b> | <b><u>Elimination</u><br/>RM'000</b> | <b><u>Total</u><br/>RM'000</b> |
|--|---|---|---|--------------------------------------|--------------------------------|
| <b>Results For 9 Months Ended<br/>31 December 2009</b> |   |   |   |                                      |                                |
| <b>Revenue</b>   |   |   |   |                                      |                                |
| External sales   | 57,793  | 221   | -   | -                                    | 58,014                         |
| Inter-segment sales                                    | 814   | -   | -   | (814)                                | -                              |
|  | <u>58,607</u>                                     | <u>221</u>                                    | <u>-</u>  | <u>(814)</u>                         | <u>58,014</u>                  |
| <b>Results</b>   |   |   |   |                                      |                                |
| Segment results  | (5,049)   | (369)   | (477)   | -                                    | (5,895)                        |
| Unallocated items:                                     |   |   |   |                                      |                                |
| - Finance costs  |   |   |   |                                      | (4,293)                        |
| Loss before tax  |   |   |   |                                      | <u>(10,188)</u>                |
| Taxation   |   |   |   |                                      | <u>(670)</u>                   |
| Net loss for the period                                |   |   |   |                                      | <u>(10,858)</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:

- i) On 21 January 2011, the Group's wholly-owned subsidiary company, Equine Park Country Resort Sdn Bhd entered into a Joint Development Agreement with Revenue Concept Sdn Bhd for the development of freehold land located in Subang Jaya, Selangor Darul Ehsan held under individual title Geran 43632, Lot No. 42697, Mukim of Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 36,332 square meter.
- ii) On 27 January 2011, the Group's wholly-owned subsidiary company, Taman Equine (M) Sdn Bhd ("TEM") entered into the following agreements with Jelang Puncak Sdn Bhd ("JPSB"):
  - a) Deed of Revocation to revoke and terminate the Sale and Purchase Agreement between TEM and JPSB dated 19 August 2009 for the acquisition of a piece of leasehold land measuring approximately 64,303 square metres, held under Title No. PN 7398, Lot No. 53384, Mukim and District of Petaling, State of Selangor Darul Ehsan ("the Land"); and
  - b) Joint Development Agreement between TEM and JPSB for the development of the Land.

## 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 RM31.8 million and a pre-tax loss of RM3.5 million for the quarter under review against the preceding quarter's revenue of RM46.1 million and pre-tax profit of RM10.1 million.

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

The Group registered a pre-tax loss of RM3.5 million for the quarter under review compared to a pre-tax profit of RM10.1 million in the preceding quarter attributed mainly to additional provision for liquidated and ascertained damages arising from extended delay in completion of Batu Kawan projects and the absence in the current quarter under review of profit recognition on land disposal which was taken in the income statements in the preceding quarter.

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

The Government's Budget 2011 in October 2010 targeted a GDP growth rate of 6% in 2011, driven mainly by the public sector spending, manufacturing and commodities exports supported by private investments, expanding by 10.2%, private consumption by 6.3% and general exports by 6.7%.

The Budget 2011 did not impose any unfavorable taxes on property transactions in the property market but provided 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.

The Government has recently launched the Economic Transformation Programme (ETP) in December 2010 with infrastructural projects worth RM28.3 billion which is expected to spearhead all economic development activities in the next decade. This initiative is expected to have favourable impact on property development in the localities of those projects.

With no new restriction imposed 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 calendar year 2011.

The projects which are expected to be launched in calendar year 2011 and will likely contribute to an enlarged revenue base of the Group are:

- a. 177 units of properties comprising 138 units of shop offices and 39 units of low-cost shops in Seri Kembangan with estimated gross development value (GDV) of RM198 million;
- b. 128 units of semi-detached houses and 54 units of bungalows in Seri Kembangan with estimated GDV of RM203 million; and
- c. 307 units of properties comprising 300 units of apartments and 7 units of shops in Seri Kembangan with estimated GDV of RM39 million.

As part of the Group's business development efforts to achieve growth, the Group entered into a Joint Development Agreement ("JDA") with a land owner on 21 January 2011 to develop a mixed development project on a parcel of land in USJ, Selangor with an estimated GDV of RM1.0 billion.

Work on the project is expected to commence within twelve months from the date of the JDA. While the project will not have any immediate impact on the earnings of the Group in the financial year ending 31 March 2011, the project is expected to contribute positively to the future prospects of the Group.

### 3. VARIANCES ON PROFIT FORECAST

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

### 4. TAXATION

|                         | <b>Current<br/>Year<br/>Quarter<br/>31.12.2010<br/>RM'000</b> | <b>Preceding Year<br/>Corresponding<br/>Quarter<br/>31.12.2009<br/>RM'000</b> | <b>Current<br/>Year<br/>To Date<br/>31.12.2010<br/>RM'000</b> | <b>Preceding<br/>Year<br/>To Date<br/>31.12.2009<br/>RM'000</b> |
|-------------------------|---|---|---|---|
| Current period taxation | 3,777   | 3,552   | (2,556)   | 1,125   |
| Deferred taxation       | (2,824)   | (2,636)   | 112   | (1,795)   |
|                         | <u>953</u>  | <u>916</u>  | <u>(2,444)</u>  | <u>(670)</u>  |

The effective tax rate for the current quarter's and cumulative results is not reflective of the statutory tax rate due mainly to the following reasons:

- i) restriction in the group relief available in respect of losses incurred by certain subsidiary companies;
- ii) expenses which were not deductible for tax purposes;
- iii) overprovision for the current period taxation was recognized in the current quarter upon the utilization of unabsorbed tax losses; and
- iv) de-recognizing deferred tax assets in the current quarter upon the utilization of unabsorbed tax losses.

### 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:

On 26 October 2010, the Group's wholly-owned subsidiary company, Kuala Lumpur Industries Bhd entered into a sale and purchase agreement for the disposal of a property known as "Wisma KLIIH" to a third party for a cash consideration of RM58.0 million. The proposed disposal of 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.

### 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<br>31.12.2010<br>RM'000 | As at<br>31.03.2010<br>RM'000 |
|---------------------------|-------------------------------|-------------------------------|
| Short term borrowings:    |                               |                               |
| Bank borrowings – secured | 44,328                        | 36,064                        |
| Bank overdrafts – secured | 7,366                         | 741                           |
| Hire-purchase creditors   | 235                           | 468                           |
|                           | <u>51,929</u>                 | <u>37,273</u>                 |
| Long term borrowings:     |                               |                               |
| Bank borrowings – secured | 15,000                        | 45,929                        |
| Hire-purchase creditors   | 1,018                         | 342                           |
|                           | <u>16,018</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<br>Year<br>Quarter<br>31.12.2010 | Preceding Year<br>Corresponding<br>Quarter<br>31.12.2009 | Current<br>Year<br>To Date<br>31.12.2010 | Preceding<br>Year<br>To Date<br>31.12.2009 |
|--|--|--|--|--|
| Profit/(loss) attributable to equity holders of the Company (RM'000) | (2,557)                                  | (8,204)  | 4,117                                    | (10,858)                                   |
| Weighted average number of ordinary shares in issue ('000)           | 227,338                                  | 227,338  | 227,338                                  | 227,338                                    |
| Basic earnings/(loss) per share (sen)                                | (1.12)                                   | (3.61)   | 1.81                                     | (4.78)                                     |



**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 23 February 2011.

By Order of the Board  
Chin Pei Fung (MAICSA 7029712)  
Company Secretary  
Selangor Darul Ehsan  
23 February 2011