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 beginning 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 assess 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

FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation of the financial instruments. The effects arising from the adoption of this standard has been accounted for by adjusting the opening balance of the accumulated losses as at 1 April 2010. Comparatives are not restated.

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 March 2011 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 segments. 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 2011					
Revenue					
External sales	148,960	89	-	-	149,049
Inter-segment sales	29,975	-	-	(29,975)	-
	178,935	89	-	(29,975)	149,049
Results					
Segment results	17,547	(2,759)	(688)	-	14,100
Unallocated items:					
- Finance costs					(4,342)
Profit before tax					9,758
Taxation					(3,386)
Net profit for the year					6,372

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	74,406	266	-	-	74,672
Inter-segment sales	1,041	-	-	(1,041)	-
	75,447	266	-	(1,041)	74,672
Results					
Segment results	(37,457)	2,382	(597)	-	(35,672)
Unallocated items:					
- Finance costs					(5,615)
Loss before tax					(41,287)
Taxation					4,857
Net loss for the year					(36,430)

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 2010 except for the following:-

A parcel of leasehold land with building was revalued to RM4.0 million which resulted in a fair value gain of RM0.7 million being recognized in the income statement for the quarter under review.

10. SUBSEQUENT EVENTS

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

On 1 April 2011, ECB announced that Abad Naluri Sdn Bhd ("ANSB") had on 1 April 2011 notified that in furtherance to a Share Sale and Purchase Agreement between ECB and ANSB entered on 12 February 2007 for the acquisition of the entire equity of Penaga Pesona Sdn Bhd ("PPSB") ("SSPA"), ANSB had on 31 March 2011 entered into a Sale and Purchase Agreement ("SPA") with The Penang Development Corporation ("PDC") for the acquisition of Parcel 2B, being a parcel of leasehold land measuring approximately 126.04 acres at Batu Kawan, to be alienated by the State Authority of Penang to PDC in accordance with the National Land Code, 1965 ("the Land"), for a total cash consideration of RM16.75 million. The terms of the sale of the Land are governed by the Principal Agreement between PDC and ANSB entered on 16 January 2004 ("Principal Agreement").

Under the terms of the SSPA, ANSB had agreed to nominate PPSB to accept the transfer of five parcels of leasehold land in Batu Kawan, Seberang Perai, namely Parcel 1 (150.0 acres), Parcel 2A (28.62 acres), Parcel 2B (126.04 acres), Parcel 3A (72.00 acres) and Parcel 3B (73.34 acres) upon their respective acquisition. All five parcels of leasehold land totaling 450 acres are intended for mixed development. Two parcels of land, namely Parcel 1 and Parcel 2A, with combined total land area of 178.62 acres have been nominated to, and secured by, PPSB simultaneous with the execution of the Principal Agreement.

On 31 March 2011, ANSB had also entered into a Supplemental Agreement to the Principal Agreement for the extension of time for the sale and purchase of the remaining parcels of land under the Principal Agreement ("Supplemental Agreement"). Under the Supplemental Agreement, ANSB will be entitled to execute the purchase of the remaining land parcels in Parcel 3A and Parcel 3B on or before 30 September 2013 or within 24 months from the date vacant possession of Parcel 2B is ready to be delivered by PDC to ANSB, whichever is the later, subject to the condition that the sale and purchase of Parcel 3A and 3B can only be effected upon PPSB's completion of the low cost and low-medium cost housings in Parcel 1 and Parcel 2A.

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 ANSB a copy of a letter from a firm of lawyers acting on behalf of 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, 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.

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.

On 1 April 2011, ANSB notified the Group that ANSB had on 31 March 2011 entered into a Sale and Purchase Agreement with PDC for the acquisition of Parcel 2B (please refer to Note 10(i) for details). ANSB has also notified that concurrently, on 31 March 2011, ANSB had also entered into a Supplemental Agreement to the Principal Agreement for the extension of time for the sale and purchase of the remaining parcels of land under the Principal Agreement.

Other than the above, 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 RM40.6 million and a pre-tax profit of RM3.2 million for the quarter under review against the preceding quarter's revenue of RM31.8 million and pre-tax loss of RM3.5 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 current quarter compared to preceding quarter was mainly attributable to the higher revenue recognition from on-going projects in Seri Kembangan, namely Equine Boulevard and Villa Avenue. The improved revenue for the current quarter was also attributable to higher construction work progress achieved for projects in Batu Kawan which translated into higher revenue for the current quarter.

The Group registered a pre-tax profit of RM3.2 million for the quarter under review compared to a pre-tax loss of RM3.5 million in the preceding quarter attributed mainly to the absence in the current quarter under review of additional provision for liquidated and ascertained damages arising from extended delay in completion of Batu Kawan projects which was taken in the income statements in the preceding quarter. Also contributing to the improvement in pre-tax profit for the current quarter under review are recognition of higher profit contribution from on-going projects in Seri Kembangan and fair value adjustment gain arising from the revaluation of a parcel of leasehold land with building in Seri Kembangan.

2. COMMENTARY ON PROSPECTS

The Government 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.

On 8 March 2011, the Government launched My First Home Scheme, a programme that will enable people earning less than RM3,000 a month to get 100% financing from banks to buy houses costing between RM100,000 and RM200,000 to repay over a period of 30 years. This initiative is anticipated to enhance the demand for medium cost housing.

Construction of the Second Penang Bridge, which was previously announced in earlier years, linking Batu Maung in Penang island to Batu Kawan on the mainland, is progressing and is expected to be completed by end 2013. The development of the Bridge is anticipated to simulate economic activities and spur economic growth at areas within Batu Kawan which falls within the boundaries of the Government promoted economic growth area in the Northern Corridor Economic Region encompassing the states of Perlis, Kedah, Penang and northern Perak.

In May 2011, Bank Negara Malaysia raised the Overnight Policy Rate by 25 basis points to 3.00 percent. While this change has a direct impact on the base lending rates of commercial banks, it is generally expected that there is no significant impact on the property industry as ample liquidity continue to persist.

With no major impediments affecting the local property market and the improving economic conditions is expected to contribute growth and robust domestic economic activity supported by firm expansion of domestic demand, the business activities in the property industry is expected to be un-impeded. The Group is expected to capitalize on the buoyant economic environment and the business opportunities stemming therefrom to re-establish itself as an active developer in the property market.

The Group's recent acquisition of a parcel of land of 126 acres in Batu Kawan in March 2011 for mixed development has enabled the Group to position itself as a reputable property developer within the strategic economic growth and development area in the north within the vicinity of Second

Penang Bridge's landing on the mainland. The development on this parcel of land will be synchronized with the development of the surrounding industrial development and their economic activities.

The Group's business development efforts to achieve growth culminated in a Joint Development Agreement ("JDA") with a land owner on 21 January 2011 for a mixed development project on a parcel of land in USJ, Selangor with an estimated Gross Development Value (GDV) of RM1.0 billion. Work on the project is expected to commence within twelve months from the date of the JDA. Although work on the project did not commence as at 31 March 2011 and hence, have no impact on the earnings of the Group in the financial year ended 31 March 2011, the project is expected to contribute positively to the future earnings of the Group.

As an effort towards re-building itself as an active property developer, the Group has planned several new launches in Seri Kembangan in the calendar year 2011, amongst which are:

i) Commercial development of Project EQuator comprising 177 units of shop offices in Seri Kembangan with estimated GDV of RM198 million – launched in April 2011
ii) Semi detached houses and bungalow homes in Seri Kembangan with an estimated GDV of RM203 million – target launch in September 2011
iii) USJ Development – launch of 385 units of shop offices with an estimated GDV of RM400 million in June 2011; launch of 480 units of service apartments with an estimated GDV of RM203 million in second half 2011.

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 31.03.2011 RM'000	**Preceding Year Corresponding Quarter 31.03.2010 RM'000**	**Current Year To Date 31.03.2011 RM'000**	**Preceding Year To Date 31.03.2010 RM'000**
Current tax	(9,115)	983	(11,671)	2,108
Deferred taxation	8,173	4,544	8,285	2,749
	(942)	5,527	(3,386)	4,857

The effective tax rate for the current financial year 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 31.03.2011 RM'000	As at 31.03.2010 RM'000
Short term borrowings:		
Bank borrowings – secured	21,935	36,064
Bank overdrafts – secured	7,443	741
Hire-purchase creditors	288	468
	29,666	37,273
Long term borrowings:		
Bank borrowings – secured	77,873	45,929
Hire-purchase creditors	1,360	342
	79,233	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 31.03.2011	Preceding Year Corresponding Quarter 31.03.2010	Current Year To Date 31.03.2011	Preceding Year To Date 31.03.2010
Profit/(loss) attributable to equity holders of the Company (RM'000)	2,255	(25,572)	6,372	(36,430)
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings/(loss) per share (sen)	0.99	(11.25)	2.80	(16.02)

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. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total accumulated losses of the Company and its subsidiaries		
– Realised	(65,612)	(61,718)
– Unrealised	14,873	5,815
	(50,739)	(55,903)
Less: Consolidation adjustments	(4,558)	(2,344)
Total Group accumulated losses as per consolidated accounts	(55,297)	(58,247)

14. 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 May 2011.

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