

EQUINE CAPITAL BERHAD
PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

On 19 November 2011, the Malaysia Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein called “Transitioning Entities”). Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Subsequently, on 30 June 2012, MASB extended the aforementioned transitional period for another one year. Thus, Transitioning Entities are given an additional option to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2013. Consequently, the MFRS Framework will be mandatory for application for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using MFRS Framework in its first MFRS financial statements for the year ending 31 March 2015.

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 2012. 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 2012, except for the adoption of the following new and revised Financial Reporting Standards (“FRSs”), Issues Committee (“IC”) Interpretations and amendments to FRSs and IC Interpretations with effect from the financial period beginning 1 April 2012:

FRSs, Amendments to FRSs and Interpretations

Amendments to FRS 7	:	Financial Instruments: Disclosures (Amendments relating to Disclosures – Transfers of Financial Assets)
Amendments to FRS 7	:	Financial Instruments: Disclosures (Amendments relating to Mandatory Effective Date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures)
Amendments to FRS 112	:	Income Taxes (Amendments relating to Deferred Tax – Recovery of Underlying Assets)
FRS 124	:	Related Party Disclosures (Revised)
Amendments to IC Interpretation 14	:	FRS 119 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement)
IC Interpretation 19	:	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards and interpretations, and improvement is not expected to have any material financial effect to the Group.

2. AUDITORS' REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of ECB for the financial year ended 31 March 2012 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 2012 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
Construction	:	Construction of property development projects and other similar construction activities
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	<u>Property development</u> RM'000	<u>Construction</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
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Results For 3 Months Ended

30 June 2012

Revenue

External sales	60,161	-	-	-	-	60,161
Inter-segment sales	21	22,611	-	-	(22,632)	-
	60,182	22,611	-	-	(22,632)	60,161

Results

Segment results	4,156	(712)	1	(90)	-	3,355
Unallocated expenses:						
- finance costs						(292)
Profit before tax						3,063
Taxation						(839)
Profit for the financial period						2,224

Group	<u>Property development</u> RM'000	<u>Construction</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
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Results For 3 Months Ended

30 June 2011

Revenue

External sales	55,673	-	-	-	-	55,673
Inter-segment sales	426	29,255	-	-	(29,681)	-
	56,099	29,255	-	-	(29,681)	55,673

Results

Segment results	2,753	(458)	9,616	(142)	-	11,769
Unallocated expenses:						
- finance costs						(1,042)
Profit before tax						10,727
Taxation						(529)
Profit for the financial period						10,198

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 2012.

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

There were no material contingent assets or contingent liabilities as at 30 June 2012.

13. CAPITAL COMMITMENTS

The Board of Directors has approved a proposed capital expenditure in respect of acquisition of land in Batu Kawan, Seberang Perai Selatan, Penang at a cost of RM19.3 million.

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 RM60.2 million and a pre-tax profit of RM3.1 million for the quarter under review against the preceding quarter's revenue of RM47.4 million and pre-tax profit of RM1.3 million.

Revenue for the current quarter was derived mainly from property development segment. On-going projects that contributed revenue to the Group in the current quarter were Villa Avenue, Equine Boulevard and EQuator in Seri Kembangan, and Callisia in Batu Kawan. The higher revenue for the current quarter compared to the preceding quarter was attributable to substantial revenue being recognised vide Villa Avenue's completion in April 2012, Equine Boulevard at an advance stage; near completion and higher work progress achieved for EQuator and Callisia.

The performance for construction segment of the Group progressed satisfactory along with the performance of property development segment. Of all the projects, EQuator contributed substantially to the revenue of the Group's construction segment during the current quarter.

The Group's higher pre-tax profit of RM3.1 million for the quarter under review compared to a pre-tax profit of RM1.3 million in the preceding quarter was mainly attributable to the higher profit recognised through the projects in Seri Kembangan advancing towards completion stages.

2. COMMENTARY ON PROSPECTS

As part of the plans to increase revenue base of the Group as well as for business growth, the Group had strategically planned several new launches in Seri Kembangan and Batu Kawan in this financial year, FY2013. While existing projects had expanded the revenue base, new projects to be launched will further enhance the Group to a higher level of business operations. Amongst the projects to be launched are:

- a. 2nd phase of Villa Heights consisting of 83 units of semi-detached and bungalow houses in Seri Kembangan with estimated GDV of RM168 million;
- b. 277 units of condominiums in Seri Kembangan with estimated GDV of RM119 million;
- c. 590 units of service apartments/retail shops in Seri Kembangan with estimated GDV of RM130 million;
- d. 269 units of 2 ½ storey terrace houses in Batu Kawan with estimated GDV of RM113 million; and
- e. 66 units of 2 storey double frontage in Batu Kawan with estimated GDV of RM55 million.

3. VARIANCES ON PROFIT FORECAST

Not applicable as no profit forecast was issued for the financial year ending 31 March 2013.

4. TAXATION

	Current Year's Quarter 30.06.2012 RM'000	Preceding Year's Corresponding Quarter 30.06.2011 RM'000	Current Year To Date 30.06.2012 RM'000	Preceding Year To Date 30.06.2011 RM'000
Current period taxation	(1,561)	(1,515)	(1,561)	(1,515)
Deferred taxation	722	986	722	986
	<u>(839)</u>	<u>(529)</u>	<u>(839)</u>	<u>(529)</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; and
- ii) expenses which were not deductible for tax purposes.

5. CORPORATE PROPOSALS

There were no corporate proposals announced during the quarter under review up to the date of this report.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.06.2012 RM'000	As at 31.03.2012 RM'000
Short term borrowings:		
Bank borrowings – secured	26,910	27,860
Bank overdrafts – secured	1,038	5,004
Bank overdrafts – unsecured	2,941	-
Hire-purchase creditors	332	331
	<u>31,221</u>	<u>33,195</u>
Long term borrowings:		
Bank borrowings – secured	17,429	12,638
Hire-purchase creditors	1,038	1,119
	<u>18,467</u>	<u>13,757</u>

7. 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 since the date of the last annual statement of financial position to the date of this report. 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.

8. DIVIDEND

No dividend has been proposed or declared for the current quarter.

9. EARNINGS PER SHARE

a) Basic

The basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period.

	Current Year's Quarter 30.06.2012	Preceding Year's Corresponding Quarter 30.06.2011	Current Year To Date 30.06.2012	Preceding Year To Date 30.06.2011
Profit attributable to equity holders of the Company (RM'000)	2,224	10,198	2,224	10,198
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings per share (sen)	0.98	4.49	0.98	4.49

b) Diluted

The Group does not have any convertible instrument as at the date of this report and accordingly diluted earnings per share is not applicable.

10. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.06.2012 RM'000	As at 31.03.2012 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	7,628	3,064
– Unrealised	18,464	18,410
	<u>26,092</u>	<u>21,474</u>
Less: Consolidation adjustments	(29,227)	(26,833)
Total Group accumulated losses as per consolidated accounts	<u>(3,135)</u>	<u>(5,359)</u>

11. 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 29 August 2012.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
29 August 2012