EQUINE CAPITAL BERHAD
PART A – EXPLANATORY NOTES PURSUANT TO FRS134

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 FRS134: "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2006. 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 2006 except for the adoption of the new/revised Financial Reporting Standards ("FRS") by the Group effective for the financial period beginning 1 April 2006:

FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

Save for FRSs 3 and 101, the adoption of the above standards does not have significant financial impact on the Group for the current quarter under review. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are discussed below:

(a) FRS 3 : Business Combination

Under FRS 3, any excess of the Group's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over the cost of acquisitions (previously referred to as "reserve on consolidation"), after reassessment, is now recognized immediately in consolidated income statement. Prior to 1 April 2006, the Group has a reserve on consolidation of RM118,054 which was retained in the consolidated balance sheet. In accordance with the transitional provisions of FRS 3, the reserve on consolidation was derecognized with a corresponding increase in retained profits.

(b) FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

In order to comply with FRS 101, minority interests at the balance sheet date are now presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

2. COMPARATIVES

The following comparative amounts have been restated due to the adoption of new FRS's:

	As previously stated RM'000	Adjustment FRS 3 RM'000	Restated RM'000
At 31 March 2006			
Reserve on consolidation	118	(118)	-
Retained profits	48,716	118	48,834

3. AUDITORS' REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of ECB for the financial year ended 31 March 2006 was not qualified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 2006 was not affected by significant seasonal or cyclical fluctuations.

5. 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.

6. CHANGES IN ESTIMATES

There were no changes in estimates during the quarter under review that had a material effect on the interim financial statements.

7. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

8. DIVIDENDS PAID

There were no dividends paid or declared during the quarter under review.

9. SEGMENTAL INFORMATION

The Group's operations comprise the following business segments:

Property development: Development of residential and commercial properties

Property investment: 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 Investment RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
1st Quarter Ended 30.6.2006					
Revenue					
External sales	19,230	181	-	-	19,411
Results					
Segment results	649	37	(126)	-	560
Unallocated items:					
- Finance costs					(396)
Profit before taxation					164
Tax expense					(111)
Net profit for the period					53

Group	Property Development RM'000	Property Investment RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
1st Quarter Ended 30.6.2005					
Revenue					
External sales	30,145	410	-	-	30,555
Results					
Segment results	5,745	264	26	-	6,035
Unallocated items:					
- Finance costs					(483)
Profit before taxation					5,552
Tax expense					(1,796)
Net profit for the financial period					3,756

10. CARRYING AMOUNT OF REVALUED ASSETS

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

11. SUBSEQUENT EVENTS

Save for the following events, there were no material events subsequent to the reporting period:

(a) On 3 July 2006, the Group had entered into the following agreements:

(i) Design and Build Agreement between Exceed Concept Sdn. Bhd. ("ECSB") and Abad Naluri Sdn. Bhd. ("ANSB") whereby ANSB has appointed ECSB to develop an international equestrian centre known as the Penang International Equestrian Centre, together with all buildings, infrastructure and amenities pertaining thereto, on a parcel of leasehold land situated at Batu Kawan, Mukim 13, Seberang Perai Selatan, Pulau Pinang.

(ii) Project Management Agreement between Taman Equine (M) Sdn. Bhd. ("TESB") and ANSB to formalise the appointment of TESB as the project manager for ANSB's mixed residential and commercial development project on Parcels 1, 2A, 2B, 3A and 3B situated at Batu Kawan, Mukim 13, Seberang Perai Selatan, Pulau Pinang and having a land area of approximately 450 acres.

(b) On 3 July 2006, ECB announced its proposal to seek shareholders' approval for the proposed provision of financial assistance as follows:

(i) Proposed provision of financial assistance by ECB to ANSB by way of corporate guarantee for an amount of approximately RM46.1 million; and

(i) Proposed provision of financial assistance by TESB to ANSB by way of cash advances for an amount of up to RM15.6 million.

The proposed provision of financial assistance is subject to approval of the shareholders of the Company and other relevant authorities, bodies and/or parties, if any.

The above proposal was approved by the shareholders at Extraordinary General Meeting on 16 August 2006.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

13. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A corporate guarantee given in favour of LBS Bina Holdings Sdn Bhd of RM1,045,000 to guarantee payment on behalf of a subsidiary company, Tujuan Ehsan Sdn Bhd ("TESB") in the construction of a sewerage treatment plant for the Group's ongoing Pusat Bandar Putra Permai projects. This corporate guarantee shall terminate immediately upon full settlement of the agreed instalments by TESB. As at the date of this report, TESB has paid RM209,000 to LBS as part of the settlement.

Save for the above, there were no changes in contingent assets and contingent liabilities as at date of this report.

14. CAPITAL COMMITMENTS

There were no material capital commitments as at date of this report.

PART B – EXPLANATORY NOTES PURSUANT TO THE REVISED LISTING REQUIREMENTS OF BURSA MALAYSIA

1. REVIEW OF PERFORMANCE FOR THE CURRENT QUARTER AND COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

During the quarter under review, the Group achieved revenue of RM19.4 million and pre-tax profit of RM0.2 million.

The Group recorded lower revenue of RM19.4 million and pre-tax profit of RM0.2 million as compared to the preceding quarter RM38.8 million and RM7.1 million respectively. Revenue decrease is attributed to the Group having sold most of its landed residential properties and shop houses and is re-planning the balance of its land bank to take advantage of increased demand for properties in Taman Equine with the opening of Jusco Taman Equine. Part of this re-planning is a move towards long term recurring rental income. The current emphasis on the Driv-Tru Mall is part of this strategy. The lower pre-tax profit was attributed to an overall increase in construction costs as a result of increase in energy prices, higher financing costs and increase in utility and service costs.

2. COMMENTARY ON PROSPECTS

Earnings prospect of the Group continues to be anchored by locked-in sales of RM310.9 million as at 30 June 2006, mainly generated by the ongoing Pusat Bandar Putra Permai ("PBPP") and Cheras projects. This figure reflected a take-up rate of 89% of the total gross development value ("GDV") of RM347.4 million for all ongoing projects. The corresponding unbilled sales as at 30 June 2006 were RM132.3 million.

Towards the end of July 2006, the Group launched its Permai Square Phase 2 project within PBPP comprising 59 units of single-storey and two-storey shop-offices with an estimated GDV of RM30.0 million. As at the date of this report, 40 units with total sales value of RM19.4 million have been sold. This translates to a take-up rate of 65% within one month of launch.

3. VARIANCES ON PROFIT FORECAST

This explanatory note is not applicable as no profit forecast was issued for the financial year ending 31 March 2007.

4. TAXATION

	Current Year Quarter 30.6.2006 RM'000	Preceding Year Corresponding Quarter 30.6.2005 RM'000	Current Year Todate 30.6.2006 RM'000	Preceding Year Todate 30.6.2005 RM'000
Current period taxation	454	2,533	454	2,533
Deferred taxation	(343)	(737)	(343)	(737)
	111	1,796	111	1,796

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

Save for the following proposals, there were no corporate proposal announced / completed during the quarter under review up to the date of this Quarterly Report.

On 3 July 2006, ECB announced its proposals to seek shareholders' approval for the proposed provision of financial assistance as follows:

(i) Proposed provision of financial assistance by ECB to ANSB by way of corporate guarantee for an amount of approximately RM46.1 million; and

(i) Proposed provision of financial assistance by TESB to ANSB by way of cash advances for an amount of up to RM15.6 million.

The proposed provision of financial assistance is subject to approval of the shareholders of the Company and other relevant authorities, bodies and/or parties, if any.

The above proposal was approved by the shareholders at Extraordinary General Meeting on 16 August 2006.

8. BORROWINGS AND DEBT SECURITIES

	End of Current Quarter **30.6.2006** **RM'000**	**Preceding Year End** **31.3.2006** **RM'000**
Short term borrowings (Secured):		
Hire purchase and lease creditors	634	457
Bank borrowings	28,236	28,421
Commercial Papers	5,000	5,000
	33,870	33,878
Long term borrowings (Secured):		
Hire purchase and lease creditors	1,195	1,281
Bank borrowings	224	310
Commercial Papers	60,000	65,000
Medium Term Notes	25,000	25,000
	86,419	91,591

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no material instruments with off balance sheet risk issued as at date of this report.

10. CHANGES IN MATERIAL LITIGATION

There were no material litigations that might adversely and materially affect the position of the Group as at the date of this report.

11. DIVIDEND

No dividend has been paid or declared for the current quarter ended 30 June 2006.

12. 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 period.

	Current Year Quarter 30.6.2006	**Preceding Year Corresponding Quarter 30.6.2005**	**Current Year Todate 30.6.2006**	**Preceding Year Todate 30.6.2005**
Profit attributable to equity holders of the parent (RM'000)	53	3,741	53	3,741
Weighted average number of ordinary shares in issue ('000)	150,015	150,015	150,015	150,015
Basic earnings per share (sen)	0.04	2.49	0.04	2.49

b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the period and weighted average number of ordinary shares in issue during the year / period have been adjusted for the effects of dilutive potential ordinary shares from the conversion of ICULS.

	Current Year Quarter 30.6.2006	**Preceding Year Corresponding Quarter 30.6.2005**	**Current Year Todate 30.6.2006**	**Preceding Year Todate 30.6.2005**
Profit attributable to equity holders of the parent (RM'000)	53	3,741	53	3,741
Weighted average number of ordinary shares in issue (000)	150,015	150,015	150,015	150,015
Adjustment for assumed conversion of ICULS* (000)	77,323	77,323	77,323	77,323
Adjusted weighted average number of ordinary shares in issue and issuable (000)	227,338	227,338	227,338	227,338
Diluted earnings per share (sen)	0.02	1.65	0.02	1.65

* 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008

13. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors duly passed at the Board of Directors' Meeting held on 16 August 2006.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
16 August 2006