

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:

	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 September 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	<u>Property Development</u> RM'000	<u>Property Investment</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 6 MONTHS ENDED 30.9.2006

Revenue

External sales	36,717	364	-	-	37,081
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Results

Segment results	4,421	(15)	(366)	-	4,040
Unallocated items:					
- Finance costs					(799)
Profit before taxation					3,241
Tax expense					(1,278)
Net profit for the period					1,963

Group	<u>Property Development</u> RM'000	<u>Property Investment</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 6 MONTHS ENDED 30.9.2005

Revenue

External sales	59,626	734	-	-	60,360
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Results

Segment results	12,357	390	61	-	12,808
Unallocated items:					
- Finance costs					(935)
Profit before taxation					11,873
Tax expense					(3,945)
Net profit for the financial period					7,928

10. CARRYING AMOUNT OF REVALUED ASSETS

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

11. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting period.

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 of RM1,045,000 given in favour of LBS Bina Holdings Sdn Bhd to guarantee payment on behalf of a subsidiary company, Tujuan Ehsan Sdn Bhd (“TESB”) for 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 RM418,000 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 RM17.7 million and pre-tax profit of RM3.1 million.

The Group recorded lower revenue of RM17.7 million and higher pre-tax profit of RM3.1 million as compared to the preceding quarter RM19.4 million and RM0.2 million respectively. The lower revenue in this quarter was mainly the result of the Group’s strategy to defer the launching of a few new projects in view of the soft market sentiment. The Group is adopting a cautious approach in timing the launch of its new products due to concerns over rising costs and possible hikes in interest rates that continue to generally affect sentiments and prospects in the property industry.

The increase in other operating income was mainly due to an increase in interest income of RM3.5 million for the advances provided to Abad Naluri Sdn Bhd, an associated company of the Group. The corporate proposal in relation to the provision of financial assistance is disclosed in Note 7.

2. COMMENTARY ON PROSPECTS

Earnings prospect of the Group continues to be anchored by locked-in sales of RM331.6 million as at 30 September 2006, mainly generated by the ongoing Pusat Bandar Putra Permai ("PBPP") and Cheras projects. This figure reflected a take-up rate of 88% of the total gross development value ("GDV") of RM377.4 million for all ongoing projects. The corresponding unbilled sales as at 30 September 2006 were RM138.3 million.

The overall performance of the Group for the financial year ending 31 March 2007 is expected to remain satisfactory.

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

	3 months ended		6 months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RM'000	RM'000	RM'000	RM'000
Current period taxation	1,385	3,006	1,839	5,539
Deferred taxation	(218)	(857)	(561)	(1,594)
	<u>1,167</u>	<u>2,149</u>	<u>1,278</u>	<u>3,945</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

Save for the following, there were no corporate proposals 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 provision of financial assistance as follows:

- (i) Provision of financial assistance by ECB to Abad Naluri Sdn Bhd ("ANSB") by way of corporate guarantee for an amount of approximately RM46.1 million; and
- (ii) Provision of financial assistance by TESB to ANSB by way of cash advances for an amount of up to RM15.6 million.

The details of the above proposals were set out in the circular to Shareholders dated 25 July 2006. The proposals were approved by the shareholders at the Extraordinary General Meeting on 16 August 2006.

8. BORROWINGS AND DEBT SECURITIES

	As at 30.9.2006 RM'000	As at 31.3.2006 RM'000
Short term borrowings (Secured):		
Hire purchase and lease creditors	564	457
Bank borrowings	28,230	28,421
Commercial Papers	15,000	5,000
	<u>43,794</u>	<u>33,878</u>
Long term borrowings (Secured):		
Hire purchase and lease creditors	1,027	1,281
Bank borrowings	185	310
Commercial Papers	50,000	65,000
Medium Term Notes	25,000	25,000
	<u>76,212</u>	<u>91,591</u>

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 September 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.

	3 months ended		6 months ended	
	<u>30.9.2006</u>	<u>30.9.2005</u>	<u>30.9.2006</u>	<u>30.9.2005</u>
Profit attributable to equity holders of the parent (RM'000)	1,910	4,166	1,963	7,907
Weighted average number of ordinary shares in issue ('000)	150,015	150,015	150,015	150,015
Basic earnings per share (sen)	<u>1.27</u>	<u>2.78</u>	<u>1.31</u>	<u>5.27</u>

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.

	3 months ended		6 months ended	
	<u>30.9.2006</u>	<u>30.9.2005</u>	<u>30.9.2006</u>	<u>30.9.2005</u>
Profit attributable to equity holders of the parent (RM'000)	1,910	4,166	1,963	7,907
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)	0.84	1.83	0.86	3.48

* 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 13 November 2006.

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