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 31 December 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
RESULTS FOR 9 MONTHS ENDED 31.12.2006					
Revenue					
External sales	50,783	-	-	-	50,783
Rental Income	-	550	-	-	550
	50,783	550	-	-	51,333
Results					
Segment results	6,155	(41)	(548)	-	5,566
Unallocated items:					
- Finance costs					(1,229)
Profit before taxation					4,337
Tax expense					(1,862)
Net profit for the period					2,475

Group	Property Development RM'000	Property Investment RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
RESULTS FOR 9 MONTHS ENDED 31.12.2005					
Revenue					
External sales	89,323,		-	-	89,323
Rental Income	-	1,897	-	-	1,897
	89,323	1,897	-	-	91,220
Results					
Segment results	19,737	1,447	(458)	-	20,726
Unallocated items:					
- Finance costs					(2,014)
Profit before taxation					18,712
Tax expense					(5,782)
Net profit for the financial period					12,930

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 RM836,000 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 RM14.3 million and pre-tax profit of RM1.1 million.

The Group recorded lower revenue of RM14.3 million and a pre-tax profit of RM1.1 million as compared to the preceding quarter RM17.7 million and a pre-tax profit of RM3.1 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. The Group is adopting a cautious approach in timing the launch of its new products due to concerns over rising costs that continue generally to affect sentiments and prospects in the property industry.

2. COMMENTARY ON PROSPECTS

Earnings prospect of the Group continues to be anchored by locked-in sales of RM236.3 million as at 31 December 2006, mainly generated by the ongoing Pusat Bandar Putra Permai ("PBPP") and Cheras projects. This figure reflected a take-up rate of 87% of the total gross development value ("GDV") of RM271.1 million for all ongoing projects. The corresponding unbilled sales as at 31 December 2006 were RM115.8 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		9 months ended	
	31.12.2006 RM'000	**31.12.2005 RM'000**	**31.12.2006 RM'000**	**31.12.2005 RM'000**
Current period taxation	4,527	4,011	6,366	9,550
Deferred taxation	(3,943)	(2,174)	(4,504)	(3,768)
	584	1,837	1,862	5,782

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

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 31.12.2006 RM'000	**As at 31.3.2006 RM'000**
Short term borrowings (Secured):		
Hire purchase and lease creditors	524	457
Bank borrowings	28,241	28,421
Commercial Papers	15,000	5,000
	43,765	33,878
Long term borrowings (Secured):		
Hire purchase and lease creditors	907	1,281
Bank borrowings	258	310
Commercial Papers	50,000	65,000
Medium Term Notes	25,000	25,000
	76,165	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

Save as disclosed below, the Company and its subsidiaries are not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company and its subsidiaries, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give to any proceedings which might materially and/or adversely affect the position or business of the Company or subsidiaries.

Kuala Lumpur Industries Holdings Berhad ("KLIH"), a wholly-owned subsidiary of ECB had been served with a Writ of Summons together with a Statement of Claim dated 24 May 2006 ("the Suit") claiming for outstanding balance sum, damages and preservation of retention monies in relation to a project known as "Proposed Renovation and Refurbishment of Hotel Uzbekistan, Tashkent, Uzbekistan ("the Project")"

KLIH is named as the Third Defendant in the Suit by Syarikat Lian Ping Enterprise Sdn Bhd ("the Plaintiff") whereby the Plaintiff alleges that KLIH is the "alter ego" of Crystal Mist Sdn Bhd ("First Defendant") and Syarikat Cengal Merah Sdn Bhd ("Second Defendant") both being the nominated sub-contractor for interior design including building works for the Project and that KLIH was the entity directing the other two defendants at the material time.

The Company wishes to highlight that:-

a) the Suit was technically not properly served on KLIH. It was served on Horwath Mok & Poon ("HMP"), whose representatives were the Special Administrators appointed by Pengurusan Danaharta Nasional Berhad pursuant to KLIH's Scheme, which was completed on 23 October 2003. KLIH was acquired by ECB on 7 August 2003 pursuant to the Scheme. The Suit was only made known to KLIH on 4 December 2006 and some of the legal documentations were received by the Company on 8 December 2006.

b) the Plaintiff has not raised any facts to support its allegation that the corporate veil between the First Defendant and KLIH should be lifted. At all material times, KLIH was merely the shareholder of the First Defendant and it had not given any guarantee to the Plaintiff for the Project; and

c) the Plaintiff is making a claim where the cause of action arose in 1996 and prior to the Scheme of KLIH. ECB had, pursuant to the Scheme, settled part of the proved liabilities of KLIH Group and the remaining liabilities of KLIH Group were subsequently novated to and assumed by KLIH Debt Management Sdn Bhd ("KDM"), a special purpose vehicle established under the Scheme. Pursuant to the novation of the liabilities to KDM, all remaining liabilities of KLIH were deemed to have been extinguished and became that of KDM under the Scheme.

KLIH has appointed solicitors to seek to have the Suit against it struck off. The application and supporting affidavit has been forwarded to HMP as Special Administrators for their comments and is pending receipt by the solicitors of several documents from them. The application shall be filed in Court upon receipt of all supporting documents from HMP.

11. DIVIDEND

No dividend has been paid or declared for the current quarter ended 31 December 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		9 months ended	
	31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**
Profit attributable to equity holders of the parent (RM'000)	512	5,001	2,475	12,908
Weighted average number of ordinary shares in issue ('000)	150,015	150,015	150,015	150,015
Basic earnings per share (sen)	0.34	3.33	1.65	8.60

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		9 months ended	
	31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**
Profit attributable to equity holders of the parent (RM'000)	512	5,001	2,475	12,908
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)	0.23	2.20	1.09	5.68

* 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 12 February 2007.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
12 February 2007