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 2	Share-based payment
FRS 3	Business combination
FRS 5	Non-current assets held for sale and discontinued operations
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 121	The effects of changes in foreign exchange rates
FRS 127	Consolidated and separate financial statements
FRS 128	Investments in associates
FRS 131	Interests in joint ventures
FRS 132	Financial instruments: disclosure and presentation
FRS 133	Earnings per share
FRS 136	Impairment of assets
FRS 138	Intangible assets
FRS 140	Investment property

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 is derecognized with a corresponding transfer to 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	FRS 3 Adjustment 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 March 2007 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 12 MONTHS ENDED31.03.2007					
Revenue					
External sales	75,544	-	-	-	75,544
Rental Income	-	976	-	-	976
	75,544	976	-	-	76,520
Results					
Segment results	9,426	158	(683)	-	8,901
Unallocated items:					
- Finance costs					(1,716)
Profit before taxation					7,185
Tax expense					(3,629)
Net profit for the financial year					3,556

Group	Property Development RM'000	Property Investment RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
RESULTS FOR 12 MONTHS ENDED 31.03.2006					
Revenue					
External sales	128,974		-	-	128,974
Rental Income	-	2,052	-	-	2,052
	128,974	2,052	-	-	131,026
Results					
Segment results	27,402	1,297	(568)	-	28,131
Unallocated items:					
- Finance costs					(2,317)
Profit before taxation					25,814
Tax expense					(8,661)
Net profit for the financial year					17,153

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

On 12 February 2007, ECB entered into a share sales and purchase agreement with Abad Naluri Sdn Bhd ("ANSB"), an associated company of ECB to acquire the entire equity of Penaga Pesona Sdn Bhd ("PPSB") comprising 250,000 ordinary shares of RM1.00 each ("Shares") for a total cash consideration of RM12 million ("The Acquisition"). The Acquisition was completed on 30 March 2007. This has no material impact on the Group for the financial year.

Save for the above, there was no changes in the composition of the Group during the quarter.

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 recorded revenue of RM25.2 million and pre-tax profit of RM2.9 million. Cumulatively for the financial year ended 31 March 2007, the Group achieved revenue of RM76.5 million and pre-tax profit of RM7.2 million.

The Group recorded higher revenue of RM25.2 million and pre-tax profit of RM2.9 million as compared to the preceding quarter's revenue of RM14.3 million and pre-tax profit of RM1.1 million. The increase in revenue and pre-tax profit for the current quarter was mainly due to the commencement of development of a recent launched project, Permai Square 2, the 59 units single-storey and two-storey shop-offices which contributed positively to the performance of the Group in the current quarter.

2. COMMENTARY ON PROSPECTS

Earning prospect of the Group continues to be anchored by locked-in sales of RM293.6 million as at 31 March 2007, mainly generated by the ongoing Pusat Bandar Putra Permai ("PBPP"), Cheras and Batu Kawan projects. This figure reflected a take-up rate of 79% of the total gross development value ("GDV") of RM371.1 million for all ongoing projects. The corresponding unbilled sales as at 31 March 2007 were RM150.1 million.

Towards the end of March 2007, the Group launched a new phase within PBPP known as "Cahaya Permai", comprising 2 blocks of 300 units medium cost apartment and 13 units low cost shop with an estimated GDV of RM35.3 million. As at the date of this report, 121 units with total sales value of RM12.3 million have been sold. This translates to a take-up rate of 35% within one month of launch.

The acquisition of PPSB which is undertaking a mixed residential and commercial development called "Crescentia Park" situated on 450 acres of land bank at Bandar Cassia, Batu Kawan, Penang, had generated RM43.7 million locked-in sales to the Group.

The Group will continue to focus on the launching of attractive products, with emphasis being placed on quality at reasonable prices. Based on the current market condition and recent acquisition of PPSB, the Board of Directors is confident that the Group's results for the next financial year will remain satisfactory.

3. VARIANCES ON PROFIT FORECAST

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

4. TAXATION

	3 months ended		12 months ended	
	31.03.2007 RM'000	31.03.2006 RM'000	31.03.2007 RM'000	31.03.2006 RM'000
Current period taxation	1,886	3,617	4,568	11,823
- Under provision in prior year	439	24	439	24
	2,325	3,641	5,007	11,847
Deferred taxation	(558)	(762)	(1,378)	(3,186)
	1,767	2,879	3,629	8,661

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 31.03.2007 RM'000	As at 31.3.2006 RM'000
Short term borrowings (Secured):		
Hire purchase and lease creditors	421	457
Bank borrowings	28,248	28,421
Commercial Papers	15,000	5,000
	43,669	33,878
Long term borrowings (Secured):		
Hire purchase and lease creditors	909	1,281
Bank borrowings	1,507	310
Commercial Papers	50,000	65,000
Medium Term Notes	25,000	25,000
	77,416	91,591

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

10. CHANGES IN MATERIAL LITIGATION

Save as disclosed below, the company and its subsidiaries 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 subsidiaries. The Directors do not know 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.

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 amount of approximately RM 38 million being the 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.

ECB 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 ECB 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.

Our appointed solicitors have applied to have this writ against KLIH struck off. The hearing of the application for striking off was fixed on 3 September 2007.

11. DIVIDEND

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

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		12 months ended	
	31.03.2007	**31.03.2006**	**31.03.2007**	**31.03.2006**
Profit attributable to equity holders of the parent (RM'000)	1,081	4,223	3,556	17,131
Weighted average number of ordinary shares in issue ('000)	150,015	150,015	150,015	150,015
Basic earnings per share (sen)	0.72	2.82	2.37	11.42

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		12 months ended	
	31.03.2007	**31.03.2006**	**31.03.2007**	**31.03.2006**
Profit attributable to equity holders of the parent (RM'000)	1,081	4,223	3,556	17,131
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)	0.48	1.86	1.56	7.54

* 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 17 May 2007.

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