

**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 (“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 2007. 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 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) that are effective for the Group’s financial statements commencing 1 April 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures

There is no material impact to the Group’s financial statements on the adoption of FRS 117 and FRS 124.

The amendments to the following FRS have been issued and are effective for the financial periods beginning on or after 1 July 2007 and will be effective for the Group’s and Company’s financial statements for the financial year ending 31 March 2009:-

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

However, there will be no impact on applying amendments to these FRS as the existing accounting policies are consistent with the requirements under the new standards.

**2. AUDITORS’ REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the financial statements of ECB for the financial year ended 31 March 2007 was not qualified.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group’s performance for the quarter ended 30 June 2007 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 issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review other than the conversion of 1,100 units of 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008 of RM1.00 each on 14 June 2007.

## 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 business segments:

Property development	:	Development of residential and commercial properties
Property letting	:	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 Letting</u> RM'000	<u>Investment Holding</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
<b>Results For 1st Quarter Ended 30.06.2007</b>					
<b>Revenue</b>					
External sales	19,123	-	-	-	19,123
Rental Income	-	223	-	-	223
	<u>19,123</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>19,346</u>
<b>Results</b>					
Segment results	1,772	57	(107)	-	1,722
Unallocated items:					
- Finance costs					(438)
Profit before tax					<u>1,284</u>
Tax expense					<u>(709)</u>
Net profit for the period					<u>575</u>

Group	<u>Property Development</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
<b>Results For 1st Quarter Ended 30.06.2006</b>					
<b>Revenue</b>					
External sales	19,230		-	-	19,230
Rental Income	-	181	-	-	181
	<u>19,230</u>	<u>181</u>	<u>-</u>	<u>-</u>	<u>19,411</u>
<b>Results</b>					
Segment results	649	37	(126)	-	560
Unallocated items:					
- Finance costs					(396)
Profit before tax					<u>164</u>
Tax expense					(111)
Net profit for the period					<u><u>53</u></u>

#### 9. CARRYING AMOUNT OF REVALUED ASSETS

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

#### 10. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting period.

#### 11. CHANGES IN THE COMPOSITION OF THE GROUP

On 12 June 2007, ECB acquired the shares of the following companies from its wholly-owned subsidiary, Taman Equine (M) Sdn Bhd:-

- a) 100,000 ordinary shares of RM1.00 each, representing the entire equity of Equine Park Stud Sdn Bhd for a cash consideration of RM100,000;
- b) 153,947 ordinary shares of RM1.00 each, representing the entire equity of Kelab Taman Equine Sdn Bhd for a cash consideration of RM153,947; and
- c) 3 ordinary shares of RM1.00 each, representing the entire equity of Taman Equine Riding Sdn Bhd for a cash consideration of RM3.

This is a re-organisation to make these acquired companies direct subsidiaries of ECB.

Save for the above, there were no changes in the composition of the Group during the quarter under review.

## **12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

A corporate guarantee of RM1,045,000 is 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.

## **13. 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 RM19.3 million and pre-tax profit of RM1.3 million.

The Group recorded lower revenue of RM19.3 million and a pre-tax profit of RM1.3 million as compared to the preceding quarter’s revenue of RM25.2 million and pre-tax profit of RM2.9 million respectively. The lower revenue in this quarter was mainly the result of the Group’s strategy in the previous financial year to defer the launching of a few new projects.

During the quarter under review, the Group has completed and handed over a project, namely Permai Square Phase 1, two and three-storey shop offices at Pusat Bandar Putra Permai (“PBPP”).

### **2. COMMENTARY ON PROSPECTS**

Earning prospect of the Group continues to be anchored by locked-in sales of RM275.7 million as at 30 June 2007, mainly generated by the ongoing PBPP, Cheras and Batu Kawan, Penang projects. This figure reflected a take-up rate of 81% of the total gross development value (“GDV”) of RM341.9 million for all ongoing projects. The corresponding unbilled sales as at 30 June 2007 were RM138.0 million.

On 6 July 2007, the Group launched a new phase within PBPP known as “Permai Central Transport Hub”, comprising 2 blocks of five-storey retail lots, 4 blocks of two and three storey shop offices and 1 block of seven-storey office tower. The Group targets to have several new launches during the next few months, targeting both the residential and commercial segments in Seri Kembangan, Cheras and Batu Kawan, and these new launches are expected to continue to achieve strong take-up rates.

Based on current performance, the Group’s results will remain satisfactory for the remaining quarters of the financial year.

### **3. VARIANCES ON PROFIT FORECAST**

This explanatory note is not applicable as no profit forecast was issued for the financial year ended 31 March 2008.

#### 4. TAXATION

	<b>Current Year Quarter 30.06.2007 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2006 RM'000</b>	<b>Current Year To date 30.06.2007 RM'000</b>	<b>Preceding Year To date 30.06.2006 RM'000</b>
Current period taxation	1,024	454	1,024	454
Deferred taxation	(315)	(343)	(315)	(343)
	<u>709</u>	<u>111</u>	<u>709</u>	<u>111</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

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

#### 8. BORROWINGS AND DEBT SECURITIES

	<b>As at 30.06.2007 RM'000</b>	<b>As at 31.03.2007 RM'000</b>
Short term borrowings (Secured):		
Hire purchase and lease creditors	420	427
Bank borrowings	30,182	28,244
Commercial Papers	15,000	15,000
	<u>45,602</u>	<u>43,671</u>
Long term borrowings (Secured):		
Hire purchase and lease creditors	879	903
Bank borrowings	502	1,512
Commercial Papers	35,000	50,000
Medium Term Notes	25,000	25,000
	<u>61,381</u>	<u>77,415</u>

#### 9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were 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 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 strike off this writ. The hearing of the application for striking out has been 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.

	<b>Current Year Quarter 30.06.2007</b>	<b>Preceding Year Corresponding Quarter 30.06.2006</b>	<b>Current Year To date 30.06.2007</b>	<b>Preceding Year To date 30.06.2006</b>
Profit attributable to equity holders of the Company (RM'000)	575	53	575	53
Weighted average number of ordinary shares in issue (000)	150,016	150,015	150,016	150,015
Basic earnings per share (sen)	<u>0.38</u>	<u>0.04</u>	<u>0.38</u>	<u>0.04</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.

	<b>Current Year Quarter 30.06.2007</b>	<b>Preceding Year Corresponding Quarter 30.06.2006</b>	<b>Current Year To date 30.06.2007</b>	<b>Preceding Year To date 30.06.2006</b>
Profit attributable to equity holders of the Company (RM'000)	575	53	575	53
Weighted average number of ordinary shares in issue (000)	150,016	150,015	150,016	150,015
Adjustment for assumed conversion of ICULS* (000)	77,322	77,323	77,322	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)	<u>0.25</u>	<u>0.02</u>	<u>0.25</u>	<u>0.02</u>

\* 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008

### **13. 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 16 August 2007.

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