

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 September 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 200 units and 12,381,782 units of 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008 of RM1.00 each on 26 July 2007 and 20 September 2007 respectively.

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
Results For 6 Months Ended 30.09.2007					
Revenue					
External sales	47,819	-	-	-	47,819
Rental Income	-	447	-	-	447
	<u>47,819</u>	<u>447</u>	<u>-</u>	<u>-</u>	<u>48,266</u>
Results					
Segment results	(1,907)	64	(273)	-	(2,116)
Unallocated items:					
- Finance costs					(839)
Loss before tax					(2,955)
Tax expense					1,585
Net loss for the period					<u>(1,370)</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
Results For 6 Months Ended 30.09.2006					
Revenue					
External sales	36,717	-	-	-	36,717
Rental Income	-	364	-	-	364
	36,717	364	-	-	37,081
Results					
Segment results	4,421	(15)	(366)	-	4,040
Unallocated items:					
- Finance costs					(799)
Profit before tax					3,241
Tax expense					(1,278)
Net profit for the period					1,963

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

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 installments 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 a net revenue of RM28.9 million and a pre-tax loss of RM4.2 million. The Group's revenue in the preceding quarter was RM19.3 million and the pre-tax profit was RM1.3 million. The current quarter's pre-tax loss was mainly due to higher costs and termination of sales during the quarter.

During the quarter under review, the Group launched a new phase in July 2007 known as the "Permai Central Transport Hub" within Pusat Bandar Putra Permai ("PBPP"). This comprises 2 blocks of five-storey retail lots, 4 blocks of two and three storey shop offices and 1 block of seven-storey office tower.

2. COMMENTARY ON PROSPECTS

Earning prospect of the Group continues to be anchored by locked-in sales of RM303.9 million as at 30 September 2007, mainly generated by ongoing developments in PBPP, Cheras and Batu Kawan. This figure reflects a take-up rate of 77% of the total gross development value of RM396.7 million for all ongoing projects. The corresponding unbilled sales as at 30 September 2007 were RM136.6 million.

The Group will continue to focus on launching products with high demand which emphasis quality at reasonable prices during the next few months, targeting both the residential and commercial segments in Seri Kembangan, Cheras and Batu Kawan. These products are expected to achieve strong take-up rates.

The undeveloped land bank of the Group is currently being re-assessed and re-planned for products that meet demand and to maximise profit margin. Based on the ongoing exercise, the Group's results are expected to be 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

	3 months ended		6 months ended	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
	RM'000	RM'000	RM'000	RM'000
Current period taxation	(236)	1,385	788	1,839
Deferred taxation	(2,058)	(218)	(2,373)	(561)
	<u>(2,294)</u>	<u>1,167</u>	<u>(1,585)</u>	<u>1,278</u>

Tax expense and the effective tax rate for the current quarter are not reflective of the statutory tax rate due mainly to the following reasons:

- i) Expenditure that are not available as deduction;
- ii) Excess of capital allowances over corresponding depreciation;
- iii) Utilisation of unutilised tax losses; and
- iv) Adjustment to deferred taxation arising from sales of properties which were previously revalued in subsidiary companies prior to acquisition by the Group.

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 during the quarter under review up to the date of this quarter report.

On 29 October 2007, ECB announced that it is undertaking a proposed private placement exercise to issue up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement"). The Proposed Private Placement was approved by the Securities Commission on 1 November 2007.

8. BORROWINGS AND DEBT SECURITIES

	As at 30.09.2007 RM'000	As at 31.03.2007 RM'000
Short term borrowings (Secured):		
Hire purchase and lease creditors	392	427
Bank borrowings	29,692	28,244
Commercial Papers	15,000	15,000
	<u>45,084</u>	<u>43,671</u>
Long term borrowings (Secured):		
Hire purchase and lease creditors	800	903
Bank borrowings	755	1,512
Commercial Papers	35,000	50,000
Medium Term Notes	25,000	25,000
	<u>61,555</u>	<u>77,415</u>

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is 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 subsidiary companies 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 subsidiary companies. 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 filed an application at the Kuala Lumpur High Court to strike off the Suit and/or remove the KLIH as being named a party to the Suit. The said application was dismissed with costs by the Senior Assistant Registrar on 23 October 2007. Our solicitors are of the view that the Senior Assistant Registrar has wrongly dismissed the application and that the Plaintiff’s claim should not be maintained against us. Our solicitors have on 29 October 2007 filed on appeal to the Judge against the said decision.

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		6 months ended	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
(Loss)/Profit attributable to equity holders of the Company (RM’000)	(1,945)	1,910	(1,370)	1,963
Weighted average number of ordinary shares in issue (000)	151,497	150,015	150,389	150,015
Basic (loss)/earnings per share (sen)	(1.28)	1.27	(0.91)	1.31

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	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(1,945)	1,910	(1,370)	1,963
Weighted average number of ordinary shares in issue (000)	151,497	150,015	150,389	150,015
Adjustment for assumed conversion of ICULS* (000)	64,939	77,323	64,939	77,323
Adjusted weighted average number of ordinary shares in issue and issuable (000)	215,329	227,338	216,437	227,338
Diluted (loss)/earnings per share (sen)	<u>(0.90)</u>	<u>0.84</u>	<u>(0.64)</u>	<u>0.86</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 15 November 2007.

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