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 2008:-

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 31 March 2008 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 30,000,000 units and 2,123 units of 3% Irredeemable Convertible Unsecured Loan Stocks 2003/2008 of RM1.00 each on 4 January 2008 and 22 February 2008 respectively.

7. DIVIDENDS PAID

There was 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	**Property Development RM'000**	**Property Letting RM'000**	**Investment Holding RM'000**	**Elimination RM'000**	**Total RM'000**
Results For 12 Months Ended 31.03.2008					
Revenue					
External sales	88,057	-	-	-	88,057
Rental Income	-	1,293	-	-	1,293
	88,057	1,293	-	-	89,350
Results					
Segment results	(28,254)	557	(609)	-	(28,306)
Unallocated items:					
- Finance costs					(2,941)
Loss before tax					(31,247)
Tax expense					6,880
Net loss for the year					(24,367)

Group	Property Development RM'000	Property Letting RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
Results For 12 Months Ended 31.03.2007					
Revenue					
External sales	73,898	-	-	-	73,898
Rental Income	-	849	-	-	849
	73,898	849	-	-	74,747
Results					
Segment results	10,012	158	(692)	-	9,478
Unallocated items:					
- Finance costs					(2,293)
Profit before tax					7,185
Tax expense					(3,629)
Net profit for the year					3,556

9. CARRYING AMOUNT OF REVALUED ASSETS

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

With the adoption of FRS 140, a property which was rented out and held for capital appreciation under property, plant and equipment has been reclassified to investment property. The property is accounted for in accordance with the fair value model and is stated at its revalued amount.

10. SUBSEQUENT EVENTS

There was no material events subsequent to the reporting period.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There was no changes in the composition of the Group during the quarter under review.

12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There was no material contingent assets or contingent liabilities for the current quarter under review.

13. CAPITAL COMMITMENTS

The amount of commitment for purchase of property, plant and equipment not provided for in the unaudited financial statements as at 31 March 2008 is as follows:-

	RM'000
Approved and contracted for	746

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 revenue of RM20.4 million and a pre-tax loss of RM26.1 million. For the cumulative year to date, the Group registered a net loss of RM31.2 million on the back of revenue totalling RM89.4 million. The Group's revenue for the preceding quarter was RM20.7 million and the pre-tax loss was RM2.2 million.

The current quarter's pre-tax loss was attributed to delay in project new project launches, contribution from lower margin-yield products and slower project progress due to shortage of building materials. In addition, the Group also adopted a conservative stance by writing off goodwill on consolidation and making provisions for liquidated and ascertained damages, tax penalty and doubtful debts in the current quarter.

2. COMMENTARY ON PROSPECTS

The Group's performance continues to be anchored by the progressive recognition of unbilled sales and profit from its ongoing developments in Seri Kembangan, Cheras and Batu Kawan, as well as sales from projects to be launched.

The Group will focus on launching products with high demand which emphasise on quality at competitive pricing, targeting both the residential and commercial segments in Seri Kembangan, Cheras and Batu Kawan.

In Seri Kembangan, the Group is currently re-assessing the product mix to be developed on its existing land bank to enhance demand and maximise returns. In May 2008, the Group launched a new phase within Taman Mega Jaya in Cheras known as "Palomino", comprising 54 units two-storey link houses with an estimated GDV of RM25.2 million. Meanwhile, in Batu Kawan, the Group intends to accelerate its development to capitalise on the implementation of the Northern Corridor Economic Region and the Penang Second Bridge. Based on the above, the Group will endeavour to achieve better results from its existing and future projects.

3. VARIANCES ON PROFIT FORECAST

Not applicable as no profit forecast was issued for the financial year ended 31 March 2008.

4. TAXATION

	3 months ended		12 months ended	
	31.03.2008 RM'000	**31.03.2007 RM'000**	**31.03.2008 RM'000**	**31.03.2007 RM'000**
Current period taxation	(441)	2,324	1,852	5,008
Deferred taxation	(5,056)	(557)	(8,732)	(1,379)
	(5,497)	1,767	(6,880)	3,629

The effective tax rate is 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) Restriction in the group relief available in respect of losses incurred by certain subsidiary companies; and
iv) Adjustment to deferred taxation due to change in applicable tax rate.

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, other than the following:-

i) Private Placement of up to ten percent (10%) of the existing issued and paid up share capital of the Company ("Private Placement")

On 31 March 2008, Hwang DBS Investment Bank Berhad, on behalf of the Board of Directors of ECB submitted an application to the Securities Commission ("SC") for an extension of time of six months until 29 October 2008 to implement the Private Placement which was approved by SC vide its letter dated 1 November 2007 subject to certain terms and conditions. As at the date of this report, the Company has not issued any shares in relation to the Proposed Private Placement.

ii) Refinancing of the 2005/2010 Commercial Papers and Medium Term Notes Programme

On 19 March 2008, ECB executed a Facility Agreement with a licenced bank for a term loan facility of RM95 million ("the Facility"). The Facility has been utilized towards refinancing the nominal amounts of the 2005/2010 RM50 million Commercial Papers ("CP") and RM25 million Medium Term Notes ("MTN") issued by ECB, and the balance of RM20 million will be utilized for development of its new projects in Taman Equine and Pusat Bandar Putra Permai.

8. BORROWINGS AND DEBT SECURITIES

	As at 31.03.2008 RM'000	**As at 31.03.2007 RM'000**
Short term borrowings (Secured):		
Hire purchase and lease creditors	1,320	427
Bank borrowings	38,600	28,244
Commercial Papers	15,000	15,000
	54,920	43,671
Long term borrowings (Secured):		
Hire purchase and lease creditors	1,932	903
Bank borrowings	13,866	1,512
Commercial Papers	35,000	50,000
Medium Term Notes	25,000	25,000
	75,798	77,415

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is no material instrument 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 are not aware 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 had wrongly dismissed the application and that the Plaintiff's claim should not be maintained against us. Our solicitors have on 29 October 2007 filed an appeal to the Judge against the said decision. The hearing date was fixed for mention on 17 January 2008 and was postponed to 9 April 2008. It came up for hearing before the honourable justice but subsequently postponed to 4 August 2008 as the judge was attending a conference.

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 (loss) / profit for the period by the weighted average number of ordinary shares in issue during the financial period.

	3 months ended		12 months ended	
	31.03.2008	**31.03.2007**	**31.03.2008**	**31.03.2007**
(Loss) / Profit attributable to equity holders of the Company (RM'000)	(20,644)	1,081	(24,367)	3,556
Weighted average number of ordinary shares in issue (000)	191,413	150,015	163,832	150,015
Basic (loss) / earnings per share (sen)	(12.01)	0.72	(14.87)	2.37

b) Diluted

For the purpose of calculating diluted earnings per share, the net (loss) / profit for the period and weighted average number of ordinary shares in issue during the financial period have been adjusted for the dilutive effects from the conversion of ICULS.

	3 months ended		12 months ended	
	31.03.2008	**31.03.2007**	**31.03.2008**	**31.03.2007**
(Loss) / Profit attributable to equity holders of the Company (RM'000)	(20,644)	1,081	(24,367)	3,556
Weighted average number of ordinary shares in issue (000)	191,413	150,015	163,832	150,015
Adjustment for assumed conversion of ICULS* (000)	34,934	77,323	34,934	77,323
Adjusted weighted average number of ordinary shares in issue and issuable (000)	226,347	227,338	198,766	227,338
Diluted (loss) / earnings per share (sen)	(10.16)	0.48	(12.26)	1.56

* 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 29 May 2008.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
29 May 2008