

**FURQAN BUSINESS ORGANISATION BERHAD (“FBO”)
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005**

EXPLANATORY NOTES

A1 Basis of preparation

This interim report is prepared in accordance with FRS 134 (formerly known as MASB 26), “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s Listing Requirement and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2004.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 December 2004.

A2 Audit qualifications

The audit report of preceding annual financial statements of FBO for the financial year ended 31 December 2004 was not qualified.

A3 Seasonality or cyclicity of operation

For the financial period under review, the operations of the Group are not subject to material seasonal or cyclical fluctuations.

A4 Change in the composition of the Group

For the financial period under review, there were no material changes in the composition of the Group except for the acquisition of a subsidiary company, Arif Dinasti Sdn Bhd., on 5 January 2005.

A5 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cashflow during the financial period under review because of their nature, size or incidence except for gain on disposal of real property asset, impairment loss of real property asset of subsidiary company, waiver of Non Guaranteed Secured Term Loan with Prokhas Sdn Bhd (formerly “Pengurusan Danaharta Nasional Berhad”) and allowance for doubtful debts for lease receivables.

A6 Change in estimates

There were no material changes in estimates for the financial period ended 31 December 2005.

A7 Debts and equity securities

There has been no issuance or repayment of debt and equity securities, share buy back, share cancellations, share held as treasury shares and resale of treasury shares for the financial period ended 31 December 2005 save for:

- (a) partial redemption of the 2% Redeemable Convertible Secured Loan Stock 2002/2005 (RCSLS) on a pro-rata basis in the proportion of RM8.00 for every RM100.00 nominal value of RCSLS held
- (b) redemption of the remaining outstanding 34,640,800 RCSLS by issuing 34,640,800 ordinary shares of RM1.00 each
- (c) conversion of 2,047 Warrants 2002/2005 into 2,047 ordinary shares of RM1.00 each

The RCSLS and warrants were expired on 19 December 2005.

A8 Dividends paid

There was no dividend paid during the financial period ended 31 December 2005.

A9 Segmental reporting

The Group's segmental report for the financial year to date is as follow:

	Investment properties RM	Leasing & Financing RM	Travel and tour RM	Hospitality RM	Investment holding RM	Property development RM	SPVs RM	Others RM	Eliminations RM	Total RM
Revenue										
Subsidiaries										
-External revenue	5,528,870	3,362,123	5,028,097	15,720,909	5,057,092	24,944,140	580,700	-	-	60,221,931
-Inter-segment revenue	-	-	-	-	1,969,290	-	-	-	(1,969,290)	-
	<u>5,528,870</u>	<u>3,362,123</u>	<u>5,028,097</u>	<u>15,720,909</u>	<u>7,026,382</u>	<u>24,944,140</u>	<u>580,700</u>	<u>-</u>	<u>(1,969,290)</u>	<u>60,221,931</u>
Results										
Segment profit/(loss)	3,056,853	(21,608,517)	(291,022)	2,021,627	6,815,659	(1,875,635)	16,189,194	(20,636)		4,287,523
Interest income	1,296	2,727	-	-	163,676	205,409	8,063	-	-	381,171
Finance cost	(1,588,782)	-	-	-	(1,812,968)	(3,317,706)	(6,722,955)	-	-	(13,442,411)
										(8,773,717)
Taxation										(315,635)
Loss after taxation										(9,089,352)
Minority interests										-
Net loss for the period										<u>(9,089,352)</u>

A10 Carrying amount of revalued assets

The carrying value of land and building is based on the valuation incorporated in the annual financial statements for the year ended 31 December 2004.

A11 Subsequent material event

There is no subsequent event that would materially affect the results for the financial period ended 31 December 2005.

A12 Changes in contingent liabilities and contingent assets

Save for disclosures that were made in the audited financial statements for the year ended 31 December 2004, there were no material changes in the contingent liabilities and contingent assets of the Group.

A13 Capital Commitments

During the financial year, there were no material capital commitments that the Group had contracted for and approved.

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BHD'S LISTING REQUIREMENTS

B1 Review of performance

Save for the goodwill written off amounting to RM198.64 million in the previous year's corresponding quarter, the Group recorded higher loss before tax of RM6.45 million for the current quarter compared to loss before tax of RM201.36 million in the previous year's corresponding quarter mainly due to higher allowance for doubtful debts made for lease receivables.

B2 Material changes in the profit before taxation

Higher loss before tax of RM6.45 million for current quarter compared to loss before tax of RM2.92 million for the preceding quarter were mainly due to unfavorable result from leasing sector and impairment loss on subsidiary company's real property asset.

B3 Group prospects

The prospects of the FBO Group hinge on the prospects of property development, hospitality and leasing sectors. The Board expects the Group's performance for the current year to remain satisfactorily compared to the previous year.

B4 Variance of profit forecast

Pursuant to the restructuring exercise of Austral Amalgamated Berhad ("AAB"), Eastern Biscuit Factory Sdn. Bhd. ("EBFSB") was injected to Furqan Business Organisation Berhad which assumed the listing status of AAB. The Vendors of EBFSB ("the Vendors"), namely Dato' Tan Kok Hwa, Teong Hoe Holding Sdn Bhd and Forad Management Sdn Bhd, provided profit guarantees which was approved by the shareholders on 26 June 2003. The profit guarantee agreements provided that EBFSB's profits before tax would not be less than RM6.235 million for the financial ended 31 December 2003, RM14.780 million for the financial year ended 31 December 2004 and RM18.314 million for the financial year ending 31 December 2005.

The Profit Guarantee for the financial year ended 31 December 2003 had been met.

The Profit before Tax of EBFSB for the financial year ended 31 December 2004 was RM8.387 million, there is a shortfall of RM6,392,562.

The Company had on 21 October 2005 made an announcement that Letters of Demand had been sent to each of the Vendors of EBFSB, to recover the profit guarantee shortfall of RM6,392,562.

B5 Taxation

	3 months ended	3 months ended	Year-to-date	Year-to-date
	31-Dec-05	31-Dec-04	31-Dec-05	31-Dec-04
	RM'000	RM'000	RM'000	RM'000
Tax expense				
-current year	(29)	831	(126)	(10)
-prior year	(157)	(13)	(190)	(30)
	(186)	818	(316)	(40)

The tax expense was in respect of Malaysian tax. The effective current year tax rate for the financial period ended 31 December 2005 was lower than the statutory tax rate mainly due to certain income not taxable for tax purposes and utilization of unabsorbed tax losses.

B6 Unquoted investments

There were no profits on sale of unquoted investments and properties as there were no disposals during the current financial year except as disclosed in the income statement.

B7 Quoted investments

There was no quoted investment acquired or disposed off during the financial period ended 31 December 2005. Total quoted investments as at 31 December 2005 are as follows:-

	<u>At Cost</u>	<u>At Book Value</u>	<u>At Market Value</u>
	RM'000	RM'000	RM'000
Quoted in Malaysia			
- Other investments	1,489	1,181	1,475
Quoted outside Malaysia			
- Other investments	5,958	2,008	1,709
Total quoted investments	7,447	3,189	3,184

B8 Status of corporate proposal

- a) On 25 February 2005, the company has made an announcement pertaining to the sale of a piece of land by subsidiary company, FBO Land (Pulai) Sdn Bhd. This sale has been completed on 8 June 2005 and that the Disposal Sum has been treated as a full and final settlement for the outstanding loan to Pengurusan Danaharta Nasional Berhad (Danaharta).
- b) On 4 October 2005, the company has made an announcement on the Winding-Up Order of Mandarin Tours & Travel Sdn Bhd (MTT), a 55% owned indirect subsidiary, by Pantai Dalit Beach Resort Sdn Bhd. The company has on 30 September 2005 received a copy of the sealed Winding-Up Order by the Court dated 7 September and that the Official Receiver was appointed as Liquidator of MTT.
- c) On 1 August 2005, the company has made an announcement in relation to the settlement agreements between its subsidiary companies, namely Austral Amal Properties Sdn Bhd and Austral Amal Properties (PJ) Sdn Bhd, and Danaharta. The settlement agreement was for the disposal of Menara AA and Wisma Compaq/CSA.

On 14 November 2005, the company also announced the settlement agreement between its subsidiary company, namely Likas View Sdn Bhd, and Danaharta in respect of the disposal of Likas Square.

- d) On 20 September 2005 and 27 October 2005, the company has made announcements pertaining to the disposal of property by subsidiary company, Austral Amal Properties Sdn Bhd (AAP). The disposal involved the sale of 2 investment properties of AAP namely Kompleks Kemajuan and CAK Plaza.

B9 Group borrowings and debts securities

Total secured bank borrowings are as follows:

	RM'000
Payable within 12 months	
Term loans	3,114
Hire purchase and lease payables	150
Short term borrowings	64,312
Block discount payables	25,916
Bank overdraft	23,479
	<u>116,971</u>
Payable after 12 months	
Term loans	189,375
Block discount payables	2,171
Hire purchase and lease payables	455
	<u>192,001</u>
Total	<u><u>308,972</u></u>

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk at the date of this report except for the extent of the corporate guarantee issued to certain scheme companies in relation to the Guaranteed Secured Term Loan (“GSTL”) and promissory notes, pursuant to the Corporate Restructuring Exercise carried out by the Group and corporate guarantee on borrowing facilities obtained by subsidiary companies. Details on the salient features of the GSTL are set out in the annual financial statements for the year ended 31 December 2004.

B11 Changes in material litigation

There were no changes in material litigation for the financial period ended 31 December 2005.

B12 Dividend

The Directors do not recommend any interim/final dividend for the financial period ended 31 December 2005.

B13 Earnings per share**(a) Basic earnings per share**

	3 months ended 31.12.2005	3 months ended 31.12.2004	Year-to-date 31.12.2005	Year-to-date 31.12.2004
Net loss for the financial period (RM'000)	(6,640)	(200,540)	(9,089)	(196,105)
Number of ordinary share in issue ('000)	413,070	412,026	413,070	412,026
Basic loss per share (sen)	(1.61)	(48.67)	(2.21)	(47.60)

