

**FURQAN BUSINESS ORGANISATION BERHAD (“FBO”)  
INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2006**

**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 2005.

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 2005 except for adoption of FRS 5, Non-current Assets Held for Sale and Discontinued Operations.

**A2 Audit qualifications**

The audit report of preceding annual financial statements of FBO for the financial year ended 31 December 2005 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, Discover Orient Holidays Sdn Bhd, announced on 3 March 2006. The completion date was later extended to 3 July 2006 as announced on 25 May 2006.

**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 as disclosed in note A1.

**A6 Change in estimates**

There were no material changes in estimates for the financial period ended 31 March 2006.

**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 March 2006.

**A8 Dividends paid**

There was no dividend paid during the financial period ended 31 March 2006.

## A9 Segmental reporting

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

	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
<b>Revenue</b>										
Subsidiaries										
-External revenue	1,910,354	1,190,366	1,540,889	5,730,830	576,554	589,871	121,565	-	-	11,660,429
-Inter-segment revenue	-	-	-	-	360,000	-	-	-	(360,000)	-
	<u>1,910,354</u>	<u>1,190,366</u>	<u>1,540,889</u>	<u>5,730,830</u>	<u>936,554</u>	<u>589,871</u>	<u>121,565</u>	<u>-</u>	<u>(360,000)</u>	<u>11,660,429</u>
<b>Results</b>										
Segment profit/(loss)	863,869	(3,163,038)	(15,883)	1,089,086	(888,403)	483,527	151,158	(20,636)	-	(1,500,320)
Interest income	-	4,066	-	-	12,945	120,907	-	-	-	137,918
Finance cost	(469,020)	-	(120)	-	(260,397)	(964,702)	(1,399,556)	-	-	(3,093,795)
										(4,456,197)
Taxation										(171,669)
Loss after taxation										(4,627,866)
Loss for the period from discontinued operations										(1,175,136)
Minority interests										10,986
Net loss for the period										<u>(5,792,016)</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 2005.

## A11 Subsequent material event

There is no subsequent event that would materially affect the results for the financial period ended 31 March 2006.

## 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 2005, 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.

#### A14 Non-current Assets Held for Sale and Discontinued Operations

Pursuant to the Restructuring Scheme implemented on 30 December 2002, the Group had marked 7 subsidiary companies for subsequent disposal namely Austral Amal Properties Sdn Bhd, Austral Amal Properties (PJ) Sdn Bhd, Likas View Sdn Bhd, Duta Kota Sdn Bhd, Golden Forum Sdn Bhd, Great Demand Sdn Bhd, Sharikat Kemajuan Sasa Sdn Bhd.

The results as at 31 March 2006 of the subsidiaries were as follows:

	3 months ended	
	31-Mar-06	31-Mar-05
	RM'000	RM'000
Revenue	1,129	3,267
Loss before tax	(1,166)	(2,076)
Income tax expenses	(9)	(13)
Loss for the period from a discontinued operation	(1,175)	(2,089)

The major classes of assets and liabilities of the subsidiaries classified as held for sale as at 31 March 2006 are as follows:

	RM'000
<b>Assets:</b>	
Property, plant and equipment	1,281
Investment in associated company	221
Real property assets	2,925
Investment properties	75,472
Inventories	26
Trade and other receivables	3,762
Deposits with licensed banks	2,207
Cash and bank balances	1,112
Assets of disposal group classified as held for sale	87,006
<b>Liabilities:</b>	
Borrowings	(64,687)
Trade and other payables	(43,582)
Tax payable	(11,853)
Deffered tax	(2,859)
Liabilities directly associated with the assets classified as held for sale	(122,981)
Net liabilities attributable to discontinued operations	(35,975)

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

**B1 Review of performance**

In the current quarter, the Group recorded higher loss before tax of RM4.46 million compared to loss before tax of RM1.34 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**

Lower loss before tax of RM4.46 million for current quarter compared to loss before tax of RM6.45 million for the preceding quarter were mainly due to unfavorable result from leasing sector and impairment loss on subsidiary company's real property asset recorded in previous quarter.

**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**

The profit guarantee by the vendors of Eastern Biscuits Factory Sdn Bhd ("EBFSB") was approved by the shareholders on 26 June 2003. The profit guarantee agreements provided that EBFSB's profit before tax would not be less than RM 9.235 million for the financial year ended 31 December 2003, RM 14.780 million for the financial year ended 31 December 2004 and RM 18.314 million for the financial year ended 31 December 2005.

During the financial year ended 31 December 2004, EBFSB had recorded a profit before tax of RM8.387 million resulting in a shortfall of RM6.393 million. For the financial year ended 31 December 2005, EBFSB's profit before tax was RM4.48 million, thus resulting in a shortfall of RM13.84 million. As of 21 October 2005, the Company had sent a Letter of Demand to each of the vendors of EBFSB, namely Dato' Tan Kok Hwa, Teong Hoe Holding Sdn. Bhd. and Forad Management Sdn. Bhd., to recover the profit guarantee shortfall for the financial year ended 2004.

On 4 May 2006, the Company received a settlement proposal from one of the profit guarantors, the Vendors of Eastern Biscuit Factory Sdn Bhd, namely Teong Hoe Holding Sdn Bhd, for the profit guarantee shortfall of RM6.393 million for the financial year ended 2004.

The Board has sought legal opinion and advice on the enforcement of the profit guarantee shortfalls. On 16 May 2006, the Company had also sent a written confirmation to the vendors seeking their action to address the shortfall for the financial year ended 2005.

**B5 Taxation**

	3 months ended	3 months ended	Year-to-date	Year-to-date
	31-Mar-06	31-Mar-05	31-Mar-06	31-Mar-05
	RM'000	RM'000	RM'000	RM'000
Tax expense				
-current year	(172)	(32)	(172)	(32)
-prior year	-	-	-	-
	<u>(172)</u>	<u>(32)</u>	<u>(172)</u>	<u>(32)</u>

The tax expense was in respect of Malaysian tax. The effective current year tax rate for the financial period ended 31 March 2006 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 March 2006. 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
<b>Total quoted investments</b>	<b>7,447</b>	<b>3,189</b>	<b>3,184</b>

**B8 Status of corporate proposal**

- a) The Company had on 3 March 2006 entered into a Share Sale Agreement ("the Agreement") with Wong Ah Choy and Chin Kim Lan ("the Vendors") to acquire 200,000 ordinary shares of RM1.00 each in Discover Orient Holidays Sdn. Bhd. (Company No. 233695-A) ("DOH") representing 100% of the total issued and paid up capital of DOH ("Sale Shares") for a total consideration of RM7,500,000.00 (Ringgit Malaysia Seven Million and Five Hundred Thousand) only ("the said Consideration") for cash ("the said Acquisition"). The completion date was later extended to 3 July 2006.
- b) A wholly owned subsidiary of the Company, Austral Amal Properties Sdn. Bhd. (Company No. 345239-T) ("AAP" or "the Vendor"), had on 6 April 2006 entered into a Sale and Purchase Agreement ("the Agreement") with Scanart Data System (M) Sdn. Bhd. (Company No. 318162-V) ("SDS" or "the Purchaser") to dispose of all that piece of land held under issue document of title : Lease Negeri 9425, Lot No. 27, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan measuring in area approximately 8978.9484 sq metres ("the Land"), and a 4 storey office and warehouse complex for the time being known as "Kompleks Penchala" has been erected on the Land ("said Property") for a total consideration of RM15,100,000.00 (Ringgit Malaysia Fifteen Million and One Hundred Thousand) only ("the Purchase Price") ("the said Disposal").
- c) Further to the Company's announcement on 21 October 2005, the Company had on 4 May 2006 received a settlement proposal dated 8 March 2006 from one of the profit guarantors, the Vendors of Eastern Biscuit Factory Sdn. Bhd., namely Teong Hoe Holding Sdn. Bhd. for the profit guarantee shortfall of RM6,392,562 for the financial year ended December 2004.

In this respect, the Board had sought and obtained a legal opinion on the Proposed Settlement Proposal and is currently deliberating the next course of action.

**B9 Group borrowings and debts securities**

Total secured bank borrowings are as follows:

	RM'000
Payable within 12 months	
Term loans	4,391
Hire purchase and lease payables	190
Short term borrowings	55,211
Block discount payables	24,785
Bank overdraft	23,609
	<u>108,186</u>
Payable after 12 months	
Term loans	191,899
Block discount payables	1,327
Hire purchase and lease payables	356
	<u>193,582</u>
Total	<u><u>301,768</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 2005.

**B11 Changes in material litigation**

There were no changes in material litigation for the financial period ended 31 March 2006.

**B12 Dividend**

The Directors do not recommend any interim/final dividend for the financial period ended 31 March 2006.

**B13 Earnings per share****Basic earnings per share**

	3 months ended 31.03.2006	3 months ended 31.03.2005	Year-to-date 31.03.2006	Year-to-date 31.03.2005
Net loss for the financial period (RM'000)	(5,792)	(3,459)	(5,792)	(3,459)
Number of ordinary share in issue (’000)	446,669	412,026	446,669	412,026
Basic loss per share (sen)	(1.30)	(0.84)	(1.30)	(0.84)