

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30-Sep-2011 RM <u>Unaudited</u>	As at 31-Dec-2010 RM <u>Audited</u>
ASSETS		
Non-Current Assets		
Property, plant and equipment	16,194,055	16,682,677
Investment properties	83,607,000	83,607,000
Prepaid land lease payments	7,217,027	7,291,708
Investment in associate	218,568	376,811
Other investments	465,616	479,055
Land held for development	2,000,000	2,000,000
Lease and hire-purchase receivables	-	833
Total Non-Current Assets	<u>109,702,266</u>	<u>110,438,084</u>
Current Assets		
Property development expenditure	24,346,785	24,068,741
Inventories	5,446,821	5,406,853
Lease and hire-purchase receivables	18,795,232	25,406,460
Trade and other receivables	14,343,268	12,794,410
Tax recoverable	956,617	790,823
Deposits placed with licensed banks	2,966,001	3,368,474
Cash and bank balances	5,369,199	4,917,948
Total Current Assets	<u>72,223,923</u>	<u>76,753,709</u>
Non-current assets held for sale	154,325,206	154,325,206
Assets of disposal group	-	9,677,741
	<u>226,549,129</u>	<u>240,756,656</u>
TOTAL ASSETS	<u>336,251,395</u>	<u>351,194,740</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	111,667,288	111,667,288
Reserves	35,039,938	33,785,754
Total Equity	<u>146,707,226</u>	<u>145,453,042</u>
Non-Current Liabilities		
Hire-purchase payables	359,185	566,161
Term loans	5,313,308	6,788,553
Deferred tax liabilities	12,425,223	11,075,222
Total Non-Current Liabilities	<u>18,097,716</u>	<u>18,429,936</u>
Current Liabilities		
Trade and other payables	94,642,386	94,573,101
Provisions for liabilities	30,457,398	34,662,711
Hire-purchase payables	228,868	271,764
Term loan instruments	43,628,087	43,678,087
Short term borrowings	-	7,636,080
Term loans	1,969,838	2,237,965
Tax payable	519,876	519,876
Total Current Liabilities	<u>171,446,453</u>	<u>183,579,584</u>
Liabilities of disposal group	-	3,732,178
	<u>171,446,453</u>	<u>187,311,762</u>
Total Liabilities	<u>189,544,169</u>	<u>205,741,698</u>
TOTAL EQUITY AND LIABILITIES	<u>336,251,395</u>	<u>351,194,740</u>
Net asset per share (sen)	66	65

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
 INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30-Sept-2011 RM	3 months ended 30-Sept-2010 RM	Year-to-date 30-Sept-2011 RM	Year-to-date 30-Sept-2010 RM
<u>Continuing Operations</u>				
Revenue	7,594,557	7,683,941	21,528,479	22,785,394
Expenses excluding finance cost	(6,158,372)	(7,582,381)	(22,752,483)	(25,196,913)
Other operating income	<u>126,083</u>	<u>160,484</u>	<u>4,762,678</u>	<u>562,710</u>
Profit/(Loss) from operations	1,562,268	262,044	3,538,674	(1,848,809)
Finance cost	(100,519)	(736,139)	(703,969)	(1,959,717)
Share of results of associate	<u>(137,872)</u>	<u>85,514</u>	<u>(158,243)</u>	<u>222,463</u>
Profit/(Loss) before taxation	1,323,877	(388,581)	2,676,462	(3,586,063)
Income tax expense	<u>(450,000)</u>	<u>-</u>	<u>(1,350,000)</u>	<u>27,624</u>
Profit/(Loss) from continuing operations	873,877	(388,581)	1,326,462	(3,558,439)
<u>Discontinued operations</u>				
Profit/(Loss) from discontinued operations	<u>-</u>	<u>319,210</u>	<u>41,751</u>	<u>576,573</u>
Net profit/(loss) for the period	873,877	(69,371)	1,368,213	(2,981,866)
Other comprehensive income, net of tax	<u>(29,082)</u>	<u>-</u>	<u>(114,029)</u>	<u>-</u>
Total comprehensive income/(loss) for the period	<u>844,795</u>	<u>(69,371)</u>	<u>1,254,184</u>	<u>(2,981,866)</u>
Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen)				
Basic, for profit/(loss) from continuing operations	0.39	(0.17)	0.59	(1.59)
Basic, for loss from discontinued operations	<u>-</u>	<u>0.14</u>	<u>0.02</u>	<u>0.26</u>
Basic, for profit/(loss) for the period	<u>0.39</u>	<u>(0.03)</u>	<u>0.61</u>	<u>(1.33)</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
 INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Non-distributable</u>				<u>Distributable</u>		<u>Total RM</u>
	<u>Share Capital RM</u>	<u>Revaluation Reserve RM</u>	<u>Fair Value Reserve RM</u>	<u>Disposal Group RM</u>	<u>Capital Reserve RM</u>	<u>Retained Profits/ (Accumulated Losses) RM</u>	
At 1 January 2010	111,667,288	100,590	-	-	110,238,037	(83,887,349)	138,118,566
Effect of adopting FRS 139	-	-	150,712	-	-	-	150,712
Reserve attributable to disposal group	-	(100,590)	-	100,590	-	-	-
Realisation of fair value reserves for disposal group	-	-	(149,969)	-	-	149,969	-
Total comprehensive income	-	-	20,511	-	-	7,163,253	7,183,764
At 31 December 2010 as restated	111,667,288	-	21,254	100,590	110,238,037	(76,574,127)	145,453,042
At 31 December 2010							
- as previous reported	111,667,288	-	21,254	100,590	110,238,037	(76,574,127)	145,453,042
- reclassification	-	-	-	-	-	-	-
At 31 December 2010 as restated	111,667,288	-	21,254	100,590	110,238,037	(76,574,127)	145,453,042
Total comprehensive income	-	-	(13,439)	(100,590)	-	1,368,213	1,254,184
At 30 September 2011	111,667,288	-	7,815	-	110,238,037	(75,205,914)	146,707,226

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended 30-September-2011 RM	9 months ended 30-September-2010 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before income tax expense for the period		
- Continuing operations	2,676,462	(3,586,063)
- Discontinued operations	41,751	576,573
Adjustments for:		
Share of results of associate	158,243	(222,463)
Bad debt recovered	(60,000)	-
(Gain)/loss on disposal of:		
Non-current assets held for sale	-	(70,000)
Property, plant and equipment	-	(43,500)
Investment in subsidiaries	(1,013,586)	-
Interest income	(67,584)	(83,374)
Impairment loss on:		
Land held for development	-	2,818,071
Interest expense	720,586	1,987,076
Allowance for doubtful debts	5,000,000	1,043,074
Depreciation of property, plant and equipment	556,188	658,291
Net loss on fair value adjustment on:		
Investment properties	-	155,000
Amortisation of prepaid lease payments	74,679	74,679
Written off:		
Bad debts	-	55,326
Property, plant and equipment	2,256	304
Unrealised loss on foreign currency exchange	-	36,295
Operating Profit/(Loss) Before Working Capital Changes	8,088,995	3,399,289
(Increase)/Decrease in:		
Property development expenditure	(278,044)	(8,591,156)
Inventories	(39,968)	182,886
Lease and hire-purchase receivables	1,612,061	(8,441,503)
Trade and other receivables	(2,044,315)	1,960,626
Increase/(Decrease) in:		
Trade and other payables	338,391	1,275,990
Provision for liabilities	(4,205,313)	(20,248)
Income tax (paid)/refunded, net	(177,625)	(108,475)
Net Operating Cash Flow	3,294,182	(10,342,591)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Additions to property, plant and equipment	(33,728)	(1,048,844)
Additions to investment in associate	-	-
Increase in deposits pledged to banks	-	(19,816)
Proceeds from disposal of non-current assets held for sale	-	1,595,000
Proceeds from disposal of investment properties	-	950,000
Interest received	67,584	83,374
Proceeds from disposal of property, plant and equipment	50,604	43,500
Net cash (out)/inflow from disposal of subsidiaries*	6,376,278	-
Net Investing Cash Flow	6,460,738	1,603,214
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown/(Repayment) of term loans, net	(1,757,606)	6,134,472
Interest paid	(620,067)	(991,067)
Repayment of short term borrowings	(7,500,000)	-
Repayment of term loan instruments	(50,000)	(90,000)
Net addition of hire-purchase payables	(290,605)	432,584
Net Financing Cash Flow	(10,218,278)	5,485,989
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(463,358)	(3,253,388)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,986,117	9,200,762
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,522,759	5,947,374
CASH AND CASH EQUIVALENTS AT END OF PERIOD COMPRISE THE FOLLOWING:		
Cash and bank balances	5,162,022	3,519,951
Housing Development Account	207,177	203,400
Deposits placed with licensed banks	2,966,001	3,187,520
Bank overdrafts	-	(151,056)
Less : Deposits pledged with licensed bank	(812,441)	(812,441)
	7,522,759	5,947,374

* The impact of the cash flows from discontinued operations in respect of operating activities, investing activities and financing activities have not been separately disclosed for the preceding year's corresponding period. For the third quarter ended 30 September 2010, the net cash outflow from discontinued operations amounted to RM112,529.

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

**FURQAN BUSINESS ORGANISATION BERHAD (“FBO”)
INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

EXPLANATORY NOTES

A1 Basis of preparation

This interim report is unaudited and has been prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010. The 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 since the financial year ended 31 December 2010.

The significant accounting policies, methods of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2010.

A2 Audit qualifications

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2010 was not subject to any qualification.

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 except for the Hospitality segment.

A4 Changes in the composition of the Group

For the financial period under review, there were no material changes in the composition of the Group.

A5 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cashflows because of their nature, size or incidence during the financial period under review.

A6 Changes in estimates

There were no material changes in estimates in the current quarter results.

A7 Debt and equity securities

There were no issuance, repurchase and repayment of debt and equity securities for the financial period under review.

A8 Dividends paid

There was no dividend paid for the financial period under review.

A9 Segmental reporting

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

	Investment properties	Leasing & financing	Hospitality	Investment holding	Property development	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations								
Revenue								
External revenue	4,651	52	16,773	52	-	-	-	21,528
Inter-segment revenue	-	-	-	473	-	-	(473)	-
Total revenue	4,651	52	16,773	525	-	-	(473)	21,528
Results								
Segment profit/(loss)	209	(5,464)	4,835	2,760	3,807	(10)	(2,666)	3,471
Interest income	23	-	-	29	16	-	-	68
Finance cost	(392)	(279)	-	(33)	-	-	-	(704)
Share of result of associate								(158)
Profit before taxation								2,677
Income tax expense								(1,350)
Profit for the period from continuing operations								1,327
Discontinued operations								
Profit for the period from discontinued operations								41
Profit for the period								1,368

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 2010 and valuation performed as of date of this report.

A11 Subsequent material event

FBO Land (Serendah) Sdn Bhd, a indirect wholly owned subsidiary of the Company had on 14 October 2011 entered into a sale and purchase agreement with Jubilant Courtyard Sdn Bhd, an unrelated party, to dispose off 7 vacant lands in the Mukim of Serendah, District of Ulu Selangor and state of Selangor ("the land") for a total consideration of RM 38.4 million. The consideration is payable to Pengurusan Danaharta National Berhad ("Danaharta") as redemption sum and final settlement of all the Restructured Term Loan.

The land is freehold vacant land with net book value of RM 33.0 million as at 31.12.2010. The land is currently charged to Danaharta as security to the Restructured Term Loan granted by Danaharta.

The said disposal will give the Company a net gain of approximately RM 18.85 million whereby RM 5.4 million is a gain on disposal of non current asset held for sale and RM 13.45 million is a gain from the debt waiver as a result of the full and final settlement of the term loan.

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 2010, there were no material changes in the contingent liabilities and contingent assets of the Group.

A13 Capital Commitments

During the financial period under review, 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

In the current quarter, the Group recorded revenue of RM7,594,557 compared to RM7,625,541 in the previous year's corresponding quarter. The revenue from Hospitality sector has improved from RM5,581,117 in previous year's corresponding quarter to RM6,036,500 in current quarter, while the Group recorded a decreased in leasing sector from RM 447,778 in previous year corresponding quarter to RM305 in current quarter.

B2 Material changes in the profit before taxation

Profit before tax for the current quarter under review was RM1.32 million as compared to loss before tax of RM389 thousand reported in the preceding year corresponding quarter. The difference is mainly the expenses incurred in dormant companies in previous year which amount to RM1,016,076 for expenses excluding finance cost and RM328,587 for finance cost. These dormant companies were disposed in December 2010. The Group also recorded lower finance cost for the current quarter in Investment Properties and Leasing sectors. In Investment Properties sector it is due to continue repayment of loan principal while in Leasing sector, no finance cost been recorded for the current quarter as all borrowings were fully settled in the second quarter of the financial year.

B3 Group prospects

The prospects of the Group hinge on the prospects of property development, hospitality and investment property sectors. The Group newly launched development project "Bandar Tasek Raja" in Pasir Mas, Kelantan is expected to contribute positively to the Group.

Barring any unforeseen circumstances, the Board expects to continue efforts in achieving better performance in the forthcoming year.

B4 Variance of profit guarantee

(i) Eastern Biscuit Factory Sdn Bhd

The profit guarantee by the vendors of Eastern Biscuit Factory Sdn Bhd ("EBF") was approved by the shareholders on 26 June 2003. The profit guarantee agreements provided that EBF's profit before tax ("PBT") would not be less than RM9.235 million for the financial year ended ("FYE") 31 December 2003, RM14.780 million for the FYE 31 December 2004 and RM18.314 million for the FYE 31 December 2005.

On 23 August 2005, FBO announced that there was a shortfall in the profit guarantee for the FYE 31 December 2004 amounting to RM6.393 million, whereby letters of demand were sent to each of the vendors of EBF, namely Dato' Tan Kok Hwa ("Dato' Tan"), Teong Hoe Holding Sdn. Bhd. ("THSB") and Forad Management Sdn. Bhd. (collectively referred to as "Original Guarantors") on 21 October 2005 to recover the said shortfall. On 8 March 2006, one of the Original Guarantors, namely THSB, had proposed to resolve the said shortfall, in relation to the portions guaranteed by Dato' Tan and THSB only, by transferring a property with a market value of RM4.7 million (valued on an as-is basis of the property) and RM7.0 million (valued on the assumption that a proposed eco-tourism project planned on the said property is approved by the Kelantan State Government) and with forced sale value of RM3.3 million and RM4.8 million, respectively, to EBF. However, the Board did not accept the settlement proposal after taking into consideration that the forced sale values of the property for both valuation bases were insufficient to settle the said shortfall.

The Company had on 16 May 2006, sent a written confirmation to the Original Guarantors seeking their action to address the shortfall for the FYE 31 December 2005 amounting to RM13.859 million. FBO had on 25 July 2006, requested Universal Trustee Malaysia Berhad ("the Stakeholder") to sell all the shares of the Original Guarantors in FBO that were deposited with the Stakeholder in accordance with the provisions of the Guarantee Agreement ("Security Shares") in the open market to recover part of the shortfall in the Profit Guarantee. On 22 January 2007, the Stakeholder completed the disposal of the Security Shares for total net proceeds of approximately RM1.42 million. The balance of the shortfall in the Profit Guarantee after deducting the proceeds received from the disposal of the Security Shares is approximately RM18.83 million ("Shortfall").

On 4 May 2007, letters of demand were sent to the Original Guarantors for the Shortfall. Thereafter, on 6 July 2007, writs of summons were served on the Original Guarantors to claim the Shortfall. However, as at to-date, the Company has yet to receive any response from Forad in respect of the writs of summons. Therefore, THSB and Dato' Tan ("New Guarantors") have taken the liberty to resolve the matter amicably with the Company on the settlement of the Shortfall. The Company had announced on 5 December 2008 that the Company and the New Guarantors had on 25 September 2008, recorded a consent order at the Kuala Lumpur High Court based on the terms of a draft settlement agreement.

However, the said settlement agreement could not be concluded after further consideration and deliberation as the said settlement was not in the best interest of FBO and both parties agreed to seek alternative solutions to make good the Shortfall. After due discussions between both parties, the New Guarantors have proposed to settle the Shortfall with a higher profit guarantee amount i.e. the cumulative audited PBT of EBF shall not be less than RM21.66 million for the FYE 31 December 2010 to 2012 whereby the audited PBT of EBF for FYE 31 December 2010 and 2011 shall not be less than RM5.0 million, respectively ("Proposed Variation").

Pursuant thereto, the Board had on 25 November 2009 announced that FBO and the New Guarantors had on even date entered into the second supplemental agreement to set out the terms and conditions of the Proposed Variation.

On 17 December 2009, the Board announced that the Company will hold an Extraordinary General Meeting ("EGM") on Monday, 11 January 2010 to table the ordinary resolution on aforesaid proposal for its shareholders' consideration and approval.

On 11 January 2010, the Board announced that the ordinary resolution as per the Notice of the EGM dated 21 December 2009 have been duly tabled and passed by the shareholders of FBO at the EGM.

The audited profits of EBF for the first guaranteed year ended 31 December 2010 is RM5,736,170, which has exceeded the yearly minimum guaranteed profit of RM5.0 million.

(ii) Discover Orient Holidays Sdn Bhd

On 3 March 2006, the vendors of Discover Orient Holidays Sdn Bhd ("DOHSB") gave a guarantee to the Company that the aggregate profits of DOHSB for three financial years ending 31 December 2008 shall not be less than RM3,000,000 based on audited financial statements and in any event not less than RM500,000 a year, for each year till 31 December 2008.

The Company had on 24 October 2007 entered into a second Supplemental Agreement to add, delete, vary, amend, alter and change the terms and conditions as stipulated in the Share Sale Agreement and the Supplemental Agreement dated 3 March 2006 and 10 July 2006 respectively, of which the commencement date shall be 1 November 2006.

This variation was adopted by the Board in light of the later completion for the acquisition of DOHSB. DOHSB was only effectively a FBO subsidiary in October 2006. The vendors has confirmed that the profits of DOHSB for the guaranteed periods 31 October 2007 and 31 October 2008 were RM169,416 and RM52,171 respectively compare to RM500,000 a year profit guarantee, thus resulting in total shortfall of RM778,413. Whilst the guarantee is on an aggregate basis, the Board has on 27 February 2008 wrote to the guarantors to explain the shortfall.

On 13 May 2009, the Board wrote to the guarantors to submit plan to fulfill the said guarantee upon its expiry.

On 30 July 2009, the guarantors wrote to request to repay the shortfall in equal monthly installments. The Board has accepted the request.

DOHSB reported a profit of RM755,545 for the third guaranteed period ended 31st October 2009, which has exceeded the yearly minimum guaranteed profit. On aggregate basis, the total shortfall is RM2,022,868/-. As of the date of this report, the guarantors have issued payments of RM360,000 to FBO out of the total profit shortfall.

In view of the action role of the guarantors in the successful disposal of DOHSB to Matrix Triumph Sdn Bhd (previously known as Matrix Merchant Sdn Bhd) on 18 April 2011, the Board has agreed to a full

settlement of RM450,000 for the balance of profit guarantee shortfall. As of the date of this report, RM420,000 has been paid by the guarantors.

B5 Taxation

	3 months ended	3 months ended	Year-to-date	Year-to-date
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
	RM'000	RM'000	RM'000	RM'000
Tax (expense)/income				
Income tax				
-current year	-	-	-	-
-prior year	-	-	-	23
Deferred tax				
-current year	(450)	-	(1,350)	-
-prior year	-	-	-	5
	<u>(450)</u>	<u>-</u>	<u>(1,350)</u>	<u>28</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is lower than the statutory tax rate mainly due to non taxable income and utilisation of capital allowance.

B6 Unquoted investments and/or properties

There were no material disposals of unquoted investments and/or properties outside the ordinary course of business of the Group for the current quarter and financial year to-date save and except as disclosed in A11.

B7 Quoted investments

There were no quoted investments acquired or disposed off during the financial period under review. Total quoted investments as at 30 September 2011 are as follows:-

	At Cost	At Book Value	At Market Value
	RM'000	RM'000	RM'000
Other investments			
- Quoted outside Malaysia	458	466	466

B8 Status of corporate proposal

There were no corporate proposals announced which is pending completion as at the date of issue of this report.

B9 Group borrowings and debts securities

The Group borrowings, all denominated in Ringgit Malaysia, as at 30 September 2011 are as follows: -

	Secured	Total
	RM'000	RM'000
Current:		
Term loans	45,598	45,598
Hire-purchase payables	229	229
Bank overdraft	-	0
	<u>45,827</u>	<u>45,827</u>
Non-current:		
Term loans	5,313	5,313
Hire-purchase payables	359	359
	<u>5,672</u>	<u>5,672</u>
Total	<u>51,499</u>	<u>51,499</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 2010.

B11 Changes in material litigation

There were no material litigations for the financial period under review other than the following:

- (i) the Company had on 19 June 2009 received the sealed copy of the Writ of Summons (Malaysia In The High Court In Sabah And Sarawak At Kota Kinabalu, Suit No. K22-106 Of 2009-II) together with the Amended Statement of Claim both dated 19 May 2009 from Sabah Development Bank Berhad ("Plaintiff") for the sum of RM19,299,872.03 as at 3 March 2009 together with interest on the sum of RM16,652,773.22 at the rate of 6% per annum from 4 March 2009 until the date of full payment on the amount owing by a former wholly owned subsidiary Austral Amalgamated Berhad ("the Borrower" or "AAB") for the Revolving Credit Facility Agreement entered with Plaintiff, which the Company is the Corporate Guarantor on the above facility.

The Company had on 5 August 2009 filed a Defence Statement. On 25 September 2009, the Plaintiff filed the Reply and Defence to counter claim. The Company has instructed lawyer to initiate separate action to obtain consequential order(s) from the Court to order the original registered owner Potowin Sdn. Bhd. ("Potowin"), to execute memorandum of transfer.

On 4 December 2009, the Plaintiffs' lawyer served the unsealed Summons in Chamber for application of Summary Judgment (Order 14) against the Company. The Company's lawyer filed an Affidavit In Opposition and a Supplementary Affidavit to enclose a Valuation Report on the land. The Plaintiff has indicated that they will file an Affidavit In Reply to the above. The Court had on 28 January 2010 granted to the Company the Order to enforce Potowin to execute the transfer of the land to AAB and if in the event Potowin is not able to be located, the Deputy Registrar is to sign the transfer documents.

Without prejudice to the pending action in the Kota Kinabalu High Court, the Plaintiff has confirmed to the Company that the redemption sum for the said land is RM25,539,491/- as at 23 March 2010.

AAB had on 13 May 2010 entered into a Sale and Purchase Agreement with Titijaya Development (Sabah) Sdn Bhd to dispose the said land for a total consideration of RM25,539,490.72 only, which is equivalent to the said redemption sum.

The transaction is now pending for completion.

- (ii) the Company had on 24 July 2009 received a copy of the Writ of Summon and Statement of Claims as per Court Order dated 22 June 2009 (Mahkamah Tinggi Malaya di Shah Alam, Guaman No.: MT3-22-668-2006) from the Solicitors for Bank Kerjasama Rakyat Malaysia Berhad ("Plaintiff") for the sum of RM29,765,709.11 as at 24 March 2006 at an interest of 8% per annum from the date of Judgement until the date of full payment on the amount owing by FBO Leasing Sdn Bhd ("Borrower") for the Agreement on Financing Facility entered with the Plaintiff, which the Company is the Corporate Guarantor on the above facility.

The Company had on 29 July 2009 filed to strike out the suit. On 7 August 2009, the Plaintiff's solicitor wrote to inform that the Plaintiff will withdraw the Amended Writ of Summons and Statement of Claims with no costs and with liberty to file afresh. On 20 October 2009, the Company has received a letter from the Company's solicitors informing that the Plaintiff's solicitors had sent a Notice of Discontinuance of the suit against FBO Leasing Sdn. Bhd. and the Company dated 7 September 2009 followed by another letter dated 19 October 2009 that the Notice of Discontinuance had been filed into Court on 28 September 2009. As such the Company has on 20 October 2009 withdrawn the Company's application to strike out the Plaintiff's suit without order as to costs.

Nevertheless, the Group had on 27 August 2009 wrote to the bank with a settlement proposal. The Group has received a letter dated 15 December 2010 from the bank approving to restructure the

balance outstanding to a new facility and subsequently a letter of offer dated 23 June 2011. The Group is now negotiating with the bank to finalise the terms of the new facility.

- (iii) FBO Land (Setapak) Sdn Bhd (“Defendant”), a wholly owned subsidiary of the Company had on 18 April 2007 received a sealed copy of Writ of Summon and Statement of Claim (Dalam Mahkamah Tinggi Malaya di Kuala Lumpur (Bahagian Sivil) Guaman No.:S-22-64-2007) in regard to a suit commenced by Wong Chee Wei & 18 Others (“Plaintff”).

The Plaintiff alleged that through Application to Purchase they have agreed to purchase low cost flat at RM 25,000 per unit from the Defendant who was the developer of the flat. The plaintiff alleged that they have signed the Sale and Purchase Agreement and paid 10% of deposit while the Defendant did not execute the said agreements.

The Plaintiff claims from the Defendant

- (a) Specific performance of the Sale and Purchase Agreements;
- (b) Compensation on the Specific Performance or compensation for the Specific Performance;
- (c) Interest;
- (d) Cost;
- (e) Any other or further relief.

The Board has appointed a solicitor to act for the Defendant. The Defendant has responded with a Statement of Defence dated 18th May 2007. The Board is optimistic on the case as the alleged purchases were carried out without approval from the Special Administrator, who was appointed by Pengurusan Danaharta Nasional Berhad to manage the Defendant at that point of time, and the Plaintiff were also not eligible for the purchase of low cost flats.

The matter is now pending for Pre-Trial Case Management at a date to be fixed by the Court.

- (iv) Eastern Biscuit Factory Sdn Bhd (“EBF”), a wholly owned subsidiary of the Company had on 6 September 2011 being served with a Writ of Summon and Statement of Claim (Dalam Mahkamah Tinggi Malaya di Kota Bharu Guaman No.: 22-133-07/2011) in regard to a suit commenced by Maimun Binti Mohd Hussain (“Plaintff”) against EBF, Mohd Nazwady Bin Mat Nasir and Abdull Ghani Bin Yusof (“Defendants”).

The Plaintiff alleged that she had on 11 January 2011 used the valet parking services at Hotel Renaissance Kota Bharu (“the Hotel”) which operate at the premise of EBF. The Plaintiff handed her motor vehicle model BMW X6 3.0(A) with the registration number PCT 15 (“said Vehicle”) to the staff/authorised agent of the Hotel. The said Vehicle was alleged to be stolen on the same day under the care of the Hotel.

The Plaintiff’s claims against the Defendants as follows (“Statement of Claims”):

- (a) Compensation on price of motor vehicle BMW X6 3.0(A) – RM625,000;
- (b) Compensation on loss of used of vehicle BMW X6 3.0(A) for RM1,500 daily until settlement on (a) as above;
- (c) Compensation on lost of used vehicle registration plat no. PCT 15 – RM200,000;
- (d) Compensation on emotional – RM2,000,000;
- (e) Compensation on Moral – RM1,000,000;
- (f) 8% interest per annum on compensations approved until full settlement;
- (g) Cost; and
- (h) Any other approved by court.

The Company does not anticipate any financial and operational impact of the Writ of Summon and Statement of Claims on the Group or expect any losses arising from the Writ of Summon and Statement of Claims.

The claims by the Plaintiff is insured under International Liability Insurance Program for Marriott International, Inc. and the insurance coverage is sufficient for the claims should the judgment is in favour of the plaintiff.

A solicitor has been appointed to act for EBF.

- (v) FBO Land (Setapak) Sdn Bhd (“Defendant”), a wholly owned subsidiary of the Company had on 29 June 2011 received a sealed copy of Writ of Summon and Statement of Claim (Dalam Mahkamah Sesyen di Kuala Lumpur, Guaman No.:S-52-22153-2011) in regard to a suit commenced by Koh Tip Pee (“Plaintiff”).

The Plaintiff alleged that he had entered a Sale and Purchase Agreement (“SPA”) on 5 January 2001 with the Defendant to purchase a low cost flat at a price of RM25,000. A new SPA was subsequently entered by both parties on 5 December 2007. The Plaintiff claims that the new SPA does not comply with Jadual H Peraturan-Peraturan Kemajuan Perumahan (Kawalan dan Perlesenana) 1966 and also does not provide for period of delivery of vacant possession and defect liability period.

The Plaintiff claims from the Defendant

- (a) A declaration that the Sale and Purchase Agreement signed on has 5 December 2007 has to comply to Jadual H Peraturan-Peraturan Kemajuan Perumahan (Kawalan dan Perlesenan) 1966;
- (b) A declaration that the Defendant to pay to the Plaintiff specific claims of RM13,008.56;
- (c) A declaration that the Defendant to pay interest of 10% per annum on RM13,008.56 which amounts to RM1,318.68 from 13.12.2007 till 17.12.2008 until full settlement;
- (d) A declaration that the Defendant to pay compensation of RM11,850.00;
- (e) A declaration that the Defendant to pay interest on RM11,850.00 from 13.12.2007 till 17.12.2008 amounting to RM879.82 until full settlement;
- (f) A declaration that the Defendant to pay compensation of RM23,000;
- (g) Any other relief costs deem fit by the Court.

The Board wishes to inform that the Company had never signed any SPA in 2001 as alleged by the Plaintiff. As for the SPA dated 5 December 2007, the Company have delivered vacant possession of the property to the Plaintiff in accordance of the SPA dated 5 December 2007. The Plaintiff had fully settled the purchase price and the property were delivered to the Plaintiff on 13 December 2007. Hence there was no breach of contract.

A solicitor had been appointed to act for the Defendant. The case is fixed for mention on 25 November 2011.

B12 Dividend

There was no dividend paid for the financial period under review.

B13 Earnings per shares

	3 months ended	3 months ended	Year-to-date	Year-to-date
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	874	(388)	1,326	(3,558)
- from discontinued operation	-	319	42	576
	<u>874</u>	<u>(69)</u>	<u>1,368</u>	<u>(2,982)</u>
Number of ordinary share in issue ('000)	223,335	223,335	223,335	223,335
Earnings/(Loss) per share (sen)				
Basic, for profit/(loss) from				
- continuing operations	0.39	(0.17)	0.59	(1.59)
- discontinued operations	-	0.14	0.02	0.26
Basic, for profit/(loss) for the period	<u>0.39</u>	<u>(0.03)</u>	<u>0.61</u>	<u>(1.34)</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

B14 Disclosure of realised and unrealised profits/losses

The breakdown of the retained profits of the Group as at 30 September 2011, into realised and unrealised profits is as follows:

	12 months ended	9 months ended
	31-Dec-10	30-Sep-11
	RM'000	RM'000
Total retained profits/(accumulated losses) of FBO and its subsidiaries:		
- Realised	43,995	42,491
- Unrealised	7,005	9,878
	<u>51,000</u>	<u>52,369</u>
Total share of retained profits/(accumulated losses) from associate		
- Realised	(23)	(181)
- Unrealised	-	-
	<u>50,977</u>	<u>52,188</u>
Consolidation adjustments	(127,551)	(127,393)
Total Group retained profits as consolidated accounts	<u>(76,574)</u>	<u>(75,205)</u>