

**FURQAN BUSINESS ORGANISATION BERHAD (“FBO”)
INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2012**

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 2011. 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 2011.

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 2011.

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate (“Transitioning Entities”)*. The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, certain subsidiaries in the Group which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework for an additional one year. The Group and the Company will prepare its first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2013.

A2 Audit qualifications

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2011 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 RM'000	Leasing & financing RM'000	Hospitality RM'000	Investment holding RM'000	Property development RM'000	Others RM'000	Total RM'000
Revenue	1,513	-	5,223	16	1,389	-	8,141
Results							
Segment profit/(loss)	150	(18)	1,285	(572)	(74)	(10)	761
Interest income	-	-	-	10	6	-	16
Finance cost	(120)	-	-	(8)	-	-	(128)
Share of result of associate							(33)
Profit before taxation							616
Income tax expense							(583)
Profit for the period							33

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 2011 and valuation performed as of date of this report.

A11 Subsequent material event

There were no material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

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 2011, 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

The Group recorded revenue of RM8.14 million for the current quarter, compared to the revenue of RM6.40 million recorded in previous year corresponding quarter.

In the Investment Properties segment, the Group recorded revenue of RM1.51 million compared to RM1.56 million in previous year corresponding quarter. The difference is mainly due to reduced in revenue recorded for shopping complex in the current quarter.

In the Leasing and Financing segment, as there were no active or new customers in the current quarter, the revenue recorded was RM264 compared to RM51 thousand in previous year corresponding quarter.

In the Hospitality segment, a higher revenue of RM5.22 million was recorded compared to RM4.77 million in previous year corresponding quarter. The overall revenue of the Hotel is better in this quarter especially room revenue which has increased by RM291 thousand compared to previous year corresponding quarter.

In the current quarter, the Group also recorded a revenue of RM1.39 million for Property Development segment following the development of Bandar Tasek Raja project in Pasir Mas, Kelantan. There were no Property Development revenue during the corresponding quarter of previous year.

B2 Material changes in the profit before taxation

Profit before tax for the current quarter is RM616 thousand compared to RM16.06 million recorded in the previous quarter. The higher profit in the previous quarter was mainly due to land disposal by a wholly owned subsidiary resulting in total gain of RM18.84 million. Profit from project development has reduced from RM1.18 million in previous quarter to RM358 thousand in current quarter. Current quarter however recorded lower expenses in provision for doubtful debts of RM2 thousand compared to RM5.61 million in previous quarter and finance cost also reduced from RM181 thousand to RM128 thousand.

B3 Group prospects

For the remaining part of financial year 2012, the Group is able to sustain with its current businesses in Investment Property segment, Hospitality segment and Project Development segment. The management will also explore for other business opportunity.

B4 Variance of profit forecast and profit guarantee

(a) Profit forecast

Not applicable as no profit forecast was announced for the financial period.

(b) 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 guaranteed year ended 31 December 2010 and 2011 were RM5,736,170 and RM7,897,567 respectively, which have exceeded the yearly minimum guaranteed profit of RM5 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, only RM420,000 has been paid by the guarantors. The management is actively pursuing the balance from the guarantors.

B5 Taxation

	3 months ended 31-Mar-12 RM'000	3 months ended 31-Mar-11 RM'000	Year-to-date 31-Mar-12 RM'000	Year-to-date 31-Mar-11 RM'000
Tax (expense)/income				
Income tax				
-current year	(133)	-	(133)	-
-prior year	-	-	-	-
Deferred tax				
-current year	(450)	(450)	(450)	(450)
-prior year	-	-	-	-
	<u>(583)</u>	<u>(450)</u>	<u>(583)</u>	<u>(450)</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 Status of corporate proposal

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

B7 Group borrowings and debts securities

The Group borrowings, all denominated in Ringgit Malaysia, as at 31 March 2012 are as follows: -

	Secured RM'000	Total RM'000
Current:		
Term loans	5,136	5,136
Hire-purchase payables	210	210
	<u>5,346</u>	<u>5,346</u>
Non-current:		
Term loans	3,942	3,942
Hire-purchase payables	265	265
	<u>4,207</u>	<u>4,207</u>
Total	<u>9,553</u>	<u>9,553</u>

B8 Changes in material litigation

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

- (i) 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.

- (ii) 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 ("Plaintiff").

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 Court has fixed the case for mediation on 21 June 2012.

- (iii) 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 ("Plaintiff") 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.

The matter has been fixed for case management on 1 April 2012 and 8 May 2012. The Case Management on 8 May 2012 was for the Plaintiff to make amendments to their Statement of Claims. The amendments were:-

1. To correct the typographical error of the name "Renaissance"; and
2. To revise upwards the claim sum for loss of use of the vehicle.

A sealed copy of the amended draft Statement of Claims is to be forwarded to the Defendant whereby a 14 days period will be given for Defendant to raise objection, if any, to the proposed amendments.

- (iv) FBO Land (Setapak) Sdn Bhd ("Plainiff"), a wholly owned subsidiary of the Company had filed a suit against two previous Directors & 13 others for the return of 9 units of shoplots belonging to the Plaintiff on 3 March 2006.

The defendants were 1st Tow Kong Liang, 2nd Aubrey George Menezes, 3rd Chow Lye Khoon, 4th Tow Lye Good, 5th Chow Kong Han, 6th Arulananda K. Manickam, 7th Pristine Park Sdn. Bhd. 8th Potowin Sdn. Bhd., 9th Sapphire Dynamics Sdn. Bhd., 10th Eminent Pacific Sdn. Bhd., 11th Bay Trading Sdn. Bhd., 12th Pendaftar Hakmilik Tanah Kuala Lumpur, 13th Malayan Banking Berhad, 14th Standard Chartered Bank Malaysia Berhad and 15th EON Bank Berhad.

The High Court conducted the trials on 18-20 January 2012, 29 February 2012, 5-6th March 2012 and 23rd March 2012.

On 30 April 2012, the High Court ruled in favour of the Plaintiff allowing their claim against the 1st to 10th Defendants with costs. However, the High Court at the same time dismissed the Plaintiff's claim against the 11th Defendant with costs.

The Plaintiff had withdrawn the suits against the 13th to 15th Defendants upon the three defendants entering into a Consent Order before a Judge to deposit any surplus from the proceeds of auction on properties charged to them into their Solicitors' firm account as stakeholder pending the disposal of the suit.

The 12th Defendant had through the Public Prosecutor's office informed the High Court that they will abide to whatever Order issued by the Court in respect of the properties involved in the case.

B9 Dividend

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

B10 Earnings per shares

	3 months ended 31-Mar-12 RM'000	3 months ended 31-Mar-11 RM'000	Year-to-date 31-Mar-12 RM'000	Year-to-date 31-Mar-11 RM'000
Net profit/(loss) attributable to equity holders of the Company				
- from continuing operation	33	(799)	33	(799)
- from discontinued operation	-	42	-	42
	<u>33</u>	<u>(757)</u>	<u>33</u>	<u>(757)</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	0.01	(0.36)	0.01	(0.36)
- discontinued operations	-	0.02	-	0.02
Basic, for profit/(loss) for the period	<u>0.01</u>	<u>(0.34)</u>	<u>0.01</u>	<u>(0.34)</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

B11 Disclosure of realised and unrealised profits/losses

The breakdown of accumulated losses of the Group as at 31 March 2012, into realised and unrealised profits is as follows:

	12 months ended 31-Dec-11 RM'000	3 months ended 31-Mar-12 RM'000
Total retained profits/(accumulated losses) of FBO and its subsidiaries:		
- Realised	68,767	68,854
- Unrealised	<u>9,637</u>	<u>9,648</u>
	78,404	78,502
Total share of retained profits/(accumulated losses) from associate		
- Realised	(172)	(204)
- Unrealised	<u>-</u>	<u>-</u>
	78,232	78,298
Consolidation adjustments	<u>(137,894)</u>	<u>(137,927)</u>
Total Group accumulated losses	<u>(59,662)</u>	<u>(59,629)</u>

B12 Profit for the period

	Current Quarter RM'000	Year-to-date RM'000
This is arrived at after (charging)/crediting:		
Interest income	16	16
Depreciation and amortization	(186)	(186)
Provision for and write off of receivables	(2)	(2)
Foreign exchange gain	8	8
	<u>8</u>	<u>8</u>

Other disclosure items pursuant to Appendix 9B, Part A(16) of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.