

**FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2010**

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

| | As at 30-June-2010 RM <u>Unaudited</u> | As at 31-Dec-2009 RM <u>Audited</u> |
|---|---|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 17,734,547 | 17,655,861 |
| Investment properties | 84,557,000 | 84,712,000 |
| Prepaid land lease payments | 7,334,035 | 7,387,549 |
| Investment in associate | 320,684 | 183,735 |
| Other investments | 925,953 | 3,775,953 |
| Land held for development | 2,000,000 | 2,000,000 |
| Lease and hire-purchase receivables | 1,000,000 | 12,500,000 |
| Goodwill arising on consolidation | 2,705,712 | 2,705,712 |
| Total Non-Current Assets | <u>116,577,931</u> | <u>130,920,810</u> |
| Current Assets | | |
| Property development expenditure | 22,231,256 | 12,085,881 |
| Inventories | 7,134,687 | 7,332,175 |
| Lease and hire-purchase receivables | 19,641,713 | 8,218,424 |
| Trade and other receivables | 21,743,192 | 27,391,423 |
| Tax recoverable | 702,867 | 629,517 |
| Deposits placed with licensed banks | 3,007,170 | 6,536,865 |
| Cash and bank balances | 3,882,994 | 3,716,391 |
| Total Current Assets | <u>78,343,879</u> | <u>65,910,676</u> |
| Non-current assets held for sale | 179,586,406 | 179,586,406 |
| | <u>257,930,285</u> | <u>245,497,082</u> |
| TOTAL ASSETS | <u>374,508,216</u> | <u>376,417,892</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | 111,667,288 | 111,667,288 |
| Reserves | 23,538,783 | 26,451,278 |
| Total Equity | <u>135,206,071</u> | <u>138,118,566</u> |
| Non-Current Liabilities | | |
| Hire-purchase payables | 621,538 | 451,180 |
| Term loans | 8,498,394 | 9,028,558 |
| Deferred tax liabilities | 8,729,616 | 8,734,866 |
| Total Non-Current Liabilities | <u>17,849,548</u> | <u>18,214,604</u> |
| Current Liabilities | | |
| Trade and other payables | 105,118,610 | 103,242,400 |
| Provisions for liabilities | 30,106,183 | 30,250,444 |
| Hire-purchase payables | 246,602 | 271,547 |
| Term loan instruments | 83,333,992 | 83,400,242 |
| Short term borrowings | 129,858 | 259,869 |
| Term loans | 1,997,476 | 2,140,344 |
| Tax payable | 519,876 | 519,876 |
| Total Current Liabilities | <u>221,452,597</u> | <u>220,084,722</u> |
| Total Liabilities | <u>239,302,145</u> | <u>238,299,326</u> |
| TOTAL EQUITY AND LIABILITIES | <u>374,508,216</u> | <u>376,417,892</u> |
| Net asset per share (sen) | 61 | 62 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 3 months ended 30-June-2010 RM | 3 months ended 30-June-2009 RM | Year-to-date 30-June-2010 RM | Year-to-date 30-June-2009 RM |
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| <u>Continuing Operations</u> | | | | |
| Revenue | 14,182,132 | 12,643,354 | 26,163,771 | 24,153,319 |
| Expenses excluding finance cost | (14,929,768) | (11,214,340) | (28,404,795) | (15,554,408) |
| Other operating income | <u>84,602</u> | <u>378,994</u> | <u>405,228</u> | <u>985,399</u> |
| Profit/(Loss) from operations | (663,034) | 1,808,008 | (1,835,796) | 9,584,310 |
| Finance cost | (624,025) | (2,421,447) | (1,241,272) | (2,729,768) |
| Share of profit of associate | <u>132,423</u> | <u>-</u> | <u>136,949</u> | <u>-</u> |
| Profit/(Loss) before taxation | (1,154,636) | (613,439) | (2,940,119) | 6,854,542 |
| Income tax expense | <u>34,074</u> | <u>(4,430)</u> | <u>27,624</u> | <u>(3,120)</u> |
| Profit/(Loss) from continuing operations | (1,120,562) | (617,869) | (2,912,495) | 6,851,422 |
| <u>Discontinued operations</u> | | | | |
| Loss from discontinued operations | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,896,599)</u> |
| Net profit/(loss) for the period | (1,120,562) | (617,869) | (2,912,495) | 4,954,823 |
| Other comprehensive income, net of tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total comprehensive income/(loss) for the period | <u>(1,120,562)</u> | <u>(617,869)</u> | <u>(2,912,495)</u> | <u>4,954,823</u> |
| Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen) | | | | |
| Basic, for profit/(loss) from continuing operations | (0.50) | (0.28) | (1.30) | 3.07 |
| Basic, for loss from discontinued operations | <u>-</u> | <u>-</u> | <u>-</u> | <u>(0.85)</u> |
| Basic, for profit/(loss) for the period | <u>(0.50)</u> | <u>(0.28)</u> | <u>(1.30)</u> | <u>2.22</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 2009 and the accompanying explanatory notes attached to the interim financial statements.

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital RM | <u>Non-distributable</u> Revaluation Reserve RM | <u>Distributable</u> Retained Profits/ (Accumulated Losses) RM | Total RM |
|---------------------------------|---------------------------------|--|---|---------------------|
| At 1 January 2009 | 446,669,151 | 100,590 | (319,332,306) | 127,437,435 |
| Capital reorganisation exercise | (335,001,863) | - | 335,001,863 | - |
| Net profit for the period | - | - | 4,954,823 | 4,954,823 |
| At 30 June 2009 | 111,667,288 | 100,590 | 20,624,380 | 132,392,258 |
| At 1 January 2010 | 111,667,288 | 100,590 | 26,350,688 | 138,118,566 |
| Net loss for the period | - | - | (2,912,495) | (2,912,495) |
| At 30 June 2010 | 111,667,288 | 100,590 | 23,438,193 | 135,206,071 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

FURQAN BUSINESS ORGANISATION BERHAD ("FBO")
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6 months ended 30-June-2010 <u>RM</u> | 6 months ended 30-June-2009 <u>RM</u> |
|---|---|---|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | |
| Profit/(Loss) before income tax expense for the period | | |
| - Continuing operations | (2,940,119) | 6,854,542 |
| - Discontinued operations | - | (1,896,599) |
| Adjustments for: | | |
| Gain on disposal of: | | |
| Non-current assets held for sale | - | (50,000) |
| Property, plant and equipment | (21,500) | (43,000) |
| Investment in subsidiaries | - | (64,674,806) |
| Interest income | (47,739) | (92,376) |
| Share of results of associate | (136,949) | - |
| Net loss on fair value adjustment on: | | |
| Investment properties | 155,000 | - |
| Non-current assets held for sale | - | 6,701,245 |
| Interest expense | 1,241,272 | 3,078,111 |
| Impairment loss on: | | |
| Other investments | 2,850,000 | - |
| Land held for development | - | 500,000 |
| Prepaid lease payment | - | 124,360 |
| Depreciation of property, plant and equipment | 469,379 | 677,565 |
| Written off: | | |
| Bad debts | 55,326 | - |
| Inventories | - | 400,000 |
| Allowance for doubtful debts | - | 15,193,694 |
| Amortisation of prepaid lease payments | 53,514 | 53,512 |
| Unrealised loss on foreign currency exchange | 52,434 | 7,262 |
| | <u>1,730,618</u> | <u>(33,166,490)</u> |
| Operating Profit/(Loss) Before Working Capital Changes | | |
| (Increase)/Decrease in: | | |
| Property development expenditure | (10,145,375) | 261,119 |
| Inventories | 197,488 | 860,340 |
| Lease and hire-purchase receivables | 76,711 | (11,459,925) |
| Trade and other receivables | 5,540,471 | (6,141,613) |
| Increase/(Decrease) in: | | |
| Trade and other payables | 1,208,788 | 31,263,722 |
| Provision for liabilities | (144,261) | - |
| | <u>(1,535,560)</u> | <u>(18,382,847)</u> |
| Income tax paid | (50,976) | (86,903) |
| Net Operating Cash Flow | <u>(1,586,536)</u> | <u>(18,469,750)</u> |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (548,065) | (555,889) |
| Additions to investment in associate | - | (290,000) |
| Interest received | 47,739 | 92,376 |
| Proceeds from disposal of property, plant and equipment | 21,500 | 43,000 |
| Net cash inflow from disposal of subsidiaries | - | 18,930,005 |
| Proceeds from disposal of non-current assets held for sale | - | 1,770,000 |
| Net Investing Cash Flow | <u>(478,826)</u> | <u>19,989,492</u> |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | |
| Repayment of term loans | (673,032) | (749,061) |
| Interest paid | (573,850) | (279,018) |
| Repayment of term loan instruments | (66,250) | (62,500) |
| Net addition of hire-purchase payables | 145,413 | 190,807 |
| Net Financing Cash Flow | <u>(1,167,719)</u> | <u>(899,772)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | <u>(3,233,081)</u> | <u>619,970</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>9,200,762</u> | <u>5,952,121</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>5,967,681</u> | <u>6,572,091</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD COMPRISE THE FOLLOWING: | | |
| Cash and bank balances | 3,680,472 | 3,947,706 |
| Housing Development Account | 202,522 | 392,134 |
| Deposits placed with licensed banks | 3,007,170 | 3,053,872 |
| Bank overdrafts | (129,858) | (57,277) |
| | <u>6,760,306</u> | <u>7,336,435</u> |
| Less : Deposits pledged with licensed bank | (792,625) | (764,344) |
| | <u>5,967,681</u> | <u>6,572,091</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**FURQAN BUSINESS ORGANISATION BERHAD (“FBO”)
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2010**

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 2009. 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 2009.

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 2009 except for the adoption of the relevant new and revised FRSS, amendments/improvements to FRSs and IC Int for annual periods beginning on or after 1 July 2009 or 1 January 2010. The adoption of the new and revised FRSS, amendments/improvements to FRSs and IC Int upon initial application did not result in significant changes in the reported profit or equity or on the disclosures in the interim financial statements other than detailed below:

Amendments to FRS 101 Presentation of Financial Statements

Prior to 1 January 2010, the components of a set of financial statements consisted of a balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements. Upon the adoption of the revised FRS101, a set of financial statements shall now comprise a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income. This is a disclosure standard and does not have any impact on the financial position and results of the Group.

A2 Audit qualifications

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2009 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 Travel and Tour and Hospitality segments.

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, except on 3 May 2010, the Board announced that Rimaflex Sdn Bhd, an indirect wholly owned subsidiary company acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up capital of Rimaflex Nominees (Tempatan) Sdn Bhd for a total consideration of RM2.00 only for cash.

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 | Travel & tour RM'000 | Hospitality RM'000 | Investment holding RM'000 | Property development RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|------------------------------|------------------------------------|----------------------------------|----------------------------|-----------------------|---------------------------------|-----------------------------------|------------------|------------------------|-----------------|
| Revenue | | | | | | | | | |
| External revenue | 3,532 | 697 | 11,062 | 10,873 | - | - | - | - | 26,164 |
| Inter-segment revenue | - | - | 25 | - | 345 | - | - | (370) | - |
| Total revenue | 3,532 | 697 | 11,087 | 10,873 | 345 | - | - | (370) | 26,164 |
| Results | | | | | | | | | |
| Segment profit/(loss) | (135) | 54 | 270 | 3,068 | (3,614) | (1,667) | (84) | 225 | (1,883) |
| Interest income | 2 | - | - | - | 11 | 34 | 1 | - | 48 |
| Finance cost | (540) | - | (18) | - | (683) | (1) | - | - | (1,242) |
| Share of profit of associate | | | | | | | | | 137 |
| Profit before taxation | | | | | | | | | (2,940) |
| Income tax expense | | | | | | | | | 28 |
| Profit for the period | | | | | | | | | (2,912) |

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 2009 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 2009, there were no material changes in the contingent liabilities and contingent assets of the Group other than a loan settlement by a wholly owned subsidiary Austral Amalgamated Berhad in which the Company is the corporate guarantor to the credit facility. The said loan settlement reduced contingent liabilities of the Company by approximately RM20 million. Kindly refer to the Company announcement dated 13 May 2010.

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 RM14.1 million, an increase of 12% compared to RM12.6 million reported in the previous year's corresponding quarter. For the six months ended 30 June 2010, the Group generated revenue of RM26.2 million, an increase of 8% compared to RM24.2 million achieved in the same period in the preceding year. The increase in revenue is mainly contributed by higher sales in the travel and tour segment.

The Group recorded loss before tax of RM1.2 million in the current quarter as compared to loss before tax of RM0.6 million reported in the previous year's corresponding quarter. For the six months ended 30 June 2010, loss before tax was RM2.9 million, compared to profit before tax of RM6.9 million achieved in the same period in the preceding year. The higher profit in the previous year contributed mainly by non-operational gain arising from disposal of subsidiaries.

B2 Material changes in the profit before taxation

Loss before tax for the current quarter under review was marginally lower at RM1.2 million as compared to loss before tax of RM1.8 million reported in the immediate preceding quarter.

B3 Group prospects

The prospects of the FBO Group hinge on the prospects of property development, hospitality and leasing sectors.

Barring any unforeseen circumstances, the Board expects to continue efforts in achieving better performance for the remaining period of the financial 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.

(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/-.

B5 Taxation

| | 3 months ended | 3 months ended | Year-to-date | Year-to-date |
|----------------------|----------------|----------------|--------------|--------------|
| | 30-Jun-10 | 30-Jun-09 | 30-Jun-10 | 30-Jun-09 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax (expense)/income | | | | |
| Income tax | | | | |
| -current year | 12 | (4) | - | (20) |
| -prior year | 23 | - | 23 | 17 |
| Deferred tax | | | | |
| -current year | - | - | - | - |
| -prior year | - | - | 5 | - |
| | <u>35</u> | <u>(4)</u> | <u>28</u> | <u>(3)</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.

B7 Quoted investments

There were no quoted investments acquired or disposed off during the financial period under review. Total quoted investments as at 30 June 2010 are as follows:-

| | At Cost | At Book Value | At Market Value |
|---------------------------|--------------|---------------|-----------------|
| | RM'000 | RM'000 | RM'000 |
| Other investments | | | |
| - Quoted in Malaysia | 500 | 426 | 421 |
| - Quoted outside Malaysia | 5,958 | 500 | 610 |
| Total quoted investments | <u>6,458</u> | <u>926</u> | <u>1,031</u> |

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 June 2010 are as follows: -

| | Secured | Unsecured | Total |
|------------------------|---------------|---------------|---------------|
| | RM'000 | RM'000 | RM'000 |
| Current: | | | |
| Term loans | 65,052 | 20,279 | 85,331 |
| Hire-purchase payables | 247 | - | 247 |
| Bank overdraft | 130 | - | 130 |
| | 65,429 | 20,279 | 85,708 |
| Non-current: | | | |
| Term loans | 8,498 | - | 8,498 |
| Hire-purchase payables | 622 | - | 622 |
| | 9,120 | - | 9,120 |
| Total | 74,549 | 20,279 | 94,828 |

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 2009.

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 wholly owned subsidiary Austral Amalgamated Berhad (“the Borrower”) 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.

Austral Amalgamated Berhad 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.

- (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 negotiation of the settlement is currently on going.

- (iii) FBO Land (Setapak) Sdn Bhd (“Defendant”), a wholly owned subsidiary of the Company had on 29 June 2010 received a copy of generally endorsed Writ of Summon (Dalam Mahkamah Tinggi Malaya di Kuala Lumpur (Bahagian Sivil) Guaman No.:S-22-936-2009) without a Statement of Claims attached in regard to a suit commenced by Bennes Engineering Sdn Bhd (In Liquidation) (“Plaintiff”).

The Defendant had on 16 July 2010 received the Statement of Claim dated 15 July 2010 from the Plaintiff’s solicitor giving the details on their claims as follows:-

1. Allegedly pursuant to a Settlement Agreement dated 29th July 1998 (“the Alleged Settlement Agreement”) entered into between the Plaintiff and the Defendant, the Defendant had agreed to pay the Plaintiff the sum of RM7,750,318.32 without cost and interest as the full and final settlement of the Plaintiff’s alleged claim against the Defendant.

2. Pursuant to Clause 2 of the Alleged Settlement Agreement, the Defendant had allegedly agreed to pay the sum of RM7,750,318.32. The sum of RM3,000,000 was allegedly to be paid by selling 20 units of apartment at housing development area known as Villa Danau under Milikan Hakmilik Master H.S.(D) 61768, P.T. No. 1118, Mukim Setapak Daerah Kuala Lumpur, Negeri Wilayah Persekutuan to Plaintiff at a purchase consideration of RM150,000.00 per unit for each Sale and Purchase Agreement which was to be executed within five days from the date of the Alleged Settlement Agreement.

3. There were allegedly 20 Sale and Purchase Agreements entered into between the Plaintiff and the Defendant (“the Alleged Sale and Purchase Agreements”).

4. The Defendant is alleged to have breached its obligation under the Alleged Sale and Purchase Agreements by failing to deliver vacant possession of the properties under the Alleged Sale and Purchase Agreements.

5. The Plaintiff claims from the Defendant

- (a) Specific performance of the Alleged Sale and Purchase Agreements and that the Defendant delivers the vacant possession of the properties under the Alleged Sale and Purchase Agreements;
- (b) Alternatively that each property under the Alleged Sale and Purchase Agreements be valued and paid to the Plaintiff;
- (c) Damages;
- (d) Costs;
- (e) Interest at a rate of 10% per annum on the purchase consideration of each of Parcel and/or Lot calculated from 36 months after the date of the Alleged Sale and Purchase Agreements until the date of full payment;
- (f) Cost of this action; and
- (g) Any other relief deem fit by the Court.

The Board has appointed a solicitor to act for the Defendant. The Board wishes to inform that the Plaintiff is an unsecured creditor of the Defendant and the Board is of the opinion that any debt owing by the Defendant has been addressed in the restructuring scheme of the Defendant undertaken by Pengurusan Danaharta Nasional Berhad in 2002.

- (iv) Austral Amalgamated Berhad (“AAB” or “Defendant”), a wholly owned subsidiary of the Company, was served with a Writ of Summons dated 5 December 2005 (Suit No. K22-186 of 2005) and an Amended Writ of Summons dated 8 February 2006 in regard to a suit commenced by Innosabah Securities Berhad (“Plaintiff”).

The Plaintiff had vide the Sale and Purchase Agreement entered with AAB dated 18 December 1996 to acquire 3 commercial office space under the project known as “Austral Square” to be erected or constructed on that parcel of land described as Town Lease No. 017526475 in the city of Kota Kinabalu for a total purchase price of RM37,166,656, which the project was subsequently abandoned. A deposit of RM3,259,165.60 was allegedly paid to AAB on or about 30 June 1997.

The Plaintiff claims against the Defendant the following (“Statement of Claims”):

- i. The said sum of RM3,259,165.60;
- ii. Statutory interest pursuant to Section 11 of the Civil Law Act on the said sum of RM3,259,165.60 at the rate of 8% per annum from 10 May 2000 to date of Judgment;
- iii. Statutory interest pursuant to Section 11 of the Civil Law Act on the said sum of RM3,259,165.60 thereon at the rate of 8% per annum from the date of Judgment to date of full payment;
- iv. General damages for breach of contract;
- v. Cost; and
- vi. Such other relief as the court may deem just and proper.

Whereas, the Defendant and subsidiaries were granted Restraining and Stay Orders from the High Court of Malaya on 16 November 1998, subsequently, on 9 September 1999, Special Administrators were appointed by Pengurusan Danaharta Nasional Berhad (“Danaharta”). A Proposal and Scheme was approved by Danaharta, secured creditors, Securities Commission and Foreign Investment Committee.

The Plaintiff is an unsecured creditor under the Proposal and Scheme with regard to any monies allegedly owed by the Defendant to the Plaintiff.

The Defendant had on 20 January 2006 filed a defence and subsequently on 22 March 2006 filed a Summons in Chambers to strike out the Plaintiff’s Statement of Claims on the grounds that:

1. it was frivolous and vexatious; and
2. it was an abuse of the process of the Court.

The High Court in Sabah and Sarawak at Kota Kinabalu had on 16 November 2006 dismissed the Defendant’s application with costs.

Subsequent thereto, AAB had filed a Written Submission of the Appellant dated 3 August 2010 in the Court of Appeal of Malaysia (Civil Appeal No. S-02-1270-06).

On 16 August 2010, the Court of Appeal dismissed AAB’s appeal with cost.

The Company has instructed its solicitor on 17 August 2010 to apply for leave from the Federal Court to appeal against the Court of Appeal’s decision.

B12 Dividend

The Directors do not recommend any dividends for the financial period ended 30 June 2010.

B13 Earnings per shares

| | 3 months ended | 3 months ended | Year-to-date | Year-to-date |
|---|----------------|----------------|----------------|--------------|
| | 30-Jun-10 | 30-Jun-09 | 30-Jun-10 | 30-Jun-09 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit/(loss) attributable to equity holders of the Company | | | | |
| - from continuing operation | (1,121) | (618) | (2,912) | 6,851 |
| - from discontinued operation | - | - | - | (1,896) |
| | <u>(1,121)</u> | <u>(618)</u> | <u>(2,912)</u> | <u>4,955</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 | (0.50) | (0.28) | (1.30) | 3.07 |
| - discontinued operations | - | - | - | (0.85) |
| Basic, for profit/(loss) for the period | <u>(0.50)</u> | <u>(0.28)</u> | <u>(1.30)</u> | <u>2.22</u> |
| Diluted | - | - | - | - |