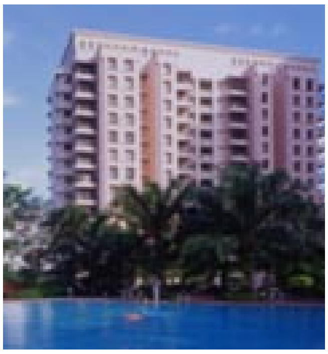
Faber Group Berhad

(COMPANY NO. 5067-M)

annual report 2002



our mission is to be the leading provider of valued services and products in the hospitality, healthcare and property industries.

message from the chairman

DATO' ANWAR BIN AJI

Dear Shareholders,

On behalf of the Board of Directors, I would like to present the Annual Report and Audited Financial Statements of Faber Group Berhad *("Faber")* for the 18-month period ended 31 December 2002.

The 18 months under review has been another challenging period for Faber. Concerted efforts have been made to improve the results for all divisions besides initiatives made to pare down the debts through disposal of non-core activities and assets apart from having a long-term solution in resolving the outstanding debts.

Financial Review

On 1 August 2002, Faber announced the change of its financial year-end from 30 June to 31 December. Prior to the announcement, Faber had obtained the approval from Suruhanjaya Syarikat Malaysia for the postponement of its Annual General Meeting for year 2002 to 30 June 2003 and to table its audited financial statements for the 18-month period ended 31 December 2002.

For the 18 months under review, the Group registered RM702.9 million in revenue. The Healthcare Division contributed RM442.4 million or 62.9% of the Group's revenue. The Hotels Division which recorded an average occupancy rate of 59.3%, due to lacklustre demand of hotel rooms as a result of the global economic slowdown, contributed RM196.5 million or 27.9% of the Group's revenue. The Property Division posted RM64.0 million or 9.1% contribution to the Group's revenue through the completion of various property development projects as well as launching of new projects in the period under review.

Even though the Group reported RM78.0 million in earnings before interest, taxation, depreciation, amortization charges and deferred expenditure written off, the Group's bottom line continued to be weighed down by its debts, being the Redeemable Convertible Secured Bonds ("RCSB") and the Non-Convertible Redeemable Secured Bonds ("NCRSB") which carry a yield-to-maturity of 10% and 12% respectively. The Group reported a loss before taxation of RM237.1 million as a result of the losses before taxation reported by the Hotels Division of RM280.9 million, of which RM221.5 million was due to interest expense arising from the debts taken to finance the construction and refurbishment of the hotels previously. The Group's loss before taxation however was mitigated by the profit before taxation of the Healthcare and Property Divisions of RM43.3 million and RM8.6 million respectively.

As a result of the losses, the Group's shareholders' funds are slowly depleting, thus calling for a long-term solution on the outstanding debts.

Debt Restructuring

Realizing the need for the restructuring of the present RCSB and NCRSB, the Board has, since 2002 together with the advisers, been working to formulate a solution to resolve the Group's debt issue in order to revitalize the Group to a stronger operating and financial footing and to ensure that the Group's consolidated shareholders' funds are preserved.

The progress of the debt restructuring however, has been hindered due to the need to arrive at a scheme that is a win-win solution for all parties concerned. Nevertheless, for the first part of the Proposed Debt Restructuring, Faber has successfully obtained the approval of its RCSB holders to terminate the accrual of the 10% yield-to-maturity of the RCSB at the meeting held on 10 April 2003. This means that from 10 April 2003 onwards until the maturity of the RCSB in 2005, there will be no more accrual of yield for the RCSB. The achievement of this first milestone is critical for Faber as the issue of the eroding shareholders' funds of Faber and the financial and operational viability of Faber will be temporarily addressed, whilst Faber continues to work on the second part of the Proposed Debt Restructuring.

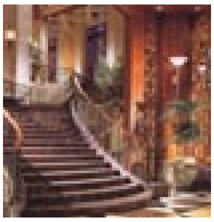
The next step after this is for Faber to work on a permanent solution, which would resolve the debt issue. Therefore, it is imperative for Faber to work on a solution, which will be accepted by its bondholders and shareholders during the current financial year.

Consolidation of Core Business

As part of its effort to revitalize the Group to a stronger operating and financial footing, there is a need to concentrate and improve the efficiencies of the present core businesses and divest the non-core activities. During the period under review, the Company, through its wholly-owned subsidiary Faber Haulage Sdn. Bhd., had completed the disposal of its entire equity of 25% in MISC Haulage Sdn. Bhd. In addition, the Group has also disposed off its 1.1% equity interest in Renong Overseas Corporation Sdn. Bhd.

Operational Highlights

The past 18-month period under review was yet another challenging period for the Group. Whilst all divisions had a common objective to strive for operational efficiency and increased productivity, some were less fortunate than the others due to the intense challenges arising from global events that severely affected particular industries.



Left: Faber Towers dominates the skyline at Taman Desa.
Centre: Sheraton Imperial's grand staircase and marble floors will sweep you off your feet.
Right: Collection of clinical wastes from a hospital for disposal treatment at the Kamunting incineration plant.

Property Division

Under the Property Division, during the 18 months period under review, Faber Development Holdings Sdn. Bhd. ("FDH") continues to reaffirm its reputation as a reputable developer with the successful launches of 3 new projects within Taman Danau Desa, Kuala Lumpur, ie. Plaza Danau II, Danau Murni Phase 4B and Taratak Muhibbah Phase 4A(2). In East Malaysia, FDH launched a new residential development comprising 14 units of double storey semi-detached houses in Taman Grandview, Sandakan.

During the current financial period, FDH through a 55%-owned subsidiary, Rimbunan Melati Sdn. Bhd. ("RMSB"), has secured the privatization of the construction of the Federal Reserve Unit Complex which would see a contribution of approximately 100 acres of a mixed-development land bank to the Property Division as part of the construction consideration. Besides that, new projects identified for the Property Division includes the residential development of another 38 units of double-storey terrace houses in Taman Grandview, Sandakan, 408 units of a high cost condominium in Taman Desa and the launch of 64 units of super-linked terrace houses in Taman Desa in tandem with the current market demand for landed properties.

Having played a major role in transforming Taman Desa into a rapidly growing township, the Property Division through FDH as developer of Taman Desa, continues to be committed to making Taman Desa a better community to live in. During the period under review, FDH initiated a neighbourhood green campaign with the launching of the Taman Desa Community Park and Recycling Centre. The community park, complete with children's playground, jogging paths, skating rink, reflexology paths and beautiful landscaping has been well received. These have inevitably assisted FDH to realize its aim in improving the quality of life and ultimately achieving better value for the residents and owners of properties in Taman Desa.

FM Property Management Sdn. Bhd., the facility and property management arm of the Division, made inroads in the business of car park management in March 2002 when it secured a contract to manage a 1,300-bay car park within Century Square in Cyberjaya.

Hotels Division

The Hotels Division faced innumerable uncertainties during the financial period under review. The lingering effects of 11 September 2001 incident, the Bali Bombing incident in October 2002 and threat of war in Iraq were all major drawbacks for business and leisure travel worldwide. Nevertheless, the Division managed to maintain last year's business volume with room occupancy at 59.3% and food and beverage patronage of about 1.8 million covers.

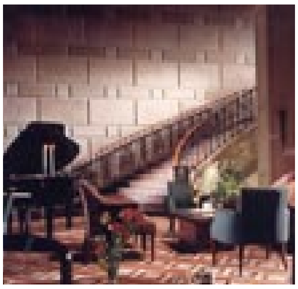
Despite the difficulties, our chain of hotels, especially Sheraton Perdana Resort Langkawi, emerged unrivalled in the 5-star resort category achieving another year of good occupancy and high average room rate.

The Group's flagship hotel, Sheraton Imperial Kuala Lumpur reputed for its outstanding service standards for business travellers amongst the corporate sector, was voted "*Best Business Hotel in Malaysia 2002*" for the third consecutive year through a survey conducted by Bloomberg TV Hong Kong and Business Asia Magazine. Villa Danieli, an exquisite Italianate dining restaurant in Sheraton Imperial, has been the recipient of Malaysia Tatler Magazine's "*Malaysia's Best Restaurants*" certificate for years 1999, 2001 and 2002. The restaurant also received recognition from Wine and Dine Magazine for being among "*KL's Top Restaurants*" for 1999, 2001 and 2002.

Sheraton Subang Hotel and Towers is another hotel in the Group's chain with strong food, beverage and banqueting operations. During the period under review, the hotel's Miyako Japanese Restaurant was presented with "*Malaysia's Best Restaurant 2002*" certificate from Malaysia Tatler Magazine and was featured in the 2001 & 2002 "*Guide to Malaysia's Best Restaurants*". The Emperor Chinese restaurant was awarded the World Asia Media Millennium Gold Award 2001/2002 for "*Best Restaurant in Malaysia – Oriental Cuisine*". The hotel's efforts also won the "*Best Stall Award*" during the Citarasa Malaysia 2001, an event jointly organized by the Ministry of Culture, Arts & Tourism and Dewan Bandaraya Kuala Lumpur. The hotel was also runner-up in the Selangor Landscape Competition 2002 – Hotel/Resort category, a challenge organized by the Selangor State Government.

The hotels' achievements are clear indications that the Group's hotel chain has again, reinforced its position in the hospitality industry in Malaysia.

In addition to the existing five Sheraton brand hotels, the Hotels Division has recommenced the construction work of Sheraton Hanoi which was previously idle after the 1997 financial crisis. The joint-venture company, Vimas Joint Venture Co. Ltd has secured financing from a local bank in Vietnam to complete the construction of the hotel. The hotel is expected to be operational by the last quarter of 2003.



Left: Part of the impressive township of Taman Desa.
Centre: The interior of Sheraton Imperial Kuala Lumpur recreates a grand ambience.
Right: The ground maintenance of the hospitals is part of the Facility Engineering Maintenance Service provided by FMS.

Healthcare Division

The Healthcare Division through Faber Medi-Serve Sdn. Bhd. ("FMS"), which is in its 7th year of managing the 15-year concession from the Government for the provision of hospital support services, continues to experience positive growth in its contribution to the Group's profit.

In January 2002, FMS has successfully taken over all the provision of hospital support services from its turnkey contractors. With the takeover, FMS is now providing the hospital support services directly, a strategic move that is in line with FMS' objective of developing internal competencies, enhancing its level of services in the five hospital support services. To ensure this is done successfully, FMS has invested a substantial amount in upgrading the necessary skills and competency of its new manpower strength of 6,560 staff.

As part of its effort in increasing efficiency and productivity, FMS has upgraded its laundry plant and equipment. In West Malaysia, FMS acquired the laundry equipment from a plant in Nilai, Negeri Sembilan in April 2002. In Sabah, the construction of another new laundry plant located at Lok Kawi, Kota Kinabalu was completed in December 2002. This new plant is currently dedicated to servicing linen operations for hospitals on the east coast of Sabah. Adjoining the laundry plant, a new clinical waste incinerator with a capacity to incinerate approximately one tonne of clinical wastes daily is being installed. Once operational, it will replace the ageing incinerators currently sited at various hospitals.

FMS has successfully converted the ISO 9002: 1994 ISO Certification received for the five hospital support services at Head Office, Kamunting and Sibu Incineration plants to the ISO 9001: 2000 version. In addition, all the 72 Government Hospitals and laboratory under the Concession Agreement have passed the Compliance Audit in the provision of the five hospital support services in December 2002.

In its efforts towards embracing a quality culture, in July 2002, FMS launched the Quality Improvement programme and implemented the Quality Assurance Programmes at all hospital levels to instil continuous improvement and quality services in its operations.

During the period under review, FMS also established three new subsidiaries aimed at positioning FMS for future growth and propelling it to market leadership in Bio-medical Engineering, Linen & Laundry and Cleansing.

Cermin Cahaya Sdn Bhd, a wholly-owned subsidiary which specializes in the provision of cleansing and related waste collection services, aims to improve its service delivery and achieve greater operational efficiency through optimization of manpower and related resources with a long term aim to be a market leader by year 2004.

Cermin Dunia Sdn Bhd, a 60:40 joint venture with SSP Medical Technologies Sdn Bhd, a company with proven track record in the provision of Bio-medical Engineering services by its skilled personnel, will better position FMS to make inroads to capture the ASEAN market.

Cermin Kenyalang Sdn Bhd, a 55:45 partnership with Simfoni Dua Sdn Bhd, a Sarawak-based company was set up to construct, maintain and operate linen processing plants to support its operation as well as to penetrate other business opportunities in Sarawak.

ISO Certification

As mentioned previously, the Group aspires to develop and maintain a pool of competent staff who will continually embrace innovative skills and raise performance standards so as to be better prepared for any challenges, both present and future. I am pleased to inform that internally, all the Group's major operations have been certified with ISO 9002: 1994/ISO 9001: 2000.

Outlook for 2003

The current financial year will be another challenging year for the Group, especially for the Hotels Division. Recently the travel and tourism sectors have been affected by the war in Iraq and the Severe Acute Respiratory Syndrome (SARS) outbreak. These have put a strain on the hotel business as our occupancy and room rates have been badly affected. Unless these issues are resolved, the remaining period will continue to be soft for the Hotels Division.

With the recent approval by the Government of the supplemental agreement on the Privatization of the FRU project by our subsidiary RMSB, our land bank has increased to about 150 acres. These additional 100 acres will enable us to develop another township and we expect to take about seven years to fully develop this land. We are also confident that the projects to be launched this year especially the super-link houses in Taman Desa will be well received as the demand for landed properties, especially in premium locations, are still good.

The Healthcare Division will remain as the major revenue earner for the Group. Having taken over the services from the turnkey contractors for over a year, FMS is now ready to take on new challenges in pursuing new businesses outside the concession. Whilst the revenue derived from the concession will remain strong, we also expect the revenue contribution from non-concession businesses to be encouraging in the near future.

Apart from ensuring the growth in the existing businesses, one of the main tasks that your Board will concentrate on this year is to ensure that we can successfully conclude the restructuring of the outstanding debt of the Group. Anticipating the successful completion of the restructuring scheme by the end of the year, Faber should be able to report a cleaner Balance Sheet to the shareholders next year.

In line with our efforts to strengthen and revitalize the Group, the training and development of our human resources will remain a priority. As the interests of the shareholders and investors remain our priority, the Group subscribes to the highest standards of Corporate Governance. The Board of Directors of Faber is committed to upholding and ensuring the adoption of the Best Practices as recommended in Part 2 of the Code in conducting the Group's businesses.

Acknowledgment

During the year under review, there were several changes in the Board composition.

On behalf of the Board, I would like to welcome our newly-appointed Board members, Encik Azmanuddin Haq bin Ahmad and Puan Noorizah Hj Abd Hamid. The Group looks forward to benefiting from their wealth of knowledge and experience. I would also like to take this opportunity to record our sincere appreciation to Encik Ahmad Pardas Senin and Y Bhg Dato' Ir. Dr. Mohammad Noor bin Haji Salleh, who resigned from the board earlier this year, for their invaluable contributions during their tenure.

My sincere appreciation also goes to my fellow Board members, management and staff for their commitment, dedication, professionalism, teamwork and most importantly their profound patience in facing the challenges during the period under review. I am confident that with their perseverance and commitment, it will be an impetus for the turnaround and the long-term growth that the Group is looking forward to.

To you, our loyal shareholders, bankers, creditors, customers, suppliers, business partners, contractors, consultants, regulatory authorities and Government agencies, we thank you for your unwavering support and confidence in the Group. We look forward to your continuing support as a source of strength to move the Group forward.

Thank you.

Dato' Anwar bin Aji
Chairman
30 April 2003

corporate information

Board of Directors

Dato' Anwar bin Haji @ Aji
Chairman
NON-INDEPENDENT NON-EXECUTIVE

Noorizah binti Haji Abd Hamid
Managing Director

Datuk Zainal Abidin bin Alias
INDEPENDENT NON-EXECUTIVE

Dato' Mohamed Zain bin Mohamed Yusuf
INDEPENDENT NON-EXECUTIVE

Dato' Ikmal Hijaz bin Hashim
NON-INDEPENDENT NON-EXECUTIVE

Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff
INDEPENDENT NON-EXECUTIVE

Elakumari a/p Kantilal
NON-INDEPENDENT NON-EXECUTIVE

Azmanuddin Haq bin Ahmad
NON-INDEPENDENT NON-EXECUTIVE

Company Secretary

Gwee Ooi Teng (MAICSA 0794701)

Group Management

Faber Group Berhad
Noorizah binti Haji Abd Hamid
Managing Director

Faber Development Holdings Sdn Bhd
Wong Weng Peng
Managing Director

Faber Hotels Holdings Sdn Bhd
Noorizah binti Haji Abd Hamid
Managing Director

Faber Medi-Serve Sdn Bhd
Tajul Azwa Bani Hashim
Managing Director

Registered Office

20th Floor, Menara 2, Faber Towers,
Jalan Desa Bahagia, Taman Desa,
Off Jalan Klang Lama,
58100 Kuala Lumpur.
Tel (03) 7628 2888
Fax (03) 7628 2828
www.fabergroup.com.my

Audit Committee

Datuk Zainal Abidin bin Alias
Chairman
INDEPENDENT NON-EXECUTIVE

Dato' Mohamed Zain bin Mohamed Yusuf
INDEPENDENT NON-EXECUTIVE

Elakumari a/p Kantilal *
NON-INDEPENDENT NON-EXECUTIVE

* MEMBER OF MALAYSIAN INSTITUTE OF ACCOUNTANTS

Auditors

Arthur Anderson & Co.
Level 23A Menara Milenium,
Jalan Damanlela, Damansara Heights,
50490 Kuala Lumpur.
Tel (03) 2087 7000
Fax (03) 2095 5332

Share Registrar

Signet Share Registration Services Sdn Bhd
11th Floor, Tower Block,
Kompleks Antarabangsa,
Jalan Sultan Ismail,
50250 Kuala Lumpur.
Tel (03) 2145 4337
Fax (03) 2142 1353
Email: ssrs@signet.com.my

Principal Bankers

Bumiputra Commerce Bank Berhad

Commerce International Merchant Bankers Berhad

Principal Solicitors

Rashid & Lee

Abu Talib Shahrom & Zahari

Shearn Delamore & Co.

Stock Exchange Listing

Main Board of Kuala Lumpur Stock Exchange

corporate structure

OPERATING COMPANIES IN FABER GROUP BERHAD

Faber Development Holdings Sdn Bhd 100%

• Country View Development Sdn Bhd	100%
• Faber Centre Sdn Bhd	100%
• Faber Grandview Development (Sabah) Sdn Bhd	100%
• Faber Heights Management Sdn Bhd	100%
• Faber Plaza Sdn Bhd	100%
• Faber Union Sdn Bhd	100%
• FM Property Management Sdn Bhd	100%
• Rimbunan Melati Sdn Bhd	55%

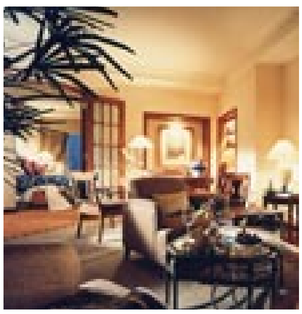
Faber Hotels Holdings Sdn Bhd 100%

• Faber Kompleks Sdn Bhd	100%
• Hotel Merlin Cameron Highlands Berhad	100%
• Langkawi Island Resort Sdn Bhd	100%
• Merlin Inn Johor Bahru Sdn Bhd	100%
• Merlin Labuan Sdn Bhd	100%
• Merlin Management Corporation Sdn Bhd	100%
• Subang Jaya Hotel Development Sdn Bhd	100%
• Inter Heritage (M) Sdn Bhd	51%
• Vimas Joint Venture Company Limited	70%

Faber Healthcare Management Sdn Bhd 100%

• Faber Medi-Serve Sdn Bhd	57%

corporate profile


Left: View of Danau Idaman's relaxing poolside.
Centre: Restrained glamour is characteristic of Sheraton Imperial Kuala Lumpur.
Right: Cleansing, one of the Hospital Support Services managed by FMS under the Concession Agreement.

On 31 May 1963, when Merlin Hotels Malaysia Berhad was first incorporated, the stage was set for the birth of Faber Group Berhad.

A Brief History

At the time, Merlin Hotels Malaysia Berhad was focused on the hospitality industry, and was the holding company for only two subsidiaries, Hotel Merlin Kuala Lumpur Sdn Bhd and Hotel Merlin Cameron Highlands Berhad.

However, through a series of events, what started as a simple hotel company was to become a major player not only in the Hotel industry but also in other key industries, such as Property Development and Healthcare. The seminal point came in 1972 when Merlin Hotels Malaysia Berhad merged with Faber Union Sdn Bhd, and Faber Merlin Malaysia Berhad was formed.

Over the years, Faber Merlin Malaysia Berhad continued to diversify and grow in strength. Finally, on 22 November 1990, in recognition of the progress achieved by the Company, it changed its name to Faber Group Berhad – a simple name for an emerging giant in the hospitality and property industries.

The Group expanded its portfolio in October 1996 to include healthcare services, with the award of the concession for the privatization of Government's hospital support services for Government hospitals in the northern region and in East Malaysia.

Faber Group Today

Today, in the quest to remain at the forefront of a competitive market and to meet the ever-increasing demands and standards of its customers, Faber Group Berhad has firmly repositioned itself to meet the challenges of the new millennium.

Properties

Having long been a reputable and thoroughly reliable property developer and manager, responsible for the popular and rapidly growing Taman Desa development in Kuala Lumpur, Faber Group, through its wholly-owned subsidiary Faber Development Holdings Sdn Bhd, aims to improve its leadership position by delivering more than the expected excellence in this industry. With its current portfolio of 14 residential and commercial developments as well as several new projects in the pipeline, the Group has well positioned itself in this industry.

Hotels

Faber Group has long been synonymous with pioneering the hospitality industry in Malaysia through its respected Merlin heritage. The Group, through its wholly-owned subsidiary Faber Hotels Holdings Sdn Bhd, has a strong alliance with the world renowned Starwood Hotels & Resorts Worldwide Inc. which manages its five 5-star, international class properties in Malaysia under the Sheraton brand. That all its hotel properties occupy prime positions, and enjoy the respect of the industry for product and service excellence, are another mark of a dynamic and far-sighted group.

Healthcare

Faber Group's entry into this rapidly emerging industry came about in October 1996. Although still considered to be a newcomer, its 15-year concession awarded by the Malaysian Government to manage essential hospital support services at 72 Government hospitals and laboratories in the country is further testimony to the respect and the reputation of the Group.

An inviting peace and calm reigns at the 5th floor terrace and pool of Sheraton Imperial Kuala Lumpur.

More than 2,500 years ago, Heraclitus observed that "*Nothing is permanent except change*".

Faber Group Berhad reflects just this premise, constantly evolving over the 40 years of its history to meet changing needs. Today, it has developed into an exceptional group of companies ever-prepared to change in order to seize the opportunities of the future and to fulfill its mission of becoming the leading provider of valued products and services in the hospitality, property and healthcare industries.

board of directors' profile

Dato' Anwar bin Haji @ Aji
Aged 52, Malaysian
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dato' Anwar was appointed to the Board of Directors of Faber Group Berhad ("Faber") as Chairman of Faber on 22 October 2001. He holds a Master of Arts in International Studies from Ohio University, United States of America ("U.S.A"). He has served in various Government Departments such as the Economic Planning Unit of the Prime Minister's Department from 1982 to 1984. He underwent practical training at Malaysian Tobacco Berhad from 1984 to 1985. He continued his career at the Petroleum Development Division of the Prime Minister's Department from 1986 to 1991. He was also previously with the Finance Division of the Ministry of Finance from 1991 to 1993 and assumed the post as Special Assistant to the Secretary General of the Ministry of Finance from 1993 to 1994. He joined Khazanah Nasional Berhad in 1994 and assumed a position as a Senior General Manager since 1996 before assuming his current position as the Chief Operating Officer. His directorships in other public companies include Commerce Asset-Holding Berhad, Syarikat Prasarana Negara Berhad and United Engineers (Malaysia) Berhad.

Dato' Anwar has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. He attended 9 out of the 10 Board of Directors' Meetings held after his appointment, during the financial period.

Noorizah binti Hj. Abd Hamid
Aged 43, Malaysian
MANAGING DIRECTOR

Noorizah was appointed to the Board of Directors of Faber and as Managing Director of Faber on 17 March 2003. She is also the Managing Director of Faber Hotels Holdings Sdn Bhd ("FHH") since 3 August 2002. She holds a Master in Business Administration, majoring in Finance and Management and a Bachelor of Science in Business Administration from Central Michigan University, U.S.A. Prior to joining Renong as a Manager of Group Corporate Affairs in September 1991, she was attached to various positions in finance and corporate advisory with Syarikat Pengurusan Kayu Kayan Terengganu Sdn Bhd, a subsidiary of the Terengganu State Development Corporation, Permodalan Nasional Berhad and Amanah Merchant Bank Berhad. In January 1992, she was transferred to HBN Management Sdn Bhd and was transferred to Projek Lebuhraya Utara-Selatan Berhad ("PLUS") as a Senior Manager in the Treasury Department in January 1994. In January 1996, she was transferred back to HBN Management Sdn Bhd and appointed to the post of Senior Manager of Group Corporate Affairs. In 1997, she was transferred to PLUS as Senior General Manager, Finance before assuming her designation as the Chief Operating Officer of Faber on 9 August 1999. She was also appointed as Director of various subsidiary companies of Faber. Other than Faber, she has no directorships in other public companies.

Noorizah has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. As her appointment was after the end of the financial year ended 31 December 2002, the 1st Board Meeting of Faber that she attended as Director was on 22 April 2003.

Datuk Zainal Abidin bin Alias
Aged 59, Malaysian
INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Zainal was appointed to the Board of Directors of Faber on 22 October 2001. He is the Chairman of the Audit Committee and the Nomination Committee of Faber since 22 October 2001 and 12 December 2001, respectively. He was appointed as a Member of the Remuneration Committee on 17 March 2003. He holds a Bachelor of History (Honours) from University of Malaya. He was with the Malaysian Diplomatic and Administrative Service in 1967 and retired in 1999 as Ambassador to Indonesia. He had served in various capacities in the Ministry of Foreign Affairs as well as in various Malaysian Embassies abroad, namely in Washington D.C., Jakarta, New Delhi, Hong Kong and Tokyo. He was also Malaysia's Ambassador to Kuwait (concurrently accredited as Malaysia's Ambassador to Bahrain, Qatar, The United Arab Emirates and Oman), Thailand and The Republic of Indonesia. In the Ministry of Foreign Affairs, he had also served as ASEAN Director General for Malaysia and as the Chief of Protocol. Other than Faber, he has no directorships in other public companies.

Datuk Zainal has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. He attended all 10 of the Board of Directors' Meetings held after his appointment, during the financial period.

Dato' Mohamed Zain bin Mohamed Yusuf
Aged 63, Malaysian
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Mohamed Zain was appointed to the Board of Directors of Faber on 22 October 2001 and was appointed as a Member of the Audit Committee on 26 October 2001. He is also the Chairman of the Remuneration Committee of Faber since 12 December 2001. He holds a Bachelor of Economics with Honours from University of Western Australia. He was with the Shell Group of Companies and while being there had attended various Senior Management Courses overseas as well as Harvard Senior Management Programme in the mid-80s. From 1986 to 1988, he was the Marketing Consultant to Shell United Kingdom and Shell Caribbean whilst based in the United Kingdom. He was the first person of Malaysian nationality to be appointed as Marketing Director of Shell Marketing Companies in Malaysia at the end of 1998. He was subsequently elevated to the Board of Directors of the Shell Group as Executive Director, both in the upstream and downstream companies as well as 18 other Shell joint-venture companies. In 1996, he resigned as Director of Shell Refining Company (Federation of Malaya) Berhad, a company listed on the Main Board of the Kuala Lumpur Stock Exchange. He also served as a Director on the Board of Directors of Insas Berhad from March 1997 to January 2000. He was also a Director of MBF Finance Berhad from May 1999 to December 2001. He resigned on the completion of the restructuring of MBF Finance Berhad and take over by AmFinance Berhad. He is presently the Chairman of Confoil (M) Sdn Bhd. His directorships in other public companies include MBF Unit Management Berhad.

Dato' Mohamed Zain has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. He attended all 10 of the Board of Directors' Meetings held after his appointment, during the financial period.

Dato' Ikmal Hijaz bin Hashim
Aged 50, Malaysian
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Ikmal was appointed to the Board of Directors of Faber on 10 August 1999. He holds a Bachelor of Arts with Honours from University of Malaya and Master of Philosophy Degree in Land Management from University of Reading, England. He served in the Administrative and Diplomatic Service of the Government from 1976 to 1990. He then joined United Engineers (M) Berhad as the General Manager of the Malaysian-Singapore Second Crossing Project. He became the Chief Operating Officer of PLUS on 1 January 1993 and was appointed the Managing Director of PLUS on 1 January 1995. He resigned as the Managing Director of PLUS on 30 June 1999, but remained as a Director until 21 November 2001. On 1 July 1999, Dato' Ikmal was appointed as the Managing Director of Prolink Development Sdn Bhd and as the Acting Chairman of the Supervisory Board, Property Division of Renong Group. Subsequently, on 1 February 2000, he was appointed as the President of Property Division of the Renong Group and remained as the Managing Director of Prolink Development Sdn Bhd. His directorships in other public companies include Managing Director of Renong Berhad since 12 August 2002.

Dato' Ikmal has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. He attended 11 out of the 12 Board of Directors' Meetings held during the financial period.

Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff
Aged 67, Malaysian
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' (Dr.) Mohamed Ishak was appointed to the Board of Directors of Faber on 31 December 1993. He is a Member of the Remuneration Committee since 12 December 2001 and was appointed as a Member of the Nomination Committee on 17 March 2003. He is a qualified Professional Chartered Town Planner and a Professional Landscape Architect from the University of Newcastle-Upon-Tyne, England. He was honoured by the University of Newcastle-Upon-Tyne, England with the Honorary Degree of Doctor in Civil Law in May 1993. He had served in various State Governments before retiring in 1993. He is presently a member of the Advisory Board of the City of Kuala Lumpur (Dewan Bandaraya Kuala Lumpur) since 1999. His directorships in other public companies include Chairman of Yee Lee Corporation Berhad, Director of Public Bank Berhad, Public Finance Berhad, Public Mutual Berhad and Public Merchant Bank Berhad.

Dato' (Dr.) Mohamed Ishak has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber and never been charged for any offence within the past 10 years. He holds 1,500 ordinary shares of RM1.00 each in Faber but does not hold any shares in the subsidiary companies of Faber. He attended all 12 of the Board of Directors' Meetings held during the financial period.

Elakumari a/p Kantilal
Aged 46, Malaysian
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Elakumari was appointed to the Board of Directors of Faber on 22 October 2001 and was appointed as a Member of the Audit Committee on 26 October 2001. She holds a Master of Science in Finance and Accounting with the programme of study covering financial management and reporting from the University of East Anglia, United Kingdom, and a Bachelor of Accounting from Universiti Kebangsaan Malaysia. She is also a Member of the Malaysian Institute of Accountants since 1984. She began her career as an Officer in the Ministry of Agriculture and Accountant General's Office in 1981 and then as the Senior Officer in the Monitoring of Government Owned Enterprises Division in the Ministry of Finance. She joined Khazanah Nasional Berhad as a Senior Manager in 1994 and was promoted to General Manager in 2000, a position she currently holds. Her directorships in other public companies include TIME dotCom Berhad and TIME Engineering Berhad.

She has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. She attended 9 out of the 10 Board of Directors' Meetings held after her appointment, during the financial period.

Azmanuddin Haq Bin Ahmad
Aged 33, Malaysian
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Azmanuddin was appointed to the Board of Directors on 18 February 2003 and was appointed as a Member of the Nomination Committee on 17 March 2003. He holds a Bachelor of Accounting and Finance Management from University of Sheffield, United Kingdom. He was previously with Aseambankers Malaysia Berhad from July 1995 prior to joining United Engineers (M) Berhad (UEM). He joined UEM on 24 October 2001 as an Assistant General Manager in the Office of Managing Director/Chief Executive Officer ("MD/CEO"). He is currently General Manager in the Office of MD/CEO of UEM and also the Special Assistant to the Executive Vice-Chairman of Renong Berhad. He is also heading the Corporate Finance and Mergers and Acquisitions Division of the UEM-Renong Group. His directorship in other public company includes Cement Industries of Malaysia Berhad.

He has no family relationship with any Director and/or major shareholder of Faber, no conflict of interest with Faber, never been charged for any offence within the past 10 years and does not hold any shares in Faber and its subsidiaries. As his appointment as Director was after the end of the financial year ended 31 December 2002, the 1st Board Meeting of Faber that he attended was on 19 February 2003.

senior management's profile

Wong Weng Peng
Managing Director – FDH

Wong Weng Peng, aged 46, is the Managing Director of Faber Development Holdings Sdn Bhd ("FDH") and is responsible for the Property Development and Management Division of the Group. He holds a Bachelor's Degree in Building Sciences from University of Trent Nottingham, England. Prior to being appointed the Managing Director of FDH in January 1998, he was the Project Director of Prolink Development Sdn Bhd from 1995 to 1997.

Tajul Azwa Bani Hashim
Managing Director – FMS

Tajul Azwa Bani Hashim, aged 46, is the Managing Director of Faber Medi-Serve Sdn Bhd ("FMS") and responsible for the Hospital Support Services Division of the Group. He holds a Bachelor Degree of Science in Mathematics and Information Science from University of Tasmania. Prior to joining PLUS in 1989, he worked with Malaysia Mining Corporation and Automated Technology Sdn Bhd. He was the General Manager of Operations of PLUS since 1996 until his appointment as the Chief Operating Officer of FMS in January 1997.

Amir Abdul Rahman
Chief Operating Officer – FHH

Amir Abdul Rahman, aged 53, was appointed as the Chief Operating Officer of Faber Hotels Holdings Sdn Bhd ("FHH") on 19 March 2003, and is responsible for the overall operations of the Hotels Division in the Group. Previously, he was the Group General Manager of FHH since 1996. He is a hotelier by profession and has 29 years experience in the hotel industry. He was the Deputy General Manager of Desaru International Resort in Johor from 1990 to 1992. Prior to joining FHH, he was the General Manager of Sheraton Penang from 1992 until 1995 before the hotel was selected by Starwood to undergo the rebranding exercise as Sheraton Penang. He is also the Honorary Secretary in the Malaysia Association of Hotel Owners (MAHO) for the last four years and sits as a committee member in the Tourism Council meetings.

operations review

properties
hotels
healthcare

properties

Left: Danau Idaman, a residential property presently managed by FMPM.
Centre: Danau Permai's idyllic backdrop.
Right: The delightful pool and surroundings at Danau Permai.

The reputation of Faber Development Holdings Sdn Bhd ("FDH") was made from its development of the popular Taman Desa neighbourhood in Kuala Lumpur. By paying heed to changing sensitivities and needs and by striving for delivery that goes beyond the expected excellence, its properties today are much valued and sought after.

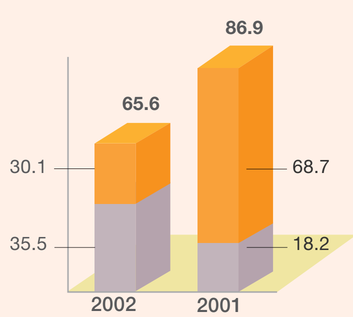
FDH focuses on property development and facility management and has to be sensitive to new developments, respond quickly to shifting demands in the market and embrace a culture of innovation.

The weak property market in Malaysia during the financial year 2001/2002 has provided FDH with the opportunity to consolidate on its current strengths, building up the necessary resilience so that when the economy expands, it will be well poised to capitalize on the situation.

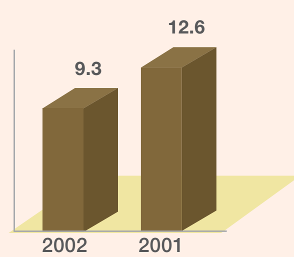
Financial Review

For the period under review, the Property Division recorded revenue of RM65.6 million for the 18-month period ended 31 December 2002. The revenue was mainly contributed by property development amounting to RM35.5 million or 45.9% and facility management amounting to RM30.1 million or 54.1%. The revenue has declined by RM21.3 million or 24.5% as compared to the previous financial year (12 months). The decline in revenue was mainly attributable to lower progress billings recognized for the newly launched projects as compared to higher progress billings for projects near completion in the previous financial year.

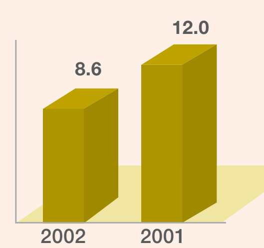
The Division recorded RM9.3 million in earnings before interest, taxation, depreciation and amortization ("EBITDA") and RM8.6 million in profit before taxation ("PBT") for the current financial year as compared to RM12.6 million in EBITDA and 12.0 million in PBT respectively in the previous financial year. The decline in EBITDA of 26% and in PBT of 28% was mainly due to the provision for diminution in investment in development property amounting to RM5.2 million which was partially mitigated by the reversal of provision for defect liabilities.



Revenue RM(Million)



EBITDA RM(Million)



PBT RM(Million)

Facility Management
Property Development

Left: The well-proportioned and comfortable interior of an apartment developed by FDH.
Centre: Danau Permai's calming garden design.
Right: Pleasing landscaping is a welcome feature at Danau Permai.

FDH focuses on property development and facility management and has to be sensitive to new developments, respond quickly to shifting demands in the market and embrace a culture of innovation.

Operation Review

Activity during the 18-month period under review has been centred on Kuala Lumpur and Sandakan, Sabah.

The company embarked on a commercial development and two new residential projects in Taman Danau Desa, Kuala Lumpur where its strategic location continues to appeal to buyers:

- Plaza Danau II, a commercial development of 68 units of four-storey shop-offices was launched in January 2002 and is scheduled for completion in the third quarter of 2004.
- Danau Murni Phase 4B, a 500-unit medium-cost condominium, launched in December 2001 is expected to be completed in 2004.
- Taratak Muhibbah Phase 4A(2), a 266-unit low-cost apartment block, launched in March 2002 will be completed in early 2005.

In April 2002, FDH has also launched a project comprising 14 units of double storey semi-detached houses in Taman Grandview, Sandakan with an expected completion date in year 2004. Following the positive response to this launch, plans are underway for a second development in Taman Grandview where 38 units of double-storey terrace houses will be launched by June 2003.

In view of the current market demand, FDH has changed its plans on the development of Phase 1B from a luxury condominium to 64 units of super-linked terrace houses expected to be launched in the last quarter of 2003. Another project in the pipeline is the development of 408 units of a high cost condominium in Taman Desa. During the period under review, FDH through its subsidiary Rimbunan Melati Sdn Bhd ("RMSB") recently secured the privatization project to construct the Federal Reserve Unit Complex which would see a contribution of approximately 100 acres of mixed development land bank to the Company.

Having played a major role in transforming Taman Desa into a rapidly growing township, the Property Division through FDH as developer of Taman Desa, continues to be committed to making Taman Desa a better community to live in. In striving to have a competitive edge in an aggressive industry, FDH has to be responsive to the changing tastes and desires of potential customers if it wishes to be relevant to people's lives. As people today are increasingly taken up with the green agenda, during the year, FDH initiated a neighbourhood green campaign.

On 5 March 2002, YB Dato' Seri Ong Ka Ting, Housing and Local Government Minister, officially launched The Taman Desa Community Park and Recycling Centre. The programme involved the construction of a recycling centre and various beautification and greening programmes. 2.1 acres of land have been designated as a community park with children's playground, jogging paths, skating rink and beautiful landscaping, all of which is part community service and part FDH's drive to improve the surroundings, image and property values at Taman Desa.

The thoughtfully-planned Danau Permai reflects FDH's high standards of property development.

FM Property Management Sdn Bhd ("FMPM"), a wholly-owned subsidiary of FDH is the facility management arm of the Company. FMPM currently manages two commercial properties – Faber Towers in Taman Desa and Penang Plaza in Jalan Burmah, Penang and eight residential properties – Faber Ria, Faber Plaza, Danau Permai, Danau Impian, Danau Idaman, Tiara Faber, Taratak Muhibbah and Vista Komanwel.

Growth continues apace at FMPM; in March 2002, it secured a contract to manage the 1,300-bay car park facility within Century Square in Cyberjaya, Selangor.

Future Outlook

Regardless of the state of the economy, Facility Management is indispensable for property owners. In the coming year, FMPM will accelerate its drive towards enhanced efficiency to face up to the increasing competitiveness in the industry and actively pursue new business opportunities to enhance the company's profitability.

Besides exploring for new business opportunities, FDH will strengthen its current business through improved operational efficiency and cost control. Barring any unforeseen circumstances, the Division expects to improve on its performance in the coming financial year.

hotels

Left: Exceptional service distinguishes our remarkable collection of hotels.
Centre: A typical room at Sheraton Perdana Resort Langkawi lavishly appointed, entirely comfortable.
Right: Sheraton Imperial Kuala Lumpur's Villa Danieli offers fine dining in an elegant Italianate setting.

In a business that is so dependent on consumer tastes, sound insight on the consumer mindset followed by excellent service delivery are key for success. Faber Hotels Holdings, one of the pioneers of the hospitality industry in Malaysia, ably leverages its 40 years' experience to provide valued services and products that will enable it to remain competitive in this challenging industry.

Faber Group Bhd is one of the pioneering names in the Malaysian hospitality industry. Today, through Faber Hotels Holdings Sdn Bhd ("FHH"), it continues to be a key player with a total of seven fully operational properties in Malaysia.

Through its strategic alliance with Starwood Hotels & Resorts Worldwide Inc, it owns five 5-star international class hotels under the "*Sheraton*" brand. It also owns and operates two tourist-class hotels under its original "*Merlin*" name.

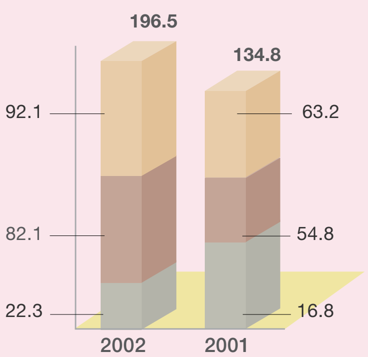
Financial Review

The financial period under review saw a few incidents that led to uncertainties for the hospitality industry. Most hotels, which managed to outperform their forecasts in the first quarter of the year, were severely affected by the drop in business and leisure travel worldwide as a result of the September 11, 2001 incident in the USA. The industry managed a steady albeit slow recovery in the 4th and 5th quarters, until it suffered another setback with the unfortunate Bali bombing incident and the threat of war in Iraq late in 2002.

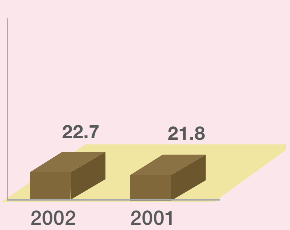
Despite the tough financial year, the Hotels Division managed to maintain its business volume to budget, with its room occupancy at 59.3% and food and beverage patronage of about 1.8 million covers. During the 18-month period under review, the Division recorded RM196.5 million in revenue, of which RM92.1 million or 46.9% was due to the contribution from rooms rental and RM82.1 million or 41.8% was from the sale of food and beverages. The Division however recorded lower average rates for its rooms and food and beverage businesses, recording RM200 and RM43, respectively, for the 18-month period ending 31 December 2002, compared to RM206 and RM44 recorded in the previous 12-month financial year.

The Division achieved RM22.7 million in earnings before interest, taxation, depreciation, amortization charges and extraordinary item, an increase of 4% when compared to the previous financial period.

At the loss before taxation ("LBT") level, the Division recorded a higher LBT from RM124.4 million in the last financial year to RM280.9 million. This was mainly due to the compounding factor in its interest expense arising from the loans taken to finance the construction and refurbishment of the hotels in prior years. The Division's interest expense was RM221.5 million (18 months), an increase of almost 80% compared to RM123.4 million (12 months) recorded in the last financial year.



Revenue RM(Million)



EBITDA* RM(Million)

Rooms
Food & Beverage
Others

* Excluding extraordinary item

Left: Sheraton Subang Hotel and Towers' magnificent convention-cum-ballroom.
Centre: Our selection of F&B outlets are popular hang-outs for locals and guests alike.
Right: A view of the reception area at Sheraton Penang.

Through its strategic alliance with Starwood Hotels & Resorts Worldwide Inc, it owns five 5-star international class hotels under the "*Sheraton*" brand. It also owns and operates two tourist-class hotels under its original "*Merlin*" name.

Operation Review

During the period under review, Sheraton Perdana Resort in Langkawi continues to be unrivalled in the luxury resort category. It achieved a record average room rate of RM349, a RM24 jump from the previous period.

Sheraton Imperial in Kuala Lumpur remains the favoured luxury city hotel among the corporate sector, the confirmation of which came when it was voted '*Best Business Hotel in Malaysia 2002*' for the second consecutive year in a survey organized by the prestigious pairing of Hong Kong-based Bloomberg TV and Business Asia magazine. Increased business for its state-of-the-art meetings and conventions facilities also indicates the high regard the corporate sector places on its services. Villa Danieli, its fine dining restaurant located in an exquisite Italianate setting, continues to be a firm favourite with the city's gourmet and corporate dining community. It has been the recipient of Malaysia Tatler Magazine's '*Malaysia's Best Restaurants*' certificate for 1999, 2001 and 2002 on top of the recognition from Wine and Dine magazine for being among '*KL's Top Restaurants*' for 1999/2000 and 2001/2002.

Sheraton Subang Hotel and Towers' strong food, beverage and banqueting operation has always drawn appreciative patrons. Some of the accolades received this year include Miyako Japanese Restaurant being presented the '*Malaysia's Best Restaurant 2002*' certificate from Malaysia Tatler and was featured in the 2001 & 2002 '*Guide to Malaysia's Best Restaurants*'. The Emperor also made it to the Roll of Honour winning the World Asia Media Millennium Gold Award 2001/2002 for the '*Best Restaurant in Malaysia – Oriental Cuisine*' by World Asia Media Holdings (M) Sdn Bhd. In the local scene, Sheraton Subang Hotel and Towers was awarded the "*Best Stall*" during the Citarasa Malaysia 2001, an event jointly organized by the Ministry of Culture, Arts and Tourism Malaysia and Dewan Bandaraya Kuala Lumpur.

Sheraton Labuan Hotel caters predominantly to the business traveller, being located in Labuan, Malaysia's offshore financial centre in East Malaysia while Sheraton Penang Hotel is popular with both business and leisure travellers to the island.

The two '*Merlin Hotel*' properties in Johor Bahru and in the hill resort of Cameron Highlands are definite draws for many budget-conscious travellers especially during the holiday seasons.

In the luxury resort hotel category, the Sheraton Perdana Resort Langkawi, soars above everyone else.

Future Outlook

The Hotels Division will add another Sheraton brand hotel to its existing portfolio. Sheraton Hanoi hotel which was previously idle has recommenced construction work and is expected to be operational by the last quarter of 2003.

The coming financial year will be another challenging year for the Hotels Division. The effects of the Iraq war and the Severe Acute Respiratory Syndrome (SARS) outbreak would definitely put a strain on the hotels business as the hotels occupancy and rates would be affected. We expect business in the coming year to be soft for the Hotels Division.

healthcare

Left: All medical equipment undergo comprehensive planned preventive maintenance.
Centre: All linen supplies are treated, repaired and replenished regularly by FMS.
Right: Collection of clinical wastes from the hospital wards collection area.

The increasing sophistication of medical techniques, facilities and equipment and the high demands the medical establishment and patients place on those who deliver hospital support services compel Faber Medi-Serve Sdn Bhd to adopt a philosophy of constant improvement and development in order for it to maintain its position as a leading provider in this complex business.

Faber Medi-Serve Sdn Bhd ("FMS"), provides hospital support services and is one of the three core businesses of Faber Group Bhd.

FMS recorded a significant expansion in its business activity in the period under review, having made huge inroads into the private healthcare sector nationwide, boosting the number of private healthcare establishments it provides Clinical Waste Management Services to, from just over 100 last year to 360 this year.

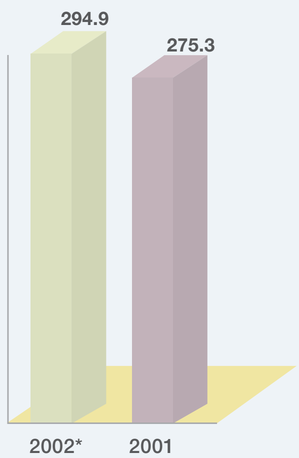
It has also added two new Ministry of Health ("MOH") facilities, increasing the number of Government healthcare institutions it services to 72.

This relates to FMS's 15-year concession with MOH to provide hospital support services to Government hospitals in the states of Perlis, Kedah, Penang, Perak, Sabah and Sarawak. FMS is entering its 7th year of managing this concession for the provision of Clinical Waste Management, Cleansing, Linen & Laundry, Facility Engineering Maintenance and Bio-medical Engineering Maintenance services.

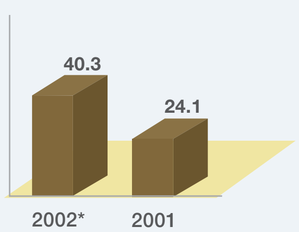
Financial Review

The Healthcare Division registered revenue of RM442.4 million for the 18 months period ended 31 December 2002. Based on an annualized revenue of RM294.9 million, the Division's revenue has increased by RM19.6 million or 7.1% when compared to RM275.3 million revenue recorded for the last financial period. The increase in revenue was mainly due to the recognition of Variation Works Orders of additional blocks and installed facilities, higher reimbursable works secured, higher deliveries of clean linen and increased volume of clinical wastes managed.

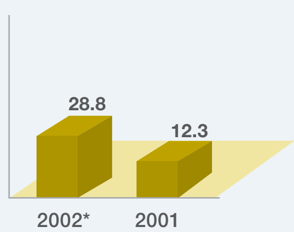
The Division reported RM60.4 million in earnings before interest, taxation, depreciation and amortization ("EBITDA") in the period under review. On an annualized basis, the EBITDA was RM40.3 million as compared to RM24.1 million recorded in the previous year. The EBITDA margin has improved from 9% to 14%. The improvement was attributable to the increase in revenue and cost savings resulting from the successful integration of the provision of hospital support services from the turnkey contractors upon expiry of their contracts on 31 December 2001. As a result of the improvement in revenue and EBITDA, PBT grew by 6% to RM43.3 million.



Revenue RM(Million)



EBITDA RM(Million)



PBT RM(Million)

*Annualized result based on 18 months period

Left: All linen are thermally disinfected according to the UK Fabric Care Research Association Standards.
Centre: FMS ensures all bio-medical equipment are available and well maintained.
Right: Ipoh Hospital, one of the hospitals in which FMS provides support services of uncompromised quality.

FMS's dominant foothold in the healthcare services category is due to its impressive track record, compliance to international standards and reputation for innovation and progress.

Operation Review

FMS's focus is targeted at ensuring delivery of quality services and achieving operational efficiency. This has been accomplished through the successful conversion of the ISO 9002: 1994 certification for the management of all five services at the head office, Kamunting and Sibu incinerator plants to ISO 9001: 2000 version for the provision of all five services at all sites, the consistent implementation of quality assurance programmes, the utilization of a maintenance management information system, the continuous upgrading of service facilities, and on-going training programmes. FMS is also committed to improving its core competencies in these services.

In January 2002, FMS integrated the resources utilized to provide the five services and formed a new operating structure to take over the direct provision of the services from the turnkey contractors upon the expiry of their contracts. In keeping with the integration objective to develop internal competencies, FMS has invested more than RM650,000 on training and development to ensure that its 6,560 staff have the skills and capabilities to provide services that exceed customers' expectations.

To strengthen its platform for business expansion, FMS formed alliances with strategic partners, leading to the creation of three subsidiaries – Cermin Cahaya Sdn Bhd ("CCSB"), Cermin Dunia Sdn Bhd ("CDSB") and Cermin Kenyalang Sdn Bhd ("CKSB").

CCSB, a 100% subsidiary of FMS, was formed in recognition of the labour intensive nature of cleansing with the aim to improve service delivery and operational efficiency through optimization of manpower and other resources. CCSB's experienced management team is tasked to drive the company to secure commercial contracts in selected market segments beginning 2004.

CDSB is a 60:40 joint venture between FMS and SSP Medical Technologies Sdn Bhd ("SSP"). SSP has been providing Bio-medical Engineering Maintenance Services for FMS since the beginning of the concession. In recognition of scarce supply of Bio-medical engineers in the country, the alliance assures FMS of the availability of an adequate number of skilled personnel to consistently deliver the service. It will also enable FMS to forge ahead to capture the market in ASEAN.

CKSB is a 55:45 joint venture between FMS and Sarawak-based Simfoni Dua Sdn Bhd to construct, maintain and operate linen processing plants as well as provide linen processing services to hospitals in Sarawak. CKSB will enable FMS to exploit laundry related business opportunities in Sarawak.

Everyday, FMS manages 18 tonnes of clinical wastes, processes 34 tonnes of soiled linen, cleanses 1.5 million square metres of clinical and general areas, upkeeps 72 medical facilities and maintains over 30,000 Bio-medical equipment. FMS is committed to provide the services of this magnitude according to internationally acclaimed standards. These include the British Institute of Cleaning Science (BICS), UK Fabric Care Research Association (FCRA), American Society for Healthcare Engineering (ASHE) and the Emergency Care Research Institute (ECRI).

Clinical wastes being weighed prior to transportation to the incineration plant.

Future Outlook

FMS's dominant foothold in the healthcare services category is due to its impressive track record, its compliance with international standards and its reputation for innovation and progress. As the Government builds more hospitals and medical facilities that are furnished with sophisticated equipment under the 8th Malaysia Plan, FMS's policy of taking proactive measures to ensure that all its operating resources keep pace with technological advancements will strengthen its ability to expand its business beyond the existing contract hospitals.

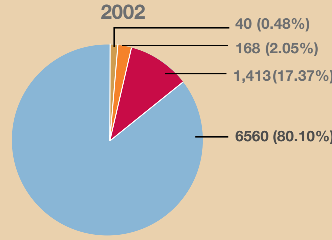
The new structures and processes introduced in January 2002 set FMS on course to meet the Company's objective of achieving sustainable growth and increased revenue from the private domestic sector and international markets.

human resource development

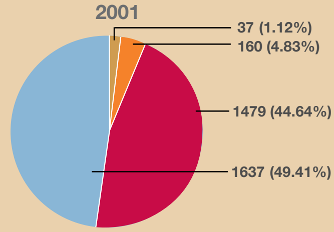

Left: The healthy team spirit that typifies Faber's positive attitude.
Centre: Celebration of staff birthdays help to build espirit de corps.
Right: Safety Committee Workshop Training on the important of safety and security practices.

...to recruit the best employees, maximize their skills and capabilities through training and development programmes and retain them through a fair performance-based reward system.

Manpower Status By Segment 2002



Manpower Status By Segment 2001



Manpower Strength

The Group's employees are considered the most important resource and the driving force in realizing its mission to be the leading provider of valued services and products in the hospitality, healthcare and property industries.

The Group's core business activities which are service oriented in nature adopt the following Human Resource Policy – to recruit the best employees, maximize their skills and capabilities through training and development programmes and retain them through a fair performance-based reward system.

As at 31 December 2002, the Group's manpower strength is 8,191 compared to the previous year's total of 3,313. The significant increase was due to the integration programme whereby Faber Medi-Serve Sdn Bhd ("FMS") had taken over all the staff from its turnkey contractors upon the expiry of their contracts on 31 December 2001 for the provision of hospital support services.

Training and Development

The contribution of every employee is vital for the Group to achieve its aspirations. Training and development is therefore regarded as an investment fundamental to the Group's success as improved competencies will enhance productivity.

The Group invests 5% of its annual gross salary outlay for this purpose. In view of the large numbers involved, the different job requirements, and individual abilities and ambitions, the Group's training strategy needs are multi-tiered and multi-faceted. They cover a diversity of areas – from language proficiency to mastering the latest technologies, from encouraging teamwork to advancing independent strategic thinking.

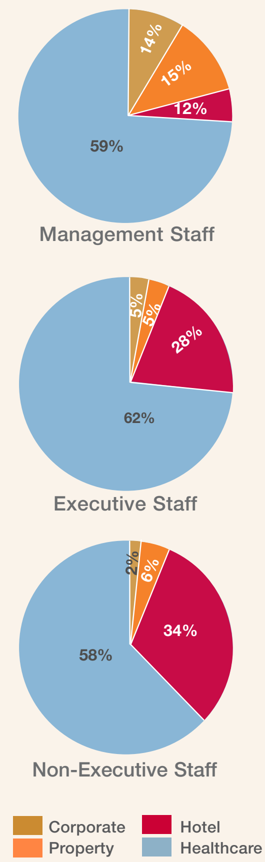
Training programmes are offered at both Group and subsidiary levels, and cover these key areas – Personal Development, Technical/Functional Skills, Management and Leadership, and Business Competency.

In the service-oriented industry today, exceptional service delivery is critical in meeting our customer's needs. And with the Group's renewed commitment to providing improved services to both internal and external customers, training programmes on customer relations have been given priority.

Additionally, the Group's strategic alliance with Starwood Hotels & Resorts Worldwide Inc has enabled those working in its Hotels Division to attain the drive for higher service standards using Sheraton Hotel's worldwide training programmes – STAR and Six Sigma – to great success.

The Group has always provided opportunities and support to employees through secondments, temporary releases, interest-free study loans and study/examination leave of absences for personal and career development.

Training Expenditure Distribution 2002



Quest For Quality

With the commitment and full support from all levels, the Group has embarked on a quest for Quality in the ISO 9001: 2000 Certification. To date, all its major operations have been certified with ISO 9001: 2000. The Group targets to fully migrate all its operations to ISO 9001: 2000 by next financial year.

The Group has embraced the following Quality Policy for continuous improvement – "*We are committed to satisfying the expectations of our customers by providing quality and value-added services through continuous service improvements, teamwork, dedication and professionalism. We shall endeavour to continually improve the effectiveness of our quality management system in our pursuit of quality excellence*".

Occupational Safety and Health

The Group places the highest regard on the issue of Occupational Safety and Health (OSH). It provides all employees with safe working environments. Major operations of the Group have Safety and Health Committees to monitor and review safety related issues and institute new safety procedures. To raise employees' awareness of safety and health, drills and campaigns are regularly conducted, some of which are run in collaboration with authorities such as the Fire Department, Red Crescent, Police and the Local Authorities.

Employer-Employee Relations

Fostering a harmonious work environment is an integral part of the Group's continuing success in healthy employer-employee relations. In 2002, the Group successfully concluded two Collective Agreements in its Hotels Division.

The Group also organized various recreational activities at all the Divisions such as Inter-company games, family days, festive celebrations and other events to encourage interaction between all levels of employees to build esprit de corps amongst the staff.

green initiatives

Left: Taman Desa Community Park and Recycling Centre launched by YB Dato' Seri Ong Ka Ting, Housing and Local Government Minister.
Right: The Taman Desa Environmental Awareness Campaign Icon.

Progress, and the wealth that comes with it, allows us to live more comfortable lives. However, progress needs to be balanced with care for the environment. Faber has been an advocate of the green agenda long before it became a contemporary concern. It believes business should be conducted in a responsible manner and that the benefits of its activities should not be negated by any adverse impact on the environment.

As such, Faber is always receptive to innovative ways of introducing new construction methodologies and techniques as well as ecologically sensitive approaches in all its development projects. The Group's completed projects have always included an element of environmental consciousness and pro-activity. Taman Desa, Kuala Lumpur, a mix of residential and commercial projects that is synonymous with Faber, is a testament of the Group's green initiatives. Today, Taman Desa is rapidly becoming a growing township with a sprawling tree-lined neighbourhood and scenic lake views. Similarly at Taman Grandview, Sandakan, land that could be used for homes are used to create green lungs for residents.

In May 2002, the Property Division via FDH initiated an environmental awareness project that was part of its '*Image Enhancement of Taman Desa*' programme. Its purpose was to instil in residents the importance of adopting greening measures and the practice of recycling waste.

FDH invested an initial RM350,000 to get this plan started. A community park with jogging and reflexology paths, skating rink and other amenities was built. A recycling centre for the collection of paper, glass, plastic and cans was also put up so residents have a place to dispose of waste for recycling. An added incentive for residents to use the recycling centre was that the proceeds from the sale of this waste would be utilized for further greening and beautifying schemes at Taman Desa. More than 20,000 residents in the Taman Desa area are expected to benefit from the facilities and the beautification programme which covers an area of approximately 2.1 acres.

Under the Healthcare Division, the clinical waste management services are carried out in accordance to the Department of Environment's approved guidelines. All areas of operations are monitored and scrutinized, which includes collection, storage, transportation, incineration and disposal of waste in an environmentally-friendly manner.

The green agenda has never been more needed than it is today. Progress remains the goal but if we care for our children to have a world and future that is habitable, we have to start taking environmental concerns seriously.

community relations

Left: FMS presenting cheque to Jabatan Kesihatan Negeri Sarawak through MAKSAK Sarawak.
Right: Sheraton Imperial Kuala Lumpur hosted "*Bear for Christmas*", a fun raising activity for sheltered homes.

Besides channelling our focus and resources in revitalising Faber and adding value to our shareholders, the Group has not lost sight of its responsibility as a corporate citizen. During the past financial year, all the divisions set out Community Relations programmes and initiated various activities in response to community needs. The programmes were aimed at instilling employees' pride and also to enhance the Group's Corporate Image.

Under the Healthcare Division, the organized activities during the last financial year include the donation of four units of reconditioned servers to the Computer Sciences & Information Technology Faculty of Universiti Putra of Malaysia as part of FMS's contribution towards education and the development of IT technology. In sports, FMS has sponsored the Sarawak Government Services Welfare and Recreational Council ("MAKSAK" Sarawak) to the value of RM20,000.00 in conjunction with the Ministry of Health's ("MOH") 2002 Annual National Sports Tournament.

Hospital's "*in-house guest*" is another group of people that occasionally received "*surprise visits*" from our caring and concerned Company's Board of Directors, senior management and staff of the Group's Healthcare Division. The activities include the distribution of festival goodies at selected paediatric and maternity wards at hospitals under FMS's care, blood donation campaign, "*gotong-royong*" activities and sponsoring of local community and social events.

Under the Hotels Division, 'adopting' special homes for less privileged adults and children was a vital part of their Community Relations programmes. Our dedicated employees devoted time and energy to bring joy to the lives of those less fortunate. Regular visits were made to selected welfare homes bringing them gifts of food, provisions, toys, monetary donations and best of all, lots of cheer. The thoughtful gesture of Sheraton Perdana Langkawi sharing its Family Day with the local orphanage, Sheraton Subang's "*Berbuka Puasa*" with Children's Homes, visits to Sri Murugan Care Centre and Starwood Cares visit to "*Rumah Orang-Orang Tua Klang*" were much appreciated by their respective local communities.

The demand for wheel chairs for the handicapped and vehicle facilities for special homes and shelters for the less fortunate remain high in the country. In response to the Government calls to the private sector to actively participate in community relations' activities, Sheraton Subang Hotel & Towers and Sheraton Penang initiated fund raising campaigns by organising "*Baking Cookies for Good Causes*", selling cakes and cookies specially prepared by "*Sheraton Hotels Creative Chefs*". Meanwhile, Sheraton Imperial Kuala Lumpur hosted a "*Bears For Christmas*" fund raising for four sheltered homes facilitated by the Malaysian Council for Rehabilitation.

During the last festive seasons, the Group and its subsidiary companies invited children from various selected orphanages in the Klang Valley to attend the Group's annual festival gatherings. The respective hotels also hosted festive meals, distributing gifts and delighting their guests with wonderful entertainment.

The Group's Community Relations commitment is not only limited to local communities. As a member of the global community in today's borderless world, Faber is supportive of the need to create a better world for children around the world by giving its full support to the five Sheraton Hotels in Malaysia for their participation with other Sheraton owned and/or managed hotels all over the world in the campaign "*Give It Your Best Shot*" organised in support of UNICEF's life-saving work on immunisation. The Group believes that being sensitive to the community's need is critical to a harmonious co-existence.

group ISO certification

Date	Company/Region	Category	Certification Body
15 January 1999	FMS Head Office, KL and Zone Offices – Kedah, Perak, Sabah and Sarawak, Kamunting Incineration Plant	ISO 9002: 1994 Management of Bio-medical engineering maintenance, facility engineering maintenance, clinical waste, cleaning and linen and laundry services and operations of Kamunting Incineration Plant	SGS Yarsley International Certification Services Limited, UK.
3 March 2000	Faber Union Sdn Bhd	ISO 9002: 1994* Provision for project management services & related project management activities	SIRIM
4 May 2000	FM Property Management Sdn Bhd	ISO 9002: 1994* Provision of tenancy management, electrical, mechanical & building maintenance, parking, security & customer services for Danau Permai Condominium & Faber Towers	SIRIM
26 May 2000	Merlin Inn Johor Baru	ISO 9002: 1994* Hotel Operations	Lloyd's Register Quality Assurance Singapore
18 August 2000	Merlin Inn Cameron Highlands	ISO 9002: 1994* Hotel Operations	Lloyd's Register Quality Assurance Singapore
10 October 2000	FMS – Regional Incineration Facility Sibu	ISO 9002: 1994 Operations of Regional Incineration Facility in Sibu	SGS Yarsley International Certification Services Limited, UK.
8 November 2001	FGB, FHH and FDH	ISO 9001: 2000 Provision of Corporate Management Services to Subsidiary Companies	Lloyd's Register Quality Assurance Kuala Lumpur
28 November 2001	FMS Head Office, KL and Zone Offices – Kedah, Perak, Sabah and Sarawak Incineration Plant – Kamunting and Sibu	ISO 9001: 2000 Successful conversion from ISO 9002: 1994 to ISO 9001: 2000	SGS Yarsley International Certification Services Limited, UK.
22 January 2003	FMS – All hospitals and laundry plants in the states of Perlis, Kedah, Penang, Perak and Sarawak FMS – Nilai Laundry Plants	ISO 9001: 2000 Provision of Hospital Support Services – Bio-medical engineering maintenance, facility engineering maintenance, cleansing, clinical waste and linen and laundry services	SGS Yarsley International Certification Services Limited, UK.
25 February 2003	FMS – All hospitals and laundry plants in the state of Sabah	ISO 9001: 2000 Provision of Hospital Support Services – Bio-medical engineering maintenance, facility engineering maintenance, cleansing, clinical waste and linen and laundry services	SGS Yarsley International Certification Services Limited, UK.

* In the process of converting to ISO 9001: 2000

group achievements

Hotel / Restaurant	Awards	Received From
Sheraton Imperial Kuala Lumpur	Best Business Hotel in Malaysia 2001 and 2002	Business Asia Magazine and Bloomberg TV Hong Kong
Villa Danieli	Malaysia's Best Restaurants Certificate for 1999, 2001 and 2002.	Malaysia Tatler Magazine
	KL's Top Restaurants Certificate for 1999/2000 and 2001/2002	Malaysia Tatler Magazine
Sheraton Subang Hotel and Towers	Citarasa Malaysia 2001 – Winner of the Best Stall Competition	Ministry of Culture, Arts & Tourism Malaysia and Dewan Bandaraya Kuala Lumpur
	Runner-up of the Selangor Landscape Competition 2002 under Hotel/Resort category	Selangor State Government
Miyako Japanese Restaurant	Voted as one of the finest restaurants in Malaysia and was featured in Malaysia's Best Restaurants 2001 and 2002 guide.	Malaysia Tatler Magazine
The Emperor Chinese Restaurant	World Asia Media's Millennium Gold Award 2001/2002 for the Best Restaurant in Malaysia – Oriental Cuisine	World Asia Holdings (M) Sdn Bhd

group financial calendar

Financial Year End	31 December 2002*

Announcement of Results	
First Quarter	26 November 2001
Second Quarter	28 February 2002
Third Quarter	31 May 2002
Fourth Quarter	23 August 2002
Fifth Quarter	26 November 2002
Sixth Quarter	28 February 2003

* The Group and the Company changed its financial year end from 30 June to 31 December to be co-terminous with its corporate shareholder. The current financial period covers an 18-month period from 1 July 2001 to 31 December 2002.

group corporate calendar

11 July 2001
Ahmad Pardas Senin was appointed as Director of Faber Group Berhad ("FGB") and Member of the Audit Committee of FGB.

22 October 2001
Dato' Abdullah Mohd Yusof, Tuan Haji Bidari Tan Sri Datuk Mohamed, Dato' Mohamad Izat bin Ahmad Habechi Emir and Dato' Syed Abdul Bari resigned as Directors of FGB.

Dato' Syed Abdul Bari and Dato' Mohamad Izat bin Ahmad Habechi Emir also resigned as Members of the Audit Committee.

Dato' Anwar bin Haji @ Aji, Datuk Zainal Abidin bin Alias, Dato' Mohamed Zain bin Mohamed Yusuf and Elakumari a/p Kantilal were appointed as Directors of FGB. Dato' Anwar was also elected as Chairman of FGB to succeed Dato' Abdullah.

29 October 2001
An announcement was released to Kuala Lumpur Stock Exchange ("KLSE") on the changes to the composition of the Audit Committee of FGB, in particular the resignation of Dato' Ikmal Hijaz bin Hashim and Ahmad Pardas Senin as Members of the Audit Committee and the resignation of Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff as Chairman.

The announcement also includes the appointment of Datuk Zainal Abidin bin Alias, Dato' Mohamed Zain bin Mohamed Yusuf and Elakumari Kantilal as Members of the Audit Committee, and the election of Datuk Zainal as Chairman of the Audit Committee to succeed Dato' (Dr.) Mohamed Ishak, who remained a Member of the Audit Committee. The changes took effect from 26 October 2001.

7 December 2001
Faber Development Holdings Sdn. Bhd. ("FDH") launched Phase 4B of Taman Danau Desa – a 500-unit medium cost condominium project known as Danau Murni Condominiums.

26 January 2002
FDH launched Phase 5B of Taman Danau Desa – a commercial development known as Plaza Danau II consisting 68 units of four-storey Shop-Offices.

28 January 2002
An announcement was released to KLSE on the issue of Notices in relation to the convening of meetings for the following categories of the holders of up to RM1,565,042,702.00 nominal value of Zero Coupon Redeemable Convertible Secured Bonds Due 2005 ("the 2000/2005 Bonds"):-

- Holders of All Series of the 2000/2005 Bonds ("the Bondholders"),
- Holders of the B Series of the 2000/2005 Bonds ("Holders of 2000 /2005 B Bonds"), and
- Holders of the F Series of the 2000/2005 Bonds ("Holders of 2000 /2005 F Bonds")

20 February 2002
Meeting of the Bondholders to seek approval of the following:-

- the proposed modification to the relevant clauses of the trust deed constituting the 2000/2005 Bonds,
- proposed capitalization of part of the advance made by FGB to Faber Healthcare Management Sdn Bhd ("FHMSB") and subsequent charge of new FHMSB shares ("the Proposed, Capitalization of FHMSB's Advance"),
- proposed dissolution of Belaire Investments (Proprietary) Ltd. ("the Proposed Dissolution of Belaire"), and
- proposed ratification and approval of Administration Budget.

(Collectively referred to hereafter as "the Proposals")

The Bondholders had at the meeting approved the Proposals.

Meeting of the Holders of the 2000/2005 B Bonds and F Bonds to seek approvals of the following:-

- the Proposed Capitalization of FHMSB's Advance
- the Proposed Dissolution of Belaire

The Holders of the 2000/2005 B Bonds and F Bonds had at their respective meetings approved the Proposed Capitalization of FHMSB's Advance, and the Proposed Dissolution of Belaire.

1 March 2002
FM Property Management Sdn. Bhd. ("FMPM"), a wholly-owned subsidiary of FDH, officially took over the management of a 1,300-bay car park in Century Square, Cyberjaya.

5 March 2002
Official launching of Taman Desa Community Park and Recycling Centre in Taman Desa by YB Dato' Seri Ong Ka Ting, Housing and Local Government Minister.

9 March 2002
FDH launched Phase 4A(2) of Taman Danau Desa – a 266-unit low-cost apartment project known as Taratak Muhibbah.

6 April 2002
FDH launched a residential development project of 14 units of double-storey semi detached houses in Taman Grandview in Sandakan.

30 April 2002
Christopher Lawrence Bachran resigned as Director and Managing Director of FGB.

4 May 2002
Signing ceremony between Faber Medi-Serve Sdn. Bhd. ("FMS") & Simfoni Dua Sdn Bhd ("SDSB") to undertake the delivery, collection and processing of linen in Sarawak.

21 May 2002
FGB announced the entry of FMS into a Shareholder's Agreement with SSP Medical Technologies Sdn Bhd in relation to a joint venture for the purpose of provision of Bio-medical Engineering Maintenance and Electronic and Electrical Asset Management and Maintenance Services.

24 May 2002

FGB announced the entry of FMS into a Shareholders' Agreement with SDSB in relation to a joint venture for the purpose of constructing, operating, and maintaining laundry processing and equipment as well as carrying out linen processing services.

1 August 2002

FGB released an announcement to KLSE on the change of FGB's financial year-end from 30 June to 31 December. Prior to the announcement, FGB had obtained the approval from Suruhanjaya Syarikat Malaysia for extension of time of up to 30 June 2003 to hold its Annual General Meeting for year 2002 and to table its audited financial statements for the period ended 31 December 2002.

5 November 2002

An announcement was released to KLSE on the entry by Faber Haulage Sdn. Bhd. ("FHSB") into a Sale and Purchase of Shares Agreement with MISC Integrated Logistics Sdn. Bhd., a wholly-owned subsidiary of Malaysia International Shipping Corporation Berhad in relation to the proposed disposal of 10,000,000 ordinary shares of RM1.00 each in MISC Haulage Services Sdn Bhd ("MHSB") by FHSB for a cash consideration of RM19,500,000 ("the Proposed Disposal of MHSB Shares").

8 November 2002

FMS signed linen and laundry services agreement with SMS Kg. Likas to provide linen and laundry services for 10 hospitals in Sabah.

12 November 2002

FGB announced the formation by FMS of Cermin Kenyalang Sdn Bhd for the purpose of the joint venture arrangement between FMS and SDSB.

18 February 2003

Resignation of Ahmad Pardas Senin as Director of FGB. Appointment of Azmanuddin Haq bin Ahmad to the Board of Directors of FGB.

11 March 2003

FGB entered into a Sale of Shares Agreement with Renong Berhad for the proposed disposal by FGB of 500,000 Ordinary Shares of RM1.00 each in Renong Overseas Corporation Sdn Bhd ("ROC"), representing 1.1% equity interest in ROC for a total cash consideration of RM1.00. ("the Proposed Disposal of ROC Shares").

12 March 2003

Two separate Extraordinary General Meetings of the shareholders of FGB were held at Sheraton Imperial, Kuala Lumpur to seek shareholders' approval on the following proposals:-

- the Proposed Disposal of MHSB Shares, and
- proposed renewal of shareholders' mandate for existing recurrent related party transactions and mandate for additional recurrent related party transactions ("the Proposed Mandates").

The Proposed Disposal of MHSB Shares and the Proposed Mandates were unanimously approved by the shareholders.

17 March 2003

Dato' Prof. Ir. Dr. Mohammad Noor bin Haji Salleh resigned as Director of FGB.

Appointment of Noorizah binti Haji Abd Hamid as Director and Managing Director of FGB.

19 March 2003

An announcement was released to KLSE on the issue of Notices in relation to the convening of the following meetings:-

- Meeting of the Bondholders,
- Meeting of the Holders of the 2000/2005 B Bonds, and
- Meeting of the Holders of the 2000/2005 F Bonds.

10 April 2003

Meeting of the Bondholders to seek approval of the following:-

- the Proposed Disposal of MHSB Shares,
- proposed utilization of the RM19,500,000.00 sale proceeds from the Proposed Disposal of MHSB Shares,
- the Proposed Disposal of ROC Shares,
- proposed modification of rights of the Holders of the 2000/2005 Bonds by the proposed termination of further accrual of yield and consequential modification of trust deed,
- proposed approval of annual forecast administration expenses, and
- proposed discharge of Faber Labuan Sdn Bhd's ("FLSB") shares in Vimas Joint Venture Company Limited ("VJVC") representing FLSB's 70% equity interest in VJVC and proposed discharge of debenture held on FLSB ("Proposed Discharge of Securities").

(Collectively referred to hereafter as "the Proposals")

The Bondholders had at the meeting approved the Proposals.

Meeting of the Holders of the 2000/2005 B Bonds and F Bonds to seek approval on the Proposed Discharge of Securities.

The Holders of the 2000/2005 Bonds had at the meeting approved the Proposed Discharge of Securities.

14 April 2003

FGB announced the completion of the Proposed Disposal of ROC Shares.

corporate governance statement

Faber Group Berhad's Corporate Governance Landscape

The Board of Directors is fully committed in ensuring that the principles and best practices as set out in the Malaysian Code on Corporate Governance ("the Code") are applied in Faber Group Berhad ("FGB").

FGB has continuously and consciously cultivated the highest level of integrity in the affairs of its Board of Directors, management, and employees culminating in positive interaction with its stakeholders. The Board is pleased to report to the shareholders on the application of the principles of the Code and the extent of compliance with best practices of good governance pursuant to recommendations of the Code.

A Board of Talent

The Board comprises seven non-executive Directors of whom three (3) are independent non-executive Directors. Puan Noorizah Hj Abdul Hamid has been appointed the Managing Director of FGB on the 17 March 2003 and is the only Director with an executive position on the Board. Encik Ahmad Pardas Senin and YBhg. Dato. Prof. Ir. Dr. Mohammad Noor bin Haji Salleh, had resigned as Board members on 18 February 2003 and 17 March 2003 respectively. Additionally, Encik Azmanuddin Haq bin Ahmad was appointed as a Board member on 18 February 2003. None of the Directors has personal vested interests in FGB.

A mix of experience, talents and skills necessary to set a firm direction for FGB lies in the Board of Directors. Hence, the Directors are appointed based on their leadership, experience, skills and knowledge of the industry with commendable backgrounds to support their credibility. The Board of Directors also represents the highest level of decision-making authority in FGB. While the Board is entrusted with setting the overall strategic business direction of FGB, the Management is empowered to manage the daily operations and report to the Board.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure a balance of power and authority. There is a also clear and distinct division of duties between the Board and the Management. Running the daily operations of the business is the responsibility of the Management while the Directors are responsible to set the overall strategies and direction of FGB. None of the Directors have unfettered power of decision.

More than one-third of the Board comprise Non-Executive Directors since FGB recognizes the contribution of Non-Executive Directors as equal members in the development of FGB's strategy, the importance of representing the interests of the public shareholders and providing a balanced and independent view to the Board. All Independent Non-Executive Directors are independent of management and free from any relationship which could interfere with their independent judgement.

Board Meetings

The Board meets regularly to review the Management Reports on progress of business operations, financial reports as well as reports submitted by the Audit Committee, and to assess and approve the Management's proposals that require the Board's approval. Special Board meetings are also held on an ad-hoc basis for the Board to deliberate urgent issues that require immediate decision-making. During Board meetings, Senior Management may also be invited to provide the Board with detailed explanations and clarifications on each agenda the Board deliberates.

During the financial period ended 31 December 2002, a total of Twelve (12) Board Meetings were held. The details of the director's attendance are as follows:

NAME OF DIRECTOR	STATUS	NO. OF MEETINGS ATTENDED	NO OF MEETINGS HELD DURING TENURE
Dato' Anwar bin Haji @ Aji (appointed Chairman on 22.10.2001)	Non-Independent, Non-Executive Chairman	9	10
Datuk Zainal Abidin bin Alias (Appointed on 22.10.2001)	Independent, Non-Executive Director	10	10
Dato' Mohamed Zain bin Mohamed Yusuf (appointed on 22.10.2001)	Independent, Non-Executive Director	10	10
Dato' Ikmal Hijaz bin Hashim	Non-Independent, Non-Executive Director	11	12
Dato' (Dr) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	Independent, Non-Executive Director	12	12
Elakumari a/p Kantilal (appointed on 22.10.2001)	Non-Independent, Non-Executive Director	9	10
Dato' Prof. Ir. Dr. Mohamad Noor bin. Haji Salleh (appointed on 12.12.2001, resigned on 17.03.2003)	Independent, Non-Executive Director	5	7

NAME OF DIRECTOR	STATUS	NO. OF MEETINGS ATTENDED	NO OF MEETINGS HELD DURING TENURE
Ahmad Pardas Senin (appointed on 11.07.2001, resigned on 18.02.2003)	Non-Independent, Non-Executive Director	12	12
Christopher Lawrence Bachran (resigned on 30.04.2002)	Managing Director	6	6
Dato' Abdullah Mohd Yusof (Chairman up to 22.10.2001, resigned on 22.10.2001)	Independent, Non-Executive Chairman	2	2
Tn. Haji Bidari Tan Sri Datuk Mohamed (resigned on 22.10.2001)	Independent, Non-Executive Director	2	2
Dato' Syed Abdul Bari Shahabudin (resigned on 22.10.2001)	Independent, Non-Executive Director	2	2
Dato' Moehamad Izat bin Achmad Habechi Emir (resigned 22.10.2001)	Independent, Non-Executive Director	1	2

Stewardship Responsibilities of the Board of Directors

The Board of Directors forms the highest authority in the governance of FGB. Its principal responsibility is to ensure compliance with the doctrine of corporate governance. The Board has assumed the following six specific responsibilities in discharging their stewardship responsibilities pursuant to Best Practices Provision AAI of the Code:

- Reviewing and adopting a strategic plan for the FGB Group.
- Overseeing the conduct of FGB's business to evaluate whether the business is being properly managed.
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- Developing and implementing an investor relations programme or shareholder communications policy for FGB.
- Reviewing the adequacy and the integrity of FGB's internal control systems and management information systems, including the systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is responsible in reviewing and adopting the Management's proposals on strategic business and action plans, including approving the annual budget for FGB. This is duly done through the Annual Business Plan review.

Supply of Information to the Board

FGB Management is responsible to provide the Board with all information of which it is aware will assist the Board in discharging its responsibilities. The Board expects to receive timely advice on all material information about the FGB Group.

In practice, the Board of Directors have full and unrestricted access to the information within the FGB Group. Prior to each Board meeting, the Board will be dispatched with a full set of Board Papers based on the Board agenda well in advance from the date of the meeting. The Board comprehensively covers review of financial issues, market share and key business indicators while quarterly financial results are also tabled to the Board for approval after review and recommendation by Audit Committee before announcing to Kuala Lumpur Stock Exchange (KLSE).

Whilst the Board have full access to information within the FGB Group, the Board of Directors terms of reference are in place for Directors to seek independent professional advise at the expense of FGB. In addition, the Board have access to advise and services of the Company Secretary in executing their duties and specific responsibilities.

Appointments to the Board

In compliance to the Code which endorses as good practice, a formal procedure for appointments to the Board, with a nomination committee making recommendations to the Board, a Nomination and a Remuneration Committee are in place.

Nomination Committee

A Nomination Committee was established on 12 December 2001 and currently, the composition of the Nomination Committee is as follows:

- Datuk Zainal Abidin bin Alias, Chairman (Independent, Non-Executive)
- *Dato' Dr. Mohamed Ishak @ Ishak bin Haji Mohamed Ariff, (Independent, Non-Executive)
- *Azmanuddin Haq bin Ahmad (Non-Independent, Non-Executive)

**Dato' Dr. Mohamed Ishak @ Ishak bin Haji Mohamed Ariff succeeded Dato' Prof. Ir. Dr. Mohammad Noor bin Haji Salleh on 17 March 2003 while Encik Azmanuddin Haq bin Ahmad succeeded Encik Ahmad Pardas Senin on 18 February 2003, as Nomination Committee member.*

Principal duties of the Nomination Committee include:

- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- Review annually its required mix of skills and experience and other qualities, including core competencies, which non-executive Directors should bring to the Board.
- Recommend suitable orientation, educational and training programmes to continuously train and equip the existing new Directors
- Ensure that the appointment of any Executive Director or Managing Director of FGB shall be for a fixed term not exceeding three years at any one time with power to re-appoint, remove or dismiss thereafter.
- Recommend to the Board, candidates for all directorships proposed by the Managing Director, and within the bounds of practicality, by any other senior executive or any director or shareholder and to recommend to the Board candidates to fill the Audit, Nomination, Remuneration and other Board Committees. A description/specification for the new Directors should be drafted before identifying possible candidates. Candidates should be evaluated against this specification.
- Assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director based on the process implemented by the Board.

The Nomination Committee has met two (2) times during financial period ended 31 December 2002.

Re-election

In accordance with the Articles of Association of FGB, all directors including Managing Director and Executive Director who are appointed by the Board shall retire from office once at least in each 3 years, but shall be eligible for re-election.

Remuneration Committee

A Remuneration Committee was established on 12 December 2001 and currently, the composition of the Remuneration Committee is as follows:

- Dato' Mohamed Zain bin Mohamed Yusuf, Chairman (Independent, Non-Executive)
- *Datuk Zainal Abidin bin Alias (Independent, Non-Executive)
- Dato' Dr. Mohamed Ishak @ Ishak bin Haji Mohamed Ariff, (Independent, Non-Executive)

**Datuk Zainal Abidin bin Alias succeeded Dato' Prof. Ir. Dr. Mohammad Noor bin Haji Salleh on 17 March 2003 as a Remuneration Committee member.*

Principal duties and responsibilities of the Remuneration Committee include:

- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of Executive Directors and the Managing Director, the Chief Executive Officers and other special grade staff having regard to the overall group policy guidelines/framework.
- Advise the Board on the performance of the Executive Directors and the Managing Director, the Chief Executive Officers and other special grade staff and an assessment of his/her entitlement to performance related pay.
- Review the history of and proposals for the remuneration package of the FGB's committees.

The Remuneration Committee has met four (4) times during the financial period ended 31 December 2002.

Directors' Remuneration Package

The remuneration package of the Directors in FGB comprise some or all of the following:

(i) Basic Salary
In setting the basic salary for the Managing Director, the Remuneration Committee takes into account the compensation practices of other companies and the performance of each individual director.

(ii) Fees
Fees payable to Non-Executive Directors are proposed by the Board and are subject to the approval from the share holders at Annual General Meetings.

(iii) Bonus Scheme
FGB operates a bonus scheme for all employees, including the Managing Director. The criteria for the scheme is dependent on the level of profit achieved from FGB's business activities together with the assessment of each individual's performance. Bonus payable to the Managing Director are reviewed by the Remuneration Committee and approved by the Board.

(iv) Benefits-in-Kind
Other benefits such as car and driver or car allowances, medical and dental cover for the Managing Director and immediate family and leave passage. Other than the Managing Director, the Chairman of FGB is also entitled to a car and driver or car allowance.

(v) Retirement Plan
Contributions are made to the Employees Provident Fund (EPF) in respect of the Managing Director.

Directors' Remuneration Disclosure

DIRECTORS' REMUNERATION

The breakdown of the Remuneration of the Directors of FGB for services rendered to FGB as a group for the financial period ended 31 December 2002 by category are shown below:-

REMUNERATION	EXECUTIVE	NON-EXECUTIVE DIRECTORS	TOTAL DIRECTORS
FEES	–	641,000	641,000
ESTIMATED MONEY VALUE OF BENEFITS-IN-KIND	12,000	26,550	38,550
SALARIES	786,048	37,400	823,448
BONUS	53,328	–	53,328
TOTAL	**851,376**	**704,950**	**1,556,326**

The number of directors whose total remuneration during the year fall within the following band is as follows:

RANGE OF DIRECTORS' REMUNERATION	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL
RM0 – RM50,000.00	–	7	7
RM50,001.00 – RM100,000.00	–	3	3
RM100,001.00 – RM150,000.00	–	3	3
RM800,001.00 - RM850,000.00	1	–	1
TOTAL	**1**	**13**	**14**

Communication with Shareholders and Investors

During Annual General Meetings and Extraordinary General Meetings, the Directors will inform shareholders on current developments of FGB. Shareholders have the opportunity to ask Directors questions pertaining to FGB for the Directors to respond. Annual reports, printed in English are also given to all shareholders prior to the Annual General Meetings with information on the Directors of FGB, accounts, development and future outlook.

A website at www.fabergroup.com.my has been established for shareholders and the public to access information pertaining to FGB which is updated regularly. The public and potential shareholders may also learn of the FGB Group's products and services through FGB's website.

FGB also makes timely announcements to KLSE on corporate proposals, meetings, announcements, financial reporting and all other announcements that are required pursuant to the Listing Requirements of KLSE. Current and historical announcements of FGB are easily assessable to the public through the KLSE website. In addition, an Investor Relations programme is managed centrally through the UEM Group Management Sdn Bhd Investor Relations Unit.

Accountability and Audit

Directors' Responsibility in respect of the preparation of the Audited Financial Statements

The Directors are required under the provisions of the Companies Act 1965 to ensure that the financial statements are prepared in accordance to the approved accounting standards in Malaysia. Specifically, the Directors will ensure that the financial statements prepared give a true and fair view on the state of affairs of FGB and the FGB Group at the end of the financial years. Towards the end, the assessment of the FGB Group's operations and prospects are presented in a balanced and easily understood manner.

The quarterly financial results are reviewed by the Audit Committee and approved by the Board of Directors before releasing to KLSE. The details of FGB and the FGB Group financial statements are drawn in the Financial Statements section in the Annual Report.

Even though the requirement to disclose quarterly financial results has been made mandatory by KLSE in 1999, FGB has since the mid 1990s taken the initiative in announcing its quarterly results prior to the KLSE rulings.

Relationship with the Auditors

A transparent and appropriate relationship is maintained with the Company's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the authority to communicate directly with both the External and Internal Auditors. Currently, the External Auditors provides an independent and professional external auditing services to FGB.

Statement of Compliance with Best Practices of the Code

The Board considers that it has complied throughout the financial year with Best Practices as set out in the Code.

statement on internal control

Introduction

The Malaysian Code on Corporate Governance stipulates that the board of a listed company should "maintain a sound system of internal control to safeguard shareholders' investment and the company's assets". Pursuant to paragraph 15.27 (b) of the KLSE Listing Requirements, the Board of Directors of Faber Group Berhad ("FGB") is pleased to make the following statement.

Responsibility of the Board

The related principal responsibilities of the Board on risk and internal control include:

i. Identifying principal risks and ensure the implementation of appropriate systems to manage these risks.
ii. Reviewing the adequacy and the integrity of the FGB's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board acknowledges the importance of ensuring that a sound system of internal control and effective risk management practices are in place in FGB. As such, the Board is committed in improving the effectiveness of internal control, risk management and governance processes of FGB. However, no system is foolproof and it should be acknowledged that the system in place could only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

Risk Management Framework

In January 2002, a Risk Management Steering Committee ("RMSC") was formed to prepare the Risk Management Framework. The objective of this framework is to provide guidance to FGB to facilitate a structured approach to identifying, evaluating and managing significant risks and to achieve a level of adequate and standard reporting to the holding company in a timely manner. The Risk Management Framework was presented to the Audit Committee and approved by the Board of Directors of FGB in November 2002.

RMSC is chaired by the Managing Director of FGB. The members of the RMSC comprise a mix of senior management personnel in various fields at the holding company level and the heads of the three main subsidiary companies (Faber Hotels Holdings Sdn Bhd, Faber Development Holdings Sdn Bhd and Faber Medi-Serve Sdn Bhd) within the FGB Group. Whilst the Risk Management Framework was adopted by the FGB Group, it only encompasses the three (3) main subsidiaries of FGB excluding associated companies.

Broadly, the Risk Management Framework entails the following:

- The Corporate Risk Management Policy;
- Roles of the Board of Directors, Audit Committee, Management and RMSC; and
- The framework of the Risk Management process.

The RMSC was established to coordinate and implement an Enterprise-Wide Risk Management programme for FGB. Among the functions of the RMSC are as follows:

- Coordinate with the three main business units to identify key risk exposures of the FGB Group;
- Compile key risk profile in a Risk Register and ensure the risk control systems are in place to manage such risks; and
- Prepare an Enterprise-Wide Risk Report including risk treatment and actions plans to improve the current risk control system, to further strengthen the integrity of the internal control mechanism. This report will be tabled to the Board after the review by the Audit Committee, semi-annually prior to the adoption of the Statement on Internal Control. This report has been prepared in compliance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies.

The Board has identified the following as the major risks affecting the FGB Group:

- Financial Risk
- Internal Process Risk (Operational Risk)
- External Risk
- Strategic Risk
- People Risk

The introduction of the Enterprise-Wide Risk Management programme via the Risk Management Framework will ensure a more coordinated and consistent approach in managing the FGB Group's risk exposures. In ensuring its on-going review of significant risks affecting the FGB Group, the internal control procedures with clear lines of accountability and delegated authority were established through a series of Standard Operating Procedure manuals which forms part of the Quality Management System of FGB which has been certified under ISO 9001: 2000.

Elements of Internal Control

The control environment sets the tone of FGB. It is the foundation of all other components of internal control, providing the discipline and structure. It influences the control consciousness of the people in FGB. In recognizing the importance of control environment in the overall governance process, the Board of FGB has instituted the following:

- Appointment of three (3) Independent Directors to ensure that they are independent from management to enable and if necessary to raise difficult and probing questions.
- Appointment of Board Committees which have been delegated with specific responsibilities with written terms of reference. These committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations for the Board's decision.
- Appointment of Managing Director/Chief Operating Officer in the management of various companies within the FGB Group. Their appointment, roles and responsibilities, and authority limits are set by the respective Board.
- Establishment of the Discretionary Authority Limit ("DAL") which sets the limit for operating and capital expenditure for each level of management within the Company. The DAL is regularly reviewed and revised to ensure its effectiveness.
- Availability of appropriate organizational structure, appropriate assignment of authority and responsibility and Policies and Procedures in the management of the business affairs of the FGB Group and a Code of Conduct to ensure FGB employees are of high integrity and ethical values. Job descriptions defining each task and competency required and the availability of a Performance Management System as a means to assess staff performance. Employees' knowledge, skills and abilities are further enhanced through continuous education, training and development activities which will enable them to operate and monitor the system of internal control effectively.
- Establishment of a Performance Monitoring and Budgetary System through regular and comprehensive information is provided to Management for monitoring of performance against the strategic plan approved by the Board, covering all key financial and operational indicators. A detailed budgeting process is established requiring all key operating companies in the FGB Group to prepare budgets annually, which are discussed and approved by the Board. Effective reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management.
- Availability of a computerized financial system that captures every single financial transaction which is collated and consolidated into the monthly management financial statements and quarterly forecast performances which allows Management to focus on areas of concern.
- Reviews of internal control system are carried out on a regular basis by the internal audit function. Results of such reviews are reported regularly to the Audit Committee. The work of the internal audit function is based on areas of priority as identified in the Risk Assessment Exercise which is described in detail under Risk Management Framework above and in accordance with the Annual Audit Plan approved by the Audit Committee. The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvements by both the internal and external auditors on the state of the internal control system, and reports back to the Board. Internal control weaknesses identified during the financial period under review have been or are being addressed by Management. None of these weaknesses have resulted in any material loss that would require disclosure in the FGB Group's financial statements.

audit committee report

Composition

The Audit Committee consists of three (3) members of the Board of which two (2) are Independent Non Executive Directors and one (1) Non-Independent Non-Executive Director. Faber Group Berhad ("FGB") has complied fully with Para 15.10 of the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements which requires the majority of the Audit Committee to be Independent Directors.

The members of the Audit Committee and their details are as follows:

	POSITION
Datuk Zainal Abidin bin Alias *	Chairman
Dato' Mohamed Zain bin Mohamed Yusuf *	Member
Elakumari a/p Kantilal ++ø	Member

* INDEPENDENT NON-EXECUTIVE
++ NON-INDEPENDENT NON-EXECUTIVE
ø MEMBER OF MALAYSIAN INSTITUTE OF ACCOUNTANTS

Meetings

The Audit Committee will meet at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman.

The quorum for meetings of the Audit Committee shall be 3 members and the majority of the members present shall be independent directors.

The Secretary of the Audit Committee shall attend each Audit Committee meeting and record the proceedings of the meeting.

Attendance At Meetings

During the financial year ended 31 December 2002, the Audit Committee held a total of 12 meetings. The Board papers for the meetings were distributed to the members with sufficient notification. The details of attendance of the Audit Committee members are as follows:

NAME OF COMMITTEE MEMBER	NO. OF MEETINGS ATTENDED	NO OF MEETINGS HELD DURING TENURE
Datuk Zainal Abidin bin Alias *	9	9
Dato' Mohamed Zain bin Mohamed Yusuf *	9	9
Elakumari a/p Kantilal *	9	9
Dato' (Dr) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff @	3	3
Dato' Syed Abdul Bari Shahabudin #	2	2
Dato' Moehamad Izat bin Achmad Habechi Emir #	2	2
Dato' Ikmal Hijaz bin Hashim G	3	3
Ahmad Pardas Senin ^	2	2

^ APPOINTED AS A MEMBER OF THE AUDIT COMMITTEE ON 11 JULY 2001.
* APPOINTED AS A MEMBER OF THE AUDIT COMMITTEE ON 26 OCTOBER 2001.
# RESIGNED AS A MEMBER OF THE AUDIT COMMITTEE ON 22 OCTOBER 2001.
G RESIGNED AS A MEMBER OF THE AUDIT COMMITTEE ON 26 OCTOBER 2001.
@ RESIGNED AS CHAIRMAN OF AUDIT COMMITTEE ON 26 OCTOBER 2001 AND MEMBER OF THE AUDIT COMMITTEE ON 8 NOVEMBER 2001

The Managing Director, Chief Operating Officer, General Manager, Internal Audit of FGB, Senior Management of subsidiary companies and representatives from the External Auditors were invited to attend Audit Committee meetings whenever necessary. The Company Secretary, Gwee Ooi Teng, is the Secretary to the Audit Committee.

Activities

The following activities were performed by the Audit Committee during the financial year ended 31 December 2002:-

1. Reviewed and approved the Annual Audit Plan of FGB for the calendar year 2002 and 2003. In its review of the Annual Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units of the FGB Group and the Internal Audit's basis of assessment and risk rating of the proposed areas of audit.
2. Reviewed and deliberated on a total of 22 audit report assignments and 7 follow-up audit report assignments conducted by the Internal Audit Department of FGB.
3. Reviewed and deliberated on a total of 4 audit reports on special audit assignments and 2 follow-up audit reports assignments conducted by the UEM Group Internal Audit.
4. Reviewed the unaudited quarterly financial statements and the audited accounts of FGB and the FGB Group and recommending the same for approval by the Board, upon being satisfied that inter-alia, the financial reporting and disclosure requirements of the relevant authorities had been complied with.
5. Attended relevant briefing and seminars conducted internally within the UEM Group and conducted by external parties and/or professional associations to keep abreast with the latest practices, development and updates pertaining to duties and responsibilities and functions of an Audit Committee.
6. Site visits to the following hospitals and its facilities were carried out to provide a better understanding of the hospital support services provided by Faber Medi-Serve Sdn Bhd, a subsidiary of FGB:-
   - Queen Elizabeth Hospital, Kota Kinabalu, Sabah
   - Sarawak General Hospital, Kuching, Sarawak
   - Penang General Hospital, Pulau Pinang and
   - Alor Setar General Hospital, Kedah
7. Reviewed the processes and investigations undertaken by the Internal Audit Department, the audit findings and risk analysis on each audit assignments and emphasized on follow-up audits to ensure that appropriate corrective actions are taken and recommendations of the Internal Audit are implemented.
8. Assessed and determined the performance rating of the General Manager of Internal Audit. The remuneration, annual increment and performance related incentives of the General Manager of Internal Audit was decided by the Audit Committee. The Audit Committee also reviewed the manpower strength to assess the resource requirement of the Internal Audit Dept.
9. Reviewed the terms of the shareholders mandate for recurrent related party transactions of a revenue or trading nature.
10. Reviewed the Risk Management Framework for the FGB Group.

Composition

The Audit Committee shall be appointed by the Directors from amongst their numbers via a Directors' resolution and shall be composed of not fewer than three (3) members of whom a majority shall be independent directors.

At least one member of the audit committee:-

(i) must be a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
   - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   - the signatory fulfils such other requirements as prescribed by the Exchange; or
   - holds a degree/masters/doctorate in accounting or finance (including persons who are members of professional accountancy organizations which have been admitted as full members of the International Federation of Accountants eg. Institute of Certified Public Accountants of Singapore, American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants) and at least 3 years' post qualification experience in accounting or finance; or
   - possesses at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

An alternate Director shall not be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an independent director. All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as a Director of FGB.

Secretary of the Audit Committee
The Company Secretary of FGB shall be the Secretary of the Audit Committee.

TERMS OF REFERENCE

Objectives
The primary objectives of the Audit Committee are to:
(i) Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to FGB's accounting policies and internal controls, financial reporting practices and business ethics policies.
(ii) Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors, internal auditors and Management.
(iii) Undertake such additional duties as may be appropriate and necessary to assist the Board. However, whether or not the Audit Committee should undertake any additional duties rests on the Board's viewpoint on corporate needs and the environment in which FGB operates.

Authority
The Audit Committee shall have the following authority as empowered by the Board of Directors:-
(i) Have explicit authority to investigate any matter within its terms of reference;
(ii) Have the resources which are required to perform its duties;
(iii) Have full, free and unrestricted access to any information, records, properties and personnel of FGB and of any other companies within the FGB Group;
(iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
(v) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the Committee's meetings (if required) and to brief the Committee thereof;
(vi) Be able to convene meetings with external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary; and
(vii) The attendance of any particular Audit meeting by other Directors and employees of FGB shall be at the Committee's invitation and discretion and must be specific to the relevant meeting.

Duties And Responsibilities
The main duties and responsibilities of the Audit Committee collectively are as follows:-
(i) Recommend to the Board the annual appointment of a suitable accounting firm to act as external auditor, negotiate on the annual audit fee and/or additional fee, consider any letter of resignation or dismissal and evaluate the basis of billings, if requested. Amongst the factors to be considered for the appointment are the adequacy of the experience and resources of the firm the persons assigned to the audit and the recommended audit fee payable thereof;
(ii) Discuss with the external auditor before the audit commences, the nature and scope of the audit, the annual audit plan and ensure co-ordination where more than one audit firm is involved;
(iii) Review the quarterly interim results and annual financial statements of FGB before recommending to the Board for deliberation, focusing particularly on:
   - Any changes in accounting policies and practices;
   - Significant adjustments arising from the audit;
   - The going concern assumption;
   - Compliance with accounting standards and other legal requirements.
(iv) Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the Management where necessary;
(v) Review the external auditor's Management letter, Management's response and Audit Report;
(vi) Review the assistance and co-operation given by FGB and the FGB Group's officers to the external and internal auditors;

(vii) Review with the internal and external auditors their evaluations of the systems and standards of internal control and any comments they may have with respect to improving control;

(viii) Consider the major findings of internal investigations and Management's response;

(ix) Review any related party transaction and conflict of interest situation that, may arise within FGB or the FGB Group including any transactions, procedure or course of conduct that raises questions of Management integrity;

(x) Avail to the external and internal auditors a private, confidential audience at any time they desire and requested through the Committee Chairman, with or without the prior knowledge of the Management;

(xi) Oversee the internal audit function by reviewing:-
- The adequacy of the scope, functions and the resources of the internal audit function and that it has the necessary authority to carry out its work;
- The internal audit programme, processes, the result of the internal audit programme, processes or investigations undertaken whether or not appropriate action is taken on the recommendations of the internal audit function;
- Review appraisee or assessment of the performance of members of the internal audit function;
- Approve any appointment or termination of senior members of the internal audit;
- Be informed of resignations of senior members of the internal audit and provide the resigning staff member an opportunity to submit his reason for resigning; and
- Act upon the Board of Directors' request to investigate and report on any issues or concerns with regards to the management of FGB.

(xii) Promptly report to Kuala Lumpur Stock Exchange matters which result in a breach of the listing requirements.

Audit Committee Report and Statements in Annual Report

The Audit Committee is to assist the Board of Directors of FGB to prepare an Audit Report at the end of each financial year to be included and published in the annual report of FGB to include the following:-

(i) The composition of the Audit Committee including the name, designation and directorship of the members (whether the Directors are independent or otherwise);

(ii) The terms of reference of the Audit Committee;

(iii) The number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member;

(iv) A summary of the activities carried out by the Audit Committee in the discharge of its functions and duties for that financial year of the Company; and

(v) A summary of the activities of the Internal Audit Department.

The Audit Committee is to assist the Board of Directors of FGB to make the following additional statements in the annual report of FGB:-

(i) A statement explaining the Board of Directors' responsibility for preparing the annual audited accounts; and

(ii) A statement about the state of internal controls of FGB as a group (after the same is reviewed by the external auditors with regard to the state of internal controls and the results thereof reported).

Internal Audit Function

FGB has an in-house Internal Audit Department set-up since August 1994. The Internal Audit Department carries out a regular review of the operations of companies in the FG B Group as per the Annual Audit Plan approved by the Audit Committee. The principal roles of the Internal Audit Department are:-

- to ensure that a sound internal control system is in place and the system is functioning adequately and its integrity is maintained
- to provide independent and objective evaluation of the operational systems with the view to add value and improve the FGB Group's operation
- to ensure that a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, control and governance process is adopted

group financial summary

Consolidated Balance Sheet

	As at 30 June (RM Million)				As at 31 Dec
	1998	**1999**	**2000**	**2001**	**2002**
Fixed assets	1,645.7	1,583.6	1,555.4	1,483.3	1,427.8
Other assets	53.9	54.8	60.6	90.0	63.2
Current assets	351.1	362.5	421.2	395.8	428.2
Total assets	2,050.7	2,000.9	2,037.2	1,969.1	1,919.2
Current liabilities	(1,234.6)	(1,641.7)	(1,807.1)	(315.6)	(369.0)
	816.1	359.2	230.1	1,653.5	1,550.2
Represented by:					
Share capital	324.0	324.0	324.0	162.0	201.6
Non-distributable reserves	39.9	33.4	35.7	34.3	75.9
Retained profits/(loss)	76.8	(84.5)	(217.8)	(120.1)	385.7
ICULS	0	0	0	232.0	152.9
Shareholders' funds	440.7	272.9	141.9	308.2	44.7
Minority interests	65.5	68.9	73.1	76.3	81.0
Long term liabilities	309.9	17.4	15.1	1,269.0	1,424.5
	816.1	359.2	230.1	1,653.5	1,550.2
Net tangible assets per share (sen)	127	76	36	177	19
Current ratio (times)	0.28	0.22	0.23	1.25	1.2
Liquidity ratio (times)	0.04	0.05	0.06	0.35	0.33
Gearing ratio (times)	2.2	3.7	7.2	4.06	31.9

Consolidated Profit & Loss Account

	Year ended 30 June (RM Million)				As at 31 Dec
	1998	**1999**	**2000**	**2001**	**2002**
Revenue	414.8	438.9	470.2	496.3	702.9
Earnings before interest, taxation, depreciation and amortization	(244.9)	41.0	25.9	54.1	36.6
Profit/(loss) before taxation	(330.7)	(119.9)	(114.9)	(103.3)	(237.1)
Taxation	(7.1)	(34.3)	(14.9)	(9.0)	(18.7)
Profit/(loss) after taxation	(337.8)	(154.2)	(129.8)	(112.3)	(255.8)
Minority interest	13.8	(4.0)	(3.5)	48.0	(9.8)
Profit/(loss) attributable to shareholders	(324.0)	(158.2)	(133.3)	(64.3)	(265.6)
Retained profit/(loss) for the year	(324.0)	(158.2)	(133.3)	(64.3)	(265.6)
Earnings/(loss) per share (sen)	(100.0)	(48.8)	(82.3)	(39.7)	(144.9)
Earnings before interest, taxation, depreciation and amortization as a percentage of revenue (%)	-59	9	6	11	5
Pre-tax profit/(loss) as a percentage of revenue (%)	-80	-27	-25	-23	-34
Pre-tax profit/(loss) as a percentage of shareholders funds at year end (%)	-75	-44	-81	-34	-531

group quarterly performance

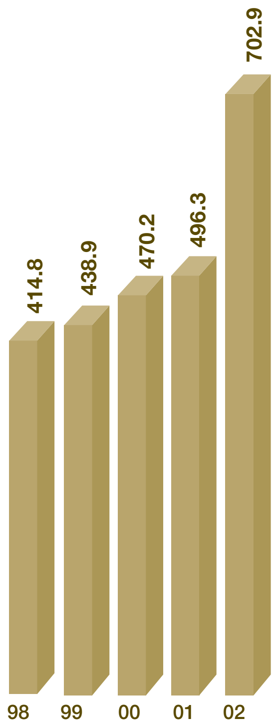
For the year ended 31 December 2002

	Quarter RM'000						
	1st	**2nd**	**3rd**	**4th**	**5th**	**6th**	**Total**
Revenue	108,287	112,890	114,982	119,044	119,309	130,843	705,355
Operating expenses	(99,444)	(104,187)	(95,710)	(99,203)	(102,064)	(122,757)	(623,365)
Earnings before Interest, Taxation, Depreciation, Amortization and Exceptional Items	11,417	11,004	21,167	21,735	18,937	10,025	94,285
Profit before taxation	(29,924)	(32,657)	(21,800)	(24,936)	(29,498)	(54,332)	(193,147)
Profit attributable to shareholders	(32,258)	(34,781)	(30,787)	(31,406)	(34,681)	(60,329)	(224,242)
Earnings per share (sen)	(19.9)	(21.4)	(18.0)	(18.0)	(19.4)	(33.8)	(125.6)

By Segment

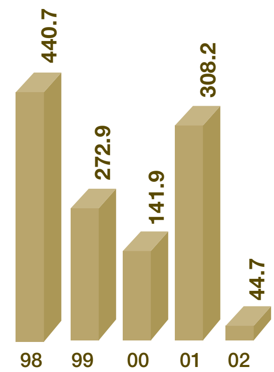
	Quarter RM'000						
	1st	**2nd**	**3rd**	**4th**	**5th**	**6th**	**Total**
Revenue							
Properties	6,481	9,510	7,045	16,765	12,231	12,507	64,539
Hotel	32,110	28,867	34,389	31,971	34,789	33,330	195,456
Healthcare	69,696	74,513	73,548	70,308	72,289	82,006	442,360
Others	0	0	0	0	0	3,000	3,000
Total	**108,287**	**112,890**	**114,982**	**119,044**	**119,309**	**130,843**	**705,355**
Profit before Taxation							
Properties	1,630	2,454	1,753	4,330	2,743	(4,234)	8,676
Hotel	(36,019)	(38,210)	(36,186)	(39,216)	(38,786)	(53,642)	(242,059)
Healthcare	2,966	2,527	12,665	11,984	8,622	4,554	43,318
Others	1,499	572	(32)	(2,034)	(2,077)	(1,010)	(3,082)
Total	**(29,924)**	**(32,657)**	**(21,800)**	**(24,936)**	**(29,498)**	**(54,332)**	**(193,147)**

5-year group financial highlights

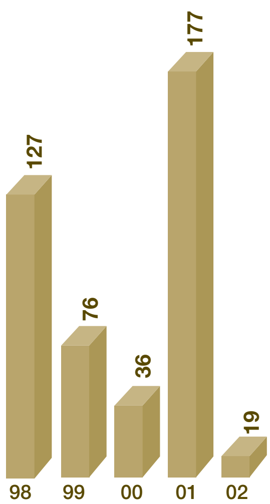


Turnover RM(Million)

Total Assets RM(Million)

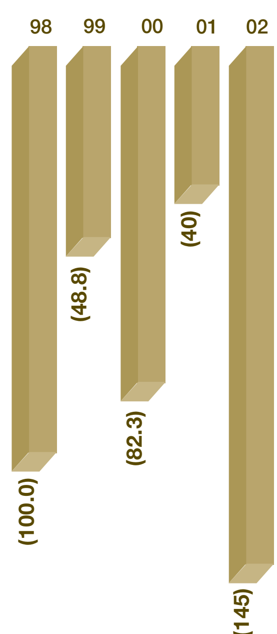


Shareholders' Funds
RM(Million)

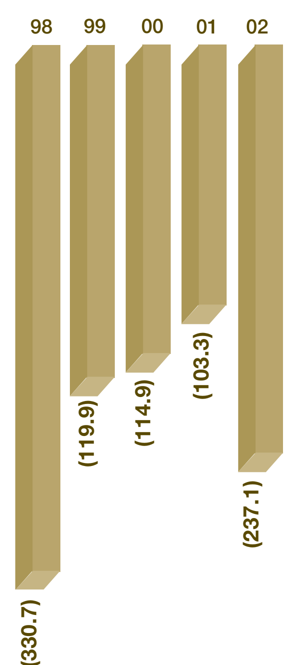


Net Tangible Assets
per Share (Sen)

Earnings/(Loss)
per Share RM(Million)



Profit/(Loss)
before Taxation RM(Million)



statement of directors' responsibility in respect of audited financial statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements the Directors have:-

- considered the applicable approved Malaysian accounting standards
- adopted and consistently applied appropriate accounting policies
- made judgement and estimates that are prudent and reasonable.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

financial statements

directors' report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 December, 2002.

Principal Activities

The principal activities of the Company are that of an investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 34 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial period.

Change of Financial Year End

During the current financial period, the Group and the Company changed their financial year end from 30 June to 31 December, in order to be co-terminous with that of their corporate shareholder. Accordingly, the current financial period covers an 18-month period from 1 July, 2001 to 31 December, 2002. As the previous financial year covered a 12-month period from 1 July, 2000 to 30 June, 2001, the figures in the financial statements for 2002 and 2001 set out on pages 57 to 110 are not comparable.

Results

	Group RM'000	Company RM'000
Net loss for the period	**(265,609)**	**(351,950)**

There were no material transfers to or from reserves or provisions during the financial period except as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Anwar bin Haji @ Aji
Datuk Zainal Abidin bin Alias
Dato' Mohamed Zain bin Mohamed Yusuf
Dato' Ikmal Hijaz bin Hashim
Dato' (Dr) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff
Elakumari a/p Kantilal
Dato' Ir. Dr. Mohammad Noor B. Hj. Salleh (appointed on 12 December, 2001 and resigned on 17 March, 2003)
Ahmad Pardas Senin (resigned on 18 February, 2003)
Azmanuddin Haq bin Ahmad (appointed on 18 February, 2003)
Noorizah Hj Abd Hamid (appointed on 17 March, 2003)
Christopher Lawrence Bachran (resigned on 30 April, 2002)

Directors' Benefit

Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares or irredeemable convertible unsecured loan stocks ("ICULS") or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements or the fixed salary of a full time employee) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Interests

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in shares of the Company or its related corporations or ICULS of the Company other than as follows:

	Number of Ordinary Shares of RM1 each			
The Company	**At 1 July 2001**	**Bought**	**Sold**	**At 31 December 2002**
Dato' (Dr) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff				
– Direct	1,500	–	–	**1,500**

Issue of Shares

During the financial period, the Company increased its issued and paid-up share capital from RM162,016,000 to RM201,556,000 as a result of the conversion of 79,080,000 ICULS of RM1 each into fully paid ordinary shares at the rate of RM2.00 nominal value of ICULS for one fully paid ordinary share of RM1.00 each at a premium of RM1.00 per share in the Company.

Other Statutory Information

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realize their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realize.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

    (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

    (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial period.

(f) In the opinion of the directors:

    (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due; and

    (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

Significant Events During the Period
Significant events during the period are disclosed in Note 36 to the financial statements.

Auditors
The auditors, Arthur Andersen & Co., retire and do not seek re-appointment. A resolution to appoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board
in accordance with a resolution
of the directors

Dato' Ikmal Hijaz Bin Hashim

Noorizah Hj Abd Hamid

Kuala Lumpur, Malaysia
30 April 2003

statement by directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Dato' Ikmal Hijaz Bin Hashim** and **Noorizah Hj Abd Hamid**, being two of the directors of **Faber Group Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 57 to 110 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2002 and of the results and the cash flows of the Group and of the Company from 1 July, 2001 to 31 December, 2002.

Signed on behalf of the Board
in accordance with a resolution
of the directors

Dato' Ikmal Hijaz Bin Hashim

Noorizah Hj Abd Hamid

Kuala Lumpur, Malaysia
30 April 2003

statutory declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Mohamad Bin Abdullah**, being the officer primarily responsible for the financial management of **Faber Group Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 57 to 110 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, I960.

Subscribed and solemnly declared by the)
abovenamed **Mohamad Bin Abdullah**)
at Kuala Lumpur in the Federal Territory)
on 30 April 2003.)

Mohamad Bin Abdullah

Before me,

Commissioner for Oaths

report of the auditors

TO THE MEMBERS OF FABER GROUP BERHAD

We have audited the accompanying financial statements set out on pages 57 to 110. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 10(h) to the financial statements, the Group as at 31 December, 2002 has invested approximately RM245,022,000 in capital work-in-progress in relation to the construction of a hotel which has remained idle. The Group has subsequent to the period end re-commenced the construction of the hotel and secured the funding to finance its completion. As such the Group believes that the residual value will approximate the net book value upon its completion and adequate cash flows will be generated thereafter. We are unable to obtain appropriate audit evidence to determine whether a provision for impairment loss is required.

Except for the effects, if any, on the financial statements of the matter discussed above, in our opinion

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December, 2002 and of the results and the cash flows of the Group and of the Company from 1 July, 2001 to 31 December, 2002; and

   (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 34 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act except as disclosed in Note 34 to the financial statements.

report of the auditors

TO THE MEMBERS OF FABER GROUP BERHAD

Without qualifying our report, we draw attention to Notes 2(a) and 28 to the financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at 31 December, 2002, the Group and the Company has redeemable convertible secured bonds outstanding amounting to RM1,155,189,000 of which RM229,000,000 is due for redemption in November, 2003. There exist inherent uncertainties with regard to the expected cash flows to be derived for the redemption of the bond and as such, the Group with their financial advisors are currently formulating a restructuring scheme to address the above concerns. The applicability of the going concern basis is dependent on the successful formulation, approval and implementation of the restructuring scheme. The financial statements of the Group and the Company do not include any adjustments relating to amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concern.

Arthur Andersen & Co
No. AF 0103
Chartered Accountants

George Koshy
No. 1846/07/03(J)
Partner

Kuala Lumpur, Malaysia
30 April 2003

consolidated income statement

FOR THE PERIOD ENDED 31 DECEMBER, 2002

	Note	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000
Revenue	3	**702,891**	496,321
Cost of sales	3	**(447,570)**	(349,245)
Gross profit		**255,321**	147,076
Other operating income		**7,861**	4,887
Marketing expenses		**(19,814)**	(14,007)
Administrative expenses		**(59,625)**	(31,740)
Depreciation		**(58,568)**	(33,579)
Deferred expenditure written off		**(41,464)**	–
Other operating expenses		**(110,417)**	(57,971)
Profit from operations	4	**(26,706)**	14,666
Finance costs, net	7	**(208,164)**	(118,973)
Share of (loss)/profit of an associated company		**(2,254)**	(1,017)
Loss before taxation		**(237,124)**	(103,290)
Taxation:			
Company and subsidiaries	8	**(18,721)**	(8,931)
Associated company		**–**	(46)
		(18,721)	(8,977)
Loss after taxation but before minority interests		**(255,845)**	(112,267)
Minority interests	27	**(9,764)**	48,015
Net loss for the period/year		**(265,609)**	(64,252)
Loss per share (sen)	9	**145**	40

The accompanying notes form an integral part of the financial statements.

consolidated balance sheet

AS AT 31 DECEMBER, 2002

	Note	31.12.2002 RM'000	30.6.2001 RM'000
Non-Current Assets			
Property, plant and equipment	10	**1,427,772**	1,457,864
Investment in associate	12	**18,588**	23,002
Investments	13	**3,382**	6,126
Investment properties	14	**22,100**	22,100
Deferred expenditure	15	**7,279**	46,720
Real properties	16	**11,869**	17,591
		1,490,990	1,573,403
Current Assets			
Development properties	16	**49,611**	53,423
Inventories	17	**111,519**	106,501
Receivables	18	**143,676**	124,191
Marketable securities	19	**359**	190
Short term deposits	20	**48,201**	53,858
Cash and bank balances	21	**74,821**	57,599
		428,187	395,762
Current Liabilities			
Bank overdrafts	22	**799**	838
Payables	23	**319,954**	248,386
Tax payable	24	**48,217**	66,403
		368,970	315,627
Net Current Assets		**59,217**	80,135
		1,550,207	1,653,538
Financed By:			
Share capital	25	**201,556**	162,016
Reserves		**(309,772)**	(85,770)
Irredeemable convertible unsecured loan stock ("ICULS")	26	**152,890**	231,970
Shareholders' equity		**44,674**	308,216
Minority interests	27	**81,002**	76,292
		125,676	384,508
Non-Current Liabilities			
Long term liabilities	28	**1,424,531**	1,269,030
		1,550,207	1,653,538

The accompanying notes form an integral part of the financial statements.

consolidated statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER, 2002

			Reserves				
		Non-distributable					
	Share capital RM'000	**Share premium RM'000**	**Exchange fluctuation+ RM'000**	**Revaluation* RM'000**	**Accumulated losses RM'000**	**ICULS RM'000**	**Total RM'000**
At 1 July, 2000	324,033	–	30,277	5,447	(217,840)	–	141,917
Capital reduction (Note 25)	(162,017)	–	–	–	162,017	–	–
Issuance of ICULS	–	–	–	–	–	231,970	231,970
Net loss for the year	–	–	–	–	(64,252)	–	(64,252)
Foreign exchange differences representing net losses not recognized in income statement	–	–	(1,419)	–	–	–	(1,419)
At 30 June, 2001	162,016	–	28,858	5,447	(120,075)	231,970	308,216
Conversion of ICULS (Notes 25 and 26)	39,540	39,540	–	–	–	(79,080)	–
Foreign exchange differences representing net gain not recognized in income statement	–	–	2,067	–	–	–	2,607
Net loss for the period	–	–	–	–	(265,609)	–	(265,609)
At 31 December, 2002	**201,556**	**39,540**	**30,925**	**5,447**	**(385,684)**	**152,890**	**44,674**

* This reserve includes the cumulative net change in fair value of freehold land and building and leasehold land and building.

\+ Comprise all foreign exchange differences arising from the translation of the financial statements of a foreign subsidiary as well as from the translation of intercompany loans.

The accompanying notes form an integral part of the financial statements.

consolidated cash flow statement

FOR THE PERIOD ENDED 31 DECEMBER, 2002

	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000
Cash Flow from Operating Activities		
Loss before taxation	**(237,124)**	(103,290)
Adjustments for:		
Depreciation	**58,568**	33,579
Property, plant and equipment written off	**4,846**	153
Net (gain)/loss on disposal of property, plant and equipment	**(311)**	135
Share of (gain)/loss retained in associated company	**2,254**	(1,017)
Amortization of intangible assets	**–**	2,037
Amortization of deferred expenditure	**1,228**	810
Deferred expenditure written off	**41,464**	–
Goodwill written off	**8**	–
Provision of diminution in value of investments and marketable securities	**2,690**	5,569
Net provision for doubtful debts	**529**	207
Tax recoverable written off	**–**	239
Bad debts written off	**155**	161
Provision for diminution in value in real properties	**4,467**	–
Real properties written off	**1,537**	165
Inventory written down	**29**	–
Attributable profits for developed properties	**(5,802)**	(10,546)
Reversal of provision for late delivery	**(1,593)**	–
Reversal of provision for defect liabilities	**(1,700)**	–
Interest income	**(3,487)**	(3,039)
Bad debts recovered	**–**	(4)
Interest expense	**211,651**	122,012
Waiver of debts	**–**	(4,974)
Unrealized gain on foreign exchange	**(144)**	(792)
Exchange fluctuation reserve	**2,067**	(1,419)
Operating profit before working capital changes	**81,332**	39,986
(Increase)/decrease in receivables	**(19,041)**	7,071
Decrease in real properties and development properties	**9,333**	17,377
Increase/(decrease) in payables	**18,298**	(9,692)
(Increase)/decrease in inventories	**(5,018)**	257
Cash flow generated from operations	**84,904**	54,999
Taxation paid	**(38,070)**	(2,861)
Increase in intangible assets	**(155)**	(450)
Interest paid	**(56)**	(273)
Net cash flow generated from operating activities	**46,623**	51,415

consolidated cash flow statement (cont'd)

FOR THE PERIOD ENDED 31 DECEMBER, 2002

	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000
Cash Flow from Investing Activities		
Interest received	**3,487**	3,039
Dividend received	**3,000**	3,000
Net liabilities of subsidiaries acquired (Note 11)	**(8)**	–
Purchase of investment	**(115)**	–
Proceeds from disposal of property, plant and equipment	**435**	13,643
Purchase of property, plant and equipment	**(36,442)**	(43,587)
Net cash flow used in investing activities	**(29,643)**	(23,905)
Cash Flow from Financing Activities		
Repayment of hire purchase obligations	**(68)**	(157)
Dividend paid	**(2,592)**	–
Redemption of bonds	**(2,716)**	(22,002)
Net cash flow used in financing activities	**(5,376)**	(22,159)
Net Increase in Cash and Cash Equivalents	**11,604**	5,351
Bank Overdraft Converted into Loan Stock	**–**	40,000
Cash and Cash Equivalents at Beginning of Financial Period/Year	**110,619**	65,268
Cash and Cash Equivalents at End of Financial Period/Year	**122,223**	110,619
Cash and Cash Equivalents Comprise:		
Cash and bank balances	**74,821**	57,599
Short term deposits	**48,201**	53,858
Bank overdrafts	**(799)**	(838)
	122,223	110,619

The accompanying notes form an integral part of the financial statements.

income statement

FOR THE PERIOD ENDED 31 DECEMBER, 2002

	Note	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000
Revenue	3	**173,666**	105,381
Other operating income		**479**	419
Administrative expenses		**(5,255)**	(1,218)
Depreciation		**(476)**	(309)
Provision for doubtful debts		**(353,334)**	–
Other operating expenses		**(9,264)**	(4,110)
(Loss)/profit from operations	4	**(194,184)**	100,163
Finance costs, net	7	**(157,766)**	(96,987)
(Loss)/profit before taxation		**(351,950)**	3,176
Taxation	8	**–**	(55)
Net (loss)/profit for the period/year		**(351,950)**	3,121

The accompanying notes form an integral part of the financial statements.

balance sheet

AS AT 31 DECEMBER, 2002

	Note	31.12.2002 RM'000	30.6.2001 RM'000
Non-Current Assets			
Property, plant and equipment	10	**7,625**	7,688
Investment in subsidiaries	11	**247,099**	247,099
Investments	13	**398**	283
		255,122	255,070
Current Assets			
Receivables	18	**1,144,818**	1,340,304
Short term deposits	20	**1,740**	71
Cash and bank balances	21	**1,068**	2,241
		1,147,626	1,342,616
Current Liabilities			
Payables	23	**184,160**	180,621
Tax payable	24	**26,877**	28,663
		211,037	209,284
Net Current Assets		**936,589**	1,133,332
		1,191,711	1,388,402
Financed By:			
Share capital	25	**201,556**	162,016
Reserves		**(317,980)**	(5,570)
ICULS	26	**152,890**	231,970
Shareholders' equity		**36,466**	388,416
Non-Current Liabilities			
Long term liabilities	28	**1,155,245**	999,986
		1,191,711	1,388,402

The accompanying notes form an integral part of the financial statements.

statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER, 2002

		← Reserves →			
		Non-distributable			
	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	ICULS RM'000	Total RM'000
At 1 July, 2000	324,033	–	(170,708)	–	153,325
Issuance of ICULS	–	–	–	231,970	231,970
Net profit for the year	–	–	3,121	–	3,121
Capital reduction (Note 25)	(162,017)	–	162,017	–	–
At 30 June, 2001	162,016	–	(5,570)	231,970	388,416
Conversion of ICULS (Notes 25 and 26)	39,540	39,540	–	(79,080)	–
Net loss for the period	–	–	(351,950)	–	(351,950)
At 31 December, 2002	**201,556**	**39,540**	**(357,520)**	**152,890**	**36,466**

The accompanying notes form an integral part of the financial statements.

cash flow statement

FOR THE PERIOD ENDED 31 DECEMBER, 2002

	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000
Cash Flow from Operating Activities		
(Loss)/profit before taxation	**(351,950)**	3,176
Adjustments for:		
Depreciation	**476**	309
Gain on disposal of property, plant and equipment	**(103)**	(73)
Provision for doubtful debts	**353,334**	–
Amortization of intangible assets	**–**	101
Interest income	**(168,074)**	(101,502)
Interest expenses	**157,974**	97,408
Operating loss before working capital changes	**(8,343)**	(581)
Decrease in receivables	**9,232**	6,840
Increase/(decrease) in payables	**4,466**	(1,817)
Cash flow generated from operations	**5,355**	4,442
Taxation paid	**(1,941)**	(1,146)
Interest paid	**(17)**	(5)
Net cash flow generated from operating activities	**3,397**	3,291
Cash Flow from Investing Activities		
Interest received	**208**	421
Purchase of investments	**(115)**	–
Proceeds from disposal of property, plant and equipment	**156**	12,110
Purchase of property, plant and equipment	**(366)**	(644)
Net cash flow (used in)/generated from investing activities	**(117)**	11,887
Cash Flow from Financing Activities		
Repayment of hire purchase obligations	**(68)**	(18)
Redemption of bonds	**(2,716)**	(22,002)
Net cash flow used in financing activities	**(2,784)**	(22,020)
Net Increase/(Decrease) in Cash and Cash Equivalents	**496**	(6,842)
Bank Overdraft Converted into Loan Stock	**–**	40,000
Cash and Cash Equivalents at Beginning of Financial Period/Year	**2,312**	(30,846)
Cash and Cash Equivalents at End of Financial Period/Year	**2,808**	2,312
Cash and Cash Equivalents Comprise:		
Cash and bank balances	**1,068**	2,241
Short term deposits	**1,740**	71
	2,808	2,312

The accompanying notes form an integral part of the financial statements.

1. Corporate Information

The principal activities of the Company are that of an investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 34.

There have been no significant changes in the nature of the principal activities during the financial period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at 20th Floor, Menara 2, Faber Towers, Jalan Desa Bahagia, Taman Desa, Off Jalan Kelang Lama, 58100 Kuala Lumpur.

During the current financial period, the Group and the Company changed their financial year end from 30 June to 31 December, in order to be co-terminous with that of their corporate shareholder. Accordingly, the current financial period covers an 18-month period from 1 July, 2001 to 31 December, 2002. As the previous financial year covered a 12-month period from 1 July, 2000 to 30 June, 2001, the figures in the financial statements for 2002 and 2001 set out on pages 57 to 110 are not comparable.

The number of employees in the Group and in the Company at the end of the financial period were 8,191 (30.6.2001: 3,313) and 40 (30.6.2001: 37) respectively.

The financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 30 April, 2003.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

The financial statements of the Group and the Company have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As disclosed in Note 28, the Group and the Company has redeemable convertible secured bonds outstanding amounting to RM1,155,189,000 of which RM229,000,000 is due for redemption in November, 2003. There exist inherent uncertainties with regard to the expected cash flows to be derived for the redemption of the bond and as such, the Group with their financial advisors are currently formulating a restructuring scheme to address the above concerns. The applicability of the going concern basis is dependent on the successful formulation, approval and implementation of the restructuring scheme. The financial statements of the Group and the Company do not include any adjustments relating to amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concern.

The new applicable Approved Accounting Standards ("MASB") adopted in these financial statements since the previous financial year and their impact to the financial statements are as follows:

(i) MASB 19, Events After Balance Sheet Date
(ii) MASB 20, Provisions, Contingent Liabilities and Contingent Assets
(iii) MASB 21, Business Combinations

These three standards require retrospective application. However, this has not had an effect on the financial statements presented, nor led to a restatement of prior year results as the Group and the Company were already following the recognition and measurement principles in the standards where applicable.

2. Significant Accounting Policies (cont'd)

(iv) MASB 22, Segment Reporting
Comparative figures have been adjusted to conform with the changes in presentation as required by the standard.

The Group has also applied the following accounting standards prior to its effective date:

(i) MASB 24, Financial Instruments: Disclosure and Presentations
The adoption resulted in the disclosure as set out in Note 33.

As allowed under the transitional provision of this standard, comparative information for prior periods is not disclosed.

Apart from the inclusion of the new policies and extended disclosures as required by the standard, the adoption of this standard has not had an effect on the financial statement.

(ii) MASB 27, Borrowing Costs
This standard requires retrospective application. However, this has not had an effect on the financial statements presented nor led to a restatement of prior year results as the Group and the Company were already following the recognition and measurement principles in the standard where applicable.

(b) Basis of Consolidation

(i) Subsidiaries
The consolidated financial statements include the financial statements of the Company and all its subsidiaries as listed in Note 34 for the financial period ended 31 December, 2002 except for the following:

Company	Reason for Exclusion
Sate Yaki Sdn. Bhd.	In liquidation
Merlino Enterprise Sdn. Bhd.	In liquidation
Semangat Holdings Sdn. Bhd.	In liquidation
Shaybon Sdn. Bhd.	In liquidation
Merlin Inn (Melaka) Sdn. Bhd.	In liquidation
Merlin Inn Muar Sdn. Bhd.	In liquidation
Merlin Travel and Tours Sdn. Bhd.	In liquidation
FM Management Services Sdn. Bhd.	In liquidation
Bernam Valley Sdn. Bhd.	In liquidation
Merlin Highway Inns Sdn. Bhd.	In liquidation
Faber Development Sdn. Bhd.	In liquidation

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is reflected in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Material intragroup transactions, balances and resulting unrealized gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealized losses are eliminated on consolidation unless costs cannot be recovered.

2. Significant Accounting Policies (cont'd)

(i) Subsidiaries (cont'd)

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any exchange differences which were not previously recognized in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the subsidiaries at the date of acquisition and minorities' share of post acquisition reserves, profit or losses to the extent of minority interest in the equity of the subsidiaries or to the extent that the minority has a binding obligation to, and is able to, make good the losses.

(ii) Associates

The Group treat associates as those enterprise in which it has a long term equity interest of between 20% and 50% and where it exercises significant influence through management and/or board participation. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over these policies.

The difference between the purchase consideration and the fair value of net identifiable assets acquired is reflected as goodwill or negative goodwill on acquisition.

Equity accounting involves recognizing in the consolidated income statements the Group's share of financial results of associates based on the latest audited or management financial statements of the enterprise concerned. In the consolidated balance sheet, the Group's interest is stated at cost plus the Group's share of post acquisition retained profits less losses and reserves, after adjusting for the goodwill or negative goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Unrealized gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is written off to income statement as and when it is incurred.

(d) Investments in Subsidiaries, Associates and Other Investments

The Company's investments in subsidiaries and associates are stated at cost less provision for any permanent diminution in value.

Other investments held for long term purposes are stated at cost less provision for any permanent diminution in value.

Such provision is made when there is decline other than temporary in the value of investments and is recognized as an expense in the period in which the decline occurred.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

2. Significant Accounting Policies (cont'd)

(e) Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations of the Group.

Investment properties are treated as long term investments and are stated at valuation. Revaluations are based on valuations by an independent valuer at least once every three years. An increase in carrying amount arising from the revaluation of investment properties, if considered by the directors to be permanent in nature, is credited to equity as a revaluation surplus; any decrease is first offset against any available revaluation surplus on an earlier valuation in respect of the same investment property and is thereafter recognized as an expense. A revaluation increase is recognized as income to the extent that it reverses a revaluation decrease of the same property previously recognized as an expense.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to the retained profits.

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation.

(i) Hotel Properties

Hotel properties comprise freehold and leasehold land and the hotel building thereon. It is the Group's practice to maintain all its hotel properties in a high standard and condition in order to maintain their image and market share. Because of this, the hotel properties maintain residual values at least equal to their respective book values such that depreciation would be insignificant. Accordingly, no depreciation is provided on freehold hotel properties or those properties with unexpired lease periods of 50 years or more.

It is the Group's policy to appraise the hotel properties once in every three years, by independent professional valuers based on open market value. As a matter of prudence, any surplus arising therefrom unless if considered by the directors to be permanent in nature will not be incorporated in the financial statements. Any deficit arising, if considered by the directors to be permanent in nature, will be charged to the income statement.

The carrying amounts of hotel properties are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the hotel properties exceed its recoverable amount. The impairment loss is charged to the income statement, unless it reverses a previous revaluation, in which case it is charged to equity.

Any subsequent increase in recoverable amount is reduced by the amount that would have been recognized as depreciation had the written-down or write-off not occurred. Such subsequent increase in recoverable amount is recognized in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

2. Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment and Depreciation (cont'd)

(ii) Other Property, Plant and Equipment
No depreciation is provided on capital work-in-progress. Depreciation of other property, plant and equipment is provided on a straight-line basis of write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Leasehold land	50 years
Buildings	2% – 10%
Plant and equipment	5% – 20%
Motor vehicles	20%
Furniture and fittings	10% – 20%
Crockery, glassware, cutlery and linen	10%

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognized revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognized to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense in the income statement, a reversal of that impairment loss is recognized as income in the income statement.

(g) Real Properties and Development Properties

(i) Real properties are stated at cost less provision for any permanent diminution in value and consist of land and development expenditure and include borrowing costs relating to the financing of the land and development.

(ii) Development properties are those assets on which significant work has been undertaken and are expected to be completed within the normal operating cycle. All other lands are described as real properties.

(iii) Development properties are stated at the lower of cost or net realizable value, and where appropriate, include attributable profits less foreseeable losses and progress payments received and receivable. Cost consists of land and development expenditure. Development expenditure includes borrowing costs relating to the financing of the land and development.

(iv) Profit on sales of development properties is recognized when the outcome of the contract can be reasonably estimated using the percentage of completion method. The percentage of completion is based on total cost incurred to date over total estimated cost to completion bear to the total sales value of units sold. Provision is made for all foreseeable losses on development properties.

2. Significant Accounting Policies (cont'd)

(g) Real Properties and Development Properties (cont'd)

(v) Profit on land sales are recognized on the percentage of completion method. The percentage of completion is based on sales consideration received to date over total sales consideration receivable.

(vi) Direct cost incurred on proposals and procurement for major projects are capitalized as development expenditure until it is established that no benefit will accrue from such proposals and procurement in which case, such costs will be charged to the income statement. Amount capitalized on successful awards are transferred to real properties or development properties.

(h) Inventories

(i) Property Held for Resale
Development properties held for resale is stated at the lower of cost and net realizable value. Cost is determined on the specific identification basis and included costs of land, constructions and appropriate development overheads.

(ii) Food, Beverage, Consumables and Stores
The above are stated at the lower of cost (determined on the first-in, first-out basis) and net realizable value. Cost of inventories comprises cost of purchase of inventories.

Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Cash and Cash Equivalents
For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(j) Finance Lease and Hire Purchase Assets
A lease is recognized as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases
Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligations for each accounting period.

The depreciation policy for lease assets is consistent with that for depreciable property, plant and equipment as described in Note 2(f).

(ii) Operating leases
Operating lease payments are charged to income statement on a straight line basis over the term of the relevant lease.

2. Significant Accounting Policies (cont'd)

(k) Deferred Taxation

The tax expense for the period is based on the profit for the period, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognized when there is a reasonable expectation of realization in the near future.

(l) Provisions for Liabilities

Provisions for liabilities are recognized when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(m) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be reliably measured.

(i) Development sale
Revenue from sale of development properties is accounted for by the percentage of completion method. The percentage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

(ii) Revenue from hotel operations
Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognized on an accrual basis.

(iii) Interest income
Interest is recognized on a time proportion basis that reflects the effective yield on the asset unless collectibility is in doubt.

(iv) Dividend income
Dividend income is recognized when the shareholder's right to receive payment is established.

(v) Revenue from services
Revenue from services rendered is recognized net of service taxes and discounts as and when the services are performed.

(vi) Rental income and management fees
Rental income and management fees are recognized on an accrual basis.

(vii) Contract for land sales
Contract for land sales are calculated on a proportion of total contract value which sales considerations received to date bear to total sales consideration receivable for those contracts.

2. Significant Accounting Policies (cont'd)

(n) Foreign Currencies

(i) Foreign currency transactions
Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of the foreign currency borrowings, that provide a hedge against a net investment in a foreign equity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement.

(ii) Foreign entities
Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	Closing date	
	31.12.2002	**30.6.2001**
	RM	**RM**
United States Dollar	**3.80**	3.80
South Africa Rand	**0.43**	0.47

(o) Deferred Expenditure

(i) Pre-branding Expenses
Pre-branding expenses represent direct cost incurred in connection with the Sheraton branding of the hotel. These expenses have been written off during the period.

(ii) Pre-commencement Expenses
Pre-commencement expenses relate to cost incurred on the design and development of an operating system for the provision of hospital support services. These expenses are amortized in equal annual installments over the concession period of fifteen years, commencing 28 October, 1996, unless the directors consider that a continuing benefit will not accrue.

(p) Affiliated Companies
An affiliated company represents companies within the Renong Berhad Group, a corporate shareholder of Faber Group Berhad.

2. Significant Accounting Policies (cont'd)

(q) Financial Instruments

Financial instruments are recognized in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognized as an expense in the period in which the decline occurred.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(iii) Receivables

Receivables are carried at anticipated reliable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Borrowings

Interest-bearing overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalized as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(vi) Equity Instruments

Ordinary shares are classified as equity.

3. Revenue and Cost of Sales

(a) Revenue

Revenue of the Group and Company consist of the following:

	Group		Company	
	1.7.2001 to 31.12.2002 RM'000	**1.7.2000 to 30.6.2001 RM'000**	**1.7.2001 to 31.12.2002 RM'000**	**1.7.2000 to 30.6.2001 RM'000**
Sales of goods				
– properties	**35,497**	68,749	**–**	–
– hotels	**82,134**	54,746	**–**	–
Services rendered				
– properties	**28,496**	17,507	**–**	–
– hotels	**114,405**	80,016	**–**	–
– healthcare	**442,359**	275,303	**–**	–
– others	**–**	–	**5,800**	4,300
Interest income	**–**	–	**167,866**	101,081
	702,891	496,321	**173,666**	105,381

(b) Cost of Sales

Cost of sales of the Group consist of the following:

	Group	
	1.7.2001 to 31.12.2002 RM'000	**1.7.2000 to 30.6.2001 RM'000**
Sales of goods		
– properties	**28,131**	59,479
– hotels	**48,951**	33,178
Services rendered		
– hotels	**31,005**	22,107
– healthcare	**339,483**	234,481
	447,570	349,245

The cost of sales incurred in relation to the Group's revenue represents the cost of goods and services rendered, production and development cost, labour cost and related overheads.

(c) Segment information on revenue, profits/loss before taxation, assets and liabilities of the Group are analysed in Note 32.

4. (Loss)/Profit from Operations

(Loss)/Profit from operations has been arrived at after charging:

	Group		Company	
	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000	1.7.2001 to 31.12.2002 RM'000	1.7.2000 to 30.6.2001 RM'000
Audit fee				
– statutory	**245**	239	**28**	28
– other services	**35**	–	**–**	–
Provision for doubtful debts				
– third parties	**637**	224	**–**	–
– subsidiaries	**–**	–	**353,334**	–
Bad debts written off	**155**	161	**–**	–
Goodwill written off	**8**	–	**–**	–
Provision for diminution in value				
– investment and marketable securities	**2,690**	5,569	**–**	–
– undeveloped properties	**4,467**	–	**–**	–
Real properties written off	**1,537**	165	**–**	–
Directors' fees	**710**	366	**352**	132
Property, plant and equipment written off	**4,846**	153	**–**	–
Inventory written down	**29**	–	**–**	–
Rent of land and buildings				
– third parties	**890**	357	**–**	–
– subsidiaries	**–**	–	**596**	239
Loss on disposal of property, plant and equipment	**–**	208	**–**	–
Hire of equipment	**1,116**	305	**–**	–
Amortization of				
– intangible assets	**–**	2,037	**–**	101
– deferred expenditure	**1,228**	810	**–**	–
Management fees to:				
– hotel operator	**7,339**	5,025	**–**	–
– an affiliated company	**252**	89	**158**	26
Staff costs (Note 5)	**184,309**	62,551	**4,335**	2,966
Tax recoverable written off	**–**	239	**–**	–
Project management fee paid to an affiliated company	**–**	1,047	**–**	–
Contracted cost paid and payable to an affiliated company	**82,940**	177,068	**–**	–
And crediting:				
Reversal of provision for doubtful debts	**(108)**	(17)	**–**	–
Bad debts recovered	**–**	(4)	**–**	–
Gain on disposal of property, plant and equipment	**(311)**	(73)	**(103)**	(73)
Property rental income				
– subsidiaries	**–**	–	**(329)**	(229)
– third parties	**(1,745)**	(515)	**(18)**	(48)
Unrealized gain on foreign exchange	**(144)**	(792)	**–**	–
Reversal of provision for late delivery	**(1,593)**	–	**–**	–
Reversal of provision for defect liabilities	**(1,700)**	–	**–**	–
Waiver of debts from restructuring exercise	**–**	(4,974)	**–**	–

5. Staff Costs

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,195,000 (30.6.2001: RM2,424,000) and RM483,000 (30.6.2001: RM322,000) respectively as further disclosed in Note 6.

6. Directors' Remuneration

	Group		Company	
	1.7.2001 to 31.12.2002 RM'000	**1.7.2000 to 30.6.2001 RM'000**	**1.7.2001 to 31.12.2002 RM'000**	**1.7.2000 to 30.6.2001 RM'000**
Directors of the Company				
Executive				
Salaries and other emolument	**786**	814	**456**	322
Bonus	**53**	–	**27**	–
Benefits-in-kind	**12**	12	**12**	12
	851	826	**495**	334
Non-Executive				
Fees	**641**	132	**394**	132
Benefits-in-kind	**27**	–	**–**	–
	668	132	**394**	132
Other Directors				
Executive				
Salaries and other emolument	**1,210**	1,236	**–**	–
Bonus	**146**	374	**–**	–
Benefits-in-kind	**69**	36	**–**	–
	1,425	1,646	**–**	–
Non-Executive				
Fees	**172**	234	**–**	–
Benefits-in-kind	**23**	–	**–**	–
	195	234	**–**	–
Total	**3,139**	2,838	**889**	466
Total excluding benefits-in-kind	**3,008**	2,790	**877**	454
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	**2,195**	2,424	**483**	322
Total non-executive directors' remuneration excluding benefits-in-kind	**813**	366	**394**	132
Total directors' remuneration excluding benefits-in-kind	**3,008**	2,790	**877**	454

6. Directors' Remuneration (cont'd)

The number of directors of the Company whose total remuneration during the period/year fell within the following bands is analysed below:

Executive Directors		
RM800,001 – RM850,000	1	1
Non-Executive Directors		
Below RM50,000	7	5
RM50,001 – RM100,000	3	1
RM100,001 – RM150,000	3	–

7. Finance Costs, Net

	Group		Company	
	1.7.2001 to 31.12.2002 RM'000	**1.7.2000 to 30.6.2001 RM'000**	**1.7.2001 to 31.12.2002 RM'000**	**1.7.2000 to 30.6.2001 RM'000**
Included in finance costs, net are:				
Interest expense	**211,651**	122,012	**157,974**	97,408
Interest income	**(3,487)**	(3,039)	**(208)**	(421)
	208,164	118,973	**157,766**	96,987

8. Taxation

	Group		Company	
	1.7.2001 to 31.12.2002 RM'000	**1.7.2000 to 30.6.2001 RM'000**	**1.7.2001 to 31.12.2002 RM'000**	**1.7.2000 to 30.6.2001 RM'000**
Malaysian				
– current period/year	**17,976**	7,520	**–**	55
– underprovision in prior year	**503**	181	**–**	–
Transfer to deferred taxation (Note 28)	**242**	1,230	**–**	–
	18,721	8,931	**–**	55

The effective tax rate of the Group is higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries as no group relief is available.

There is no tax charge for the period as the Company is in a tax loss position. As at 31 December, 2002, the Company has unabsorbed tax losses carried forward of approximately RM7,897,000 (30.6.2001: RM5,321,000), which can be used to offset against future taxable profits subject to agreement with the tax authority.

8. Taxation (cont'd)

As at 31 December, 2002, the Company has a potential deferred tax benefit of approximately RM2,211,000 (30.6.2001 : RM1,669,000), arising principally from unabsorbed tax losses carried forward, the effects of which are not included in the financial statements as there is no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit to be realized.

9. Loss Per Share

(a) Basic loss per share of the Group is calculated by dividing the net loss for the period of RM265,609,000 (30.6.2001: RM64,252,000) by the weighted average number of ordinary shares in issue during the financial period of 183,338,000 (30.6.2001: 162,016,000).

(b) The effects on the basic loss per share for the current financial period arising from the assumed conversion of the ICULS and the RCSB as disclosed in Notes 26 and 28 respectively is anti-dilutive. Accordingly, the diluted loss per share for the current period has not been presented.

10. Property, Plant and Equipment

Group **Cost/valuation**	**Freehold land and buildings RM'000**	**Leasehold land and buildings RM'000**	**Plant, equipment, furniture fittings and motor vehicles RM'000**	**Crockery, glassware, cutlery and linen RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July, 2001	613,898	300,289	304,703	23,732	375,269	1,617,891
Additions	3,494	1,019	24,082	–	4,851	33,446
Disposals	–	–	(966)	–	–	(966)
Write offs	(4,734)	–	(934)	–	–	(5,668)
At 31 December, 2002	**612,658**	**301,308**	**326,885**	**23,732**	**380,120**	**1,644,703**
At cost	542,563	282,878	326,450	23,732	380,120	1,555,743
At valuation						
1983	30,539	18,430	435	–	–	49,404
1984	22,473	–	–	–	–	22,473
1986	2,083	–	–	–	–	2,083
1990	15,000	–	–	–	–	15,000
	612,658	301,308	326,885	23,732	380,120	1,644,703

10. Property, Plant and Equipment (cont'd)

Group	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Plant, equipment, furniture fittings and motor vehicles RM'000	Crockery, glassware, cutlery and linen RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation						
At 1 July, 2001	350	20,091	129,326	10,260	–	160,027
Charge for the period	820	6,121	48,163	3,464	–	58,568
Disposals	–	–	(842)	–	–	(842)
Write offs	–	–	(822)	–	–	(822)
At 31 December, 2002	**1,170**	**26,212**	**175,825**	**13,724**	**–**	**216,931**
Net Book Value						
At 31 December, 2002	**611,488**	**275,096**	**151,060**	**10,008**	**380,120**	**1,427,772**
At 30 June, 2001	613,548	280,198	175,377	13,472	375,269	1,457,864
Depreciation charge for the year ended 30 June, 2001	99	3,194	27,862	2,424	–	33,579

Company	Freehold land RM'000	Leasehold land RM'000	Plant, equipment, furniture, fittings and motor vehicles RM'000	Total RM'000
Cost				
At 1 July, 2001	5,450	1,278	3,816	10,544
Additions	–	–	466	466
Disposals	–	–	(256)	(256)
At 31 December, 2002	**5,450**	**1,278**	**4,026**	**10,754**
Accumulated Depreciation				
At 1 July, 2001	–	–	2,856	2,856
Charge for the period	–	–	476	476
Disposals	–	–	(203)	(203)
At 31 December, 2002	**–**	**–**	**3,129**	**3,129**
Net Book Value				
At 31 December, 2002	**5,450**	**1,278**	**897**	**7,625**
At 30 June, 2001	5,450	1,278	960	7,688
Depreciation charge for the year ended 30 June, 2001	–	–	309	309

10. Property, Plant and Equipment (cont'd)

(a) The Group's freehold land and buildings comprise:

	Cost RM'000	Valuation RM'000	Total RM'000
Freehold buildings	3,677	–	3,677
Hotel properties	538,886	70,095	608,981
	542,563	70,095	612,658

(b) The Group's leasehold land and buildings comprise:

	Cost RM'000	Valuation RM'000	Total RM'000
Long term lease			
Hotel properties	132,393	5,795	138,188
Leasehold land	1,278	–	1,278
	133,671	5,795	139,466
Short term lease			
Hotel properties	148,587	12,635	161,222
Leasehold land	620	–	620
	282,878	18,430	301,308

(c) Had the revalued land and buildings been carried at historical cost less accumulated depreciation, the net book value of the land and buildings that would have been included in the financial statements of the Group are as follows:

	31.12.2002 RM'000	30.6.2001 RM'000
Freehold land and buildings	**124,335**	124,680
Leasehold land and buildings	**2,978**	3,357

(d) Net book value of property, plant and equipment held under leasing and hire purchase arrangement are as follows:

	Group RM'000	Company RM'000
Motor vehicles		
31.12.2002	**189**	**189**
30.6.2001	52	52

(e) During the period, the Group and Company acquired property, plant and equipment with an aggregate cost of RM36,542,000 (30.6.2001: RM43,587,000) and RM466,000 (30.6.2001: RM644,000) of which RM100,000 (30.6.2001: Nil) and RM100,000 (30.6.2001: Nil) respectively were acquired by means of finance lease arrangement.

10. Property, Plant and Equipment (cont'd)

(f) Property, plant and equipment of the Group and of the Company have been pledged to banks for the following:

	Group RM'000	Company RM'000
31.12.2002		
Bonds issued by the Company	**714,933**	**6,728**
Bonds issued by a subsidiary	**290,660**	**–**
Banking facilities granted to a subsidiary	**86,157**	**–**
	1,091,750	**6,728**
30.6.2001		
Bonds issued by the Company	740,853	6,728
Bonds issued by a subsidiary	311,128	–
Banking facilities granted to a subsidiary	77,968	–
	1,129,949	6,728

(g) Property, plant and equipment of the Group and of the Company amounting to RM37,539,000 (30.6.2001: RM11,863,000) and RM1,864,000 (30.6.2001: RM1,688,000) respectively have been fully depreciated and are still in use.

(h) Included in capital work-in-progress of the Group is an amount of RM245,022,000 (30.6.2001: RM245,018,000) incurred for the construction of a hotel namely, Sheraton Hanoi which has been temporarily suspended in the previous years pending the sourcing of funds to complete the said project.

The Group has subsequent to the period end re-commenced the construction of the hotel and secured the funding to finance its completion. The hotel is targeted to be fully completed and operational by the last quarter of 2003.

The Group believe that the residual value will approximate the net book value upon its completion and adequate cashflows will be generated thereafter. However, as at 31 December, 2002, there is no reasonable basis for determining the residual value and cash flows to be generated from this asset and as such the Group is unable to ascertain the amount of impairment losses on this asset, if any. Accordingly, no adjustments for the impairment of value of this asset has been incorporated in the financial statements.

(i) Included in capital work-in-progress of the Group is an amount of RM104,772,000 (30.6.2001: RM104,772,000) incurred for the construction of a hotel namely, Sheraton Kuantan. The Group is currently exploring two options, firstly sourcing of funds to complete the hotel failing which the possible disposal of the partially completed hotel as part of their efforts to restructure the bonds. The minimum selling price should the hotel be disposed as agreed with the bondholders as disclosed in Note 28(c) is RM152,900,000.

11. Investment in Subsidiaries

	Company	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
Unquoted shares, at cost	**261,587**	261,587
Less: Provision for diminution in value	**(14,488)**	(14,488)
	247,099	247,099

Unquoted shares with a carrying value of RM247,099,000 (30.6.2001: RM247,099,000) have been pledged as securities for the bonds issued by the Company.

The details of the subsidiaries are listed in Note 34.

On 23 November, 2001, the Group acquired 100% equity interest in Cermin Cahaya Sdn. Bhd. ("CCSB") and Cermin Dunia Sdn. Bhd. ("CDSB") for a total cash consideration of RM4.

The effect of the acquisition of CCSB and CDSB on the financial results of the Group from the date of acquisition to 31 December, 2002 is as follows:

	RM'000
Revenue	**–**
Operating costs	**3,251**
Net profit	**3,251**

The summary of the effects of the acquisition of CCSB and CDSB on the financial position of the Group as at 31 December, 2002 is as follows:

	Group
	RM'000
Property, plant and equipment	**704**
Inventories	**3,486**
Trade and other receivables	**2,905**
Cash and bank balances	**2**
Trade and other payables	**(13,423)**
Taxation	**(506)**
Deferred taxation	**(60)**
Group's share of net liabilities	**(6,892)**

11. Investment in Subsidiaries (cont'd)

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries is as follows:

	RM
Net liabilities acquired:	
Cash and bank balances	*–
Other payables	(8)
Net liabilities	(8)
Goodwill on acquisition	8
Total purchase consideration	*–
Less: Cash and cash equivalents of subsidiaries acquired	*–
Net cash obtained from acquisition of subsidiaries	*–

* Comprise RM4

12. Investment in Associates

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
Unquoted shares, at cost	**10,000**	10,000
Group's share of post acquisition retained profits	**8,588**	13,002
	18,588	23,002
Represented by:		
Share of net tangible assets	**18,588**	23,002

The Group financial statements include the Group's share of the profit of MISC Haulage Services Sdn. Bhd. which is based on the management financial statements as at 31 December, 2002. The shares in the said company have been pledged as security for loan granted to the associate. The associate had repaid its loans and currently taking the necessary steps to discharge the encumbrances.

On 5 November, 2002, a wholly-owned subsidiary, Faber Haulage Sdn. Bhd., entered into a Sale and Purchase of Shares Agreement with MISC Integrated Logistics Sdn. Bhd., for the disposal of its entire 25% equity interest, comprising 10,000,000 ordinary shares of RM1 each in MISC Haulage Services Sdn. Bhd. for a total cash consideration of RM19,500,000. The disposal was approved by the shareholders of the Company on 12 March, 2003 and by the bondholders on 10 April, 2003.

The details of the associates are listed in Note 35.

13. Investments

	Group		Company	
	31.12.2002	30.6.2001	31.12.2002	30.6.2001
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost, in Malaysia	**16,341**	16,226	**898**	783
Less: Provision for diminution in value	**(12,959)**	(10,100)	**(500)**	(500)
	3,382	6,126	**398**	283

14. Investment Properties

	Group	
	31.12.2002	30.6.2001
	RM'000	RM'000
Freehold land, at valuation	**12,696**	12,696
Freehold building, at valuation	**8,410**	8,410
Freehold building, at cost	**994**	994
	22,100	22,100

The freehold land and building were revalued in August, 1983 based on its existing use by a firm of independent professional valuers. Surplus arising from the revaluation is capitalized in revaluation reserve.

The freehold land and building were revalued in August, 2000 based on its existing use by a firm of independent professional valuers, which gave rise to a value above the book value of investment property in the financial statements. The revalued amount has not been incorporated in the financial statements.

The freehold land and building have been pledged as securities for the bonds issued by the Company.

15. Deferred Expenditure

	Group	
	31.12.2002	30.6.2001
	RM'000	RM'000
At cost:		
Pre-branding expenses	**41,464**	38,213
Less: Amounts written off	**(41,464)**	–
	–	38,213
Pre-commencement expenses	**12,161**	12,161
Less: Accumulated amortization	**(4,882)**	(3,654)
	7,279	8,507
	7,279	46,720

16. Land and Development Expenditure

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
Development properties:		
Freehold land at cost	**16,727**	16,727
Leasehold land at cost	**12,072**	11,861
Development expenditure	**222,789**	197,035
Attributable profits	**17,286**	11,484
	268,874	237,107
Less: Progress payments received and receivable	**(219,263)**	(183,684)
	49,611	53,423
Real properties:		
Freehold land, at cost	**2,708**	2,708
Leasehold land, at cost	**746**	957
Development expenditure	**14,487**	15,531
	17,941	19,196
Less: Write down in value at valuation in 1993 (Note a)	**(1,605)**	(1,605)
Provision for diminution in value (Note b)	**(4,467)**	–
	11,869	17,591
At cost	**8,597**	15,100
At net realizable value	**781**	–
At valuation – 1993 (Note a)	**2,491**	2,491
	11,869	17,591

(a) The leasehold land and development expenditure costing RM4,096,000 (30.6.2001: RM4,096,000) were revalued by the directors of a subsidiary in 1993 based on its open market value.

(b) The Group is currently negotiating for the disposal of a property and as such it has been written down to its estimated realizable value.

(c) The real properties of the Group amounting to RM1,516,000 (30.6.2001: RM2,559,000) have been charged to financial institutions as security for the bonds issued by the Company.

17. Inventories

	Group	
	31.12.2002	30.6.2001
	RM'000	RM'000
At cost:		
Properties held for resale	**105,121**	105,470
Food and beverage	**796**	818
Consumables	**5,403**	213
	111,320	106,501
At net realizable value:		
Properties held for resale	**199**	–
	111,519	106,501

Properties held for resale amounting to RM105,121,000 (30.6.2001: RM105,121,000) have been charged as securities for the bonds issued by the Company.

18. Receivables

	Group		Company	
	31.12.2002	30.6.2001	31.12.2002	30.6.2001
	RM'000	RM'000	RM'000	RM'000
Trade receivables (Note a & b)	**108,745**	88,436	**–**	–
Less: Provision for doubtful debts	**(2,738)**	(2,310)	**–**	–
	106,007	86,126	**–**	–
Due from subsidiaries (Note c)	**–**	–	**1,777,725**	1,620,058
Due from affiliated companies (Note c)	**1,212**	364	**675**	–
Third party advances (Note d)	**6,219**	6,219	**–**	3,542
Deposits	**2,487**	2,547	**–**	–
Prepayments	**11,598**	7,330	**–**	–
Dividend receivables	**–**	2,271	**–**	–
Tax recoverable	**2,848**	2,283	**2,438**	2,283
Sundry receivables	**7,573**	15,817	**3,548**	655
Amount rechargeable to an affiliated company, Propel-Johnson Controls (M) Sdn. Bhd. (Note c)	**5,863**	4,360	**–**	–
	37,800	41,191	**1,784,386**	1,626,538
Less: Provision for doubtful debts	**(131)**	(3,126)	**(639,568)**	(286,234)
	37,669	38,065	**1,144,818**	1,340,304
Total	**143,676**	124,191	**1,144,818**	1,340,304

18. Receivables (cont'd)

The Group's normal trade credit term ranges from 30 to 45 days. Other credit terms are assessed and approved on a case-by-case basis.

As at 31 December, 2002, the Group has a significant concentration of credit risk in the form of outstanding balances arising from amount due from the government to a subsidiary, Faber Medi-Serve Sdn. Bhd. representing approximately 95% of the total receivables.

a) Included in trade receivables are rental and service charges receivable from affiliated companies amounting to RM5,451,000 (30.6.2001: RM1,838,000). The normal credit term granted to the affiliated companies is 30 days.

b) Included in trade receivables is RM4,266,665 (30.6.2001: RM9,077,422) being sums retained by stakeholders in relation to a completed development project of a subsidiary.

c) The amounts due from subsidiaries and affiliated companies are unsecured, interest-free and have no fixed terms of repayment except for amount due from subsidiaries amounting to RM1,349,074,000 (30.6.2001: RM1,177,586,000) which attracted interest rate of 10% (30.6.2001: 10%) per annum.

d) In previous years, a subsidiary, Mont Hill Sdn. Bhd. ("MHSB") entered into a joint venture agreement with Konsortium Sepang Berhad ("KSB") to develop residential and commercial properties in Sepang. In accordance to the agreement, KSB will provide land and MHSB will provide funding for the project. The advances amounting to RM6,219,000 (30.6.2001: RM6,219,000) relates to advances given to KSB for the development of the said project. The project has been suspended in previous years due to soft demand for similar housing projects in the same vicinity. MHSB is currently in negotiation with KSB for the disposal of its share of the project to KSB. Based on the indicative price offerred by KSB, the advances would be fully recovered from the proceeds from disposal.

The movement in provision for doubtful debts is as follows:

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
At the beginning of period/year	**5,436**	5,485
Transfer from income statement		
– Provision for doubtful debts	**637**	224
– Reversal of provision for doubtful debts	**(108)**	(17)
Doubtful debts written off	**(3,096)**	(256)
At the end of period/year	**2,869**	5,436

19. Marketable Securities

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
Shares quoted in Malaysia, at cost	**875**	875
Less: Provision for diminution in value	**(516)**	(685)
	359	190
Market value of quoted shares	**359**	190

20. Short Term Deposits

	Group		Company	
	31.12.2002	**30.6.2001**	**31.12.2002**	**30.6.2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with:				
– licensed banks	**46,511**	52,127	**1,500**	–
– licensed discount house	**1,690**	1,731	**240**	71
	48,201	53,858	**1,740**	71

Fixed deposits of the Group amounting to RM2,886,000 (30.6.2001: RM2,671,000) have been pledged for banking facilities utilized by certain subsidiaries.

Included in the short term deposits of the Group is RM3,028,000 (30.6.2001: RM10,464,000) maintained under the Housing Development Account pursuant to the Housing Developers (Housing Development Account) Regulations 1991.

Also included in the short term deposits of the Group is RM3,852,000 (30.6.2001: RM3,287,000) placed in a sinking fund account. The sinking funds are maintained for the purposes of expenditure incurred on repair and maintenance on properties managed by certain subsidiaries.

The weighted average interest rates during the financial period and the average maturities of deposits as at 31 December, 2002 were as follows:

	Weighted Average Interest Rates %	Average Maturities Days
Licensed banks	**2.94**	**32**
Licensed discount house	**2.73**	**10**

21. Cash and Bank Balances

Included in the cash and bank balances of the Group are the following:

(i) RM39,355,000 (30.6.2001: RM37,103,000) maintained under the Housing Development Account pursuant to the Housing Developers (Housing Development Account) Regulations 1991.

(ii) Placement of funds of the Group and of the Company in a Debt Reserve Account amounting to RM5,168,000 (30.6.2001: RM5,172,000) and Nil (30.6.2001: RM1,000,000) respectively. The monies in the Debt Reserve Account is held to meet coupon payments and redemption of the bonds issued by a subsidiary, Inter Heritage (M) Sdn. Bhd. pursuant to its debt restructuring exercise.

(iii) RM789,000 (30.6.2001: RM291,000) placed in a sinking fund account for the purpose of expenditure incurred on repair and maintenance on properties managed by its subsidiaries.

22. Bank Overdrafts (Unsecured)

The weighted average interest rate during the financial period was 9.3% (30.6.2001: 10.3%) per annum.

23. Payables

	Group		Company	
	31.12.2002 RM'000	**30.6.2001 RM'000**	**31.12.2002 RM'000**	**30.6.2001 RM'000**
Trade payables (Note a)	**70,141**	89,084	**–**	–
Due to subsidiaries (Note e)	**–**	–	**175,900**	175,249
Due to affiliated companies (Note e)	**533**	61	**53**	54
Accruals	**36,415**	26,780	**4,517**	1,500
Amount payable for acquisition of assets (Note b)	**3,663**	1,431	**–**	–
Due to operators	**2,333**	2,838	**–**	–
Sundry payables	**13,287**	8,509	**1,858**	2,054
Deferred income (Note c)	**17,242**	–	**–**	–
Provision for sinking funds (Note d)	**6,280**	4,663	**–**	–
Amount payable to hotel creditors for construction of hotels	**79,076**	76,183	**1,832**	1,764
Deposits refundable	**7,339**	8,830	**–**	–
Accrued interest payable	**79,645**	26,007	**–**	–
Due to a corporate shareholder of a subsidiary (Note e)	**4,000**	4,000	**–**	–
	249,813	159,302	**184,160**	180,621
Total	**319,954**	248,386	**184,160**	180,621

The normal trade credit term granted to the Group range from 30 to 90 days.

(a) Included in trade payables of the Group is an amount of RM10,654,000 (30.6.2001: RM40,100,000) due to an affiliated company, Propel-Johnson Controls (M) Sdn. Bhd.

(b) The amount payable for acquisition of assets of the Group is in respect of property, plant and equipment transferred to a subsidiary, Faber Medi-Serve Sdn. Bhd. from an affiliated company, Propel-Johnson Controls (M) Sdn. Bhd. The payment will be made, subject to the finalization of a verification exercise currently being undertaken by the said subsidiary.

(c) The deferred income relates to amount received from the Ministry of Health for variation works. The amount payable to the sub-contractor for the variation works have not been finalized. The amount received has not been recognized as revenue in accordance with MASB 9 as the costs incurred for the variation work cannot be measured reliably.

23. Payables (cont'd)

(d) The movement in provision for sinking funds is as follows:

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
At the beginning of period/year	**4,663**	4,536
Additional provision	**2,363**	593
Amount utilized	**(746)**	(466)
At the end of period/year	**6,280**	4,663

(e) The amounts due to subsidiaries, affiliated companies and a corporate shareholder of a subsidiary are unsecured, interest free and have no fixed term of repayment.

24. Tax Payable

	Group		Company	
	31.12.2002	**30.6.2001**	**31.12.2002**	**30.6.2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax payable	**48,217**	66,403	**26,877**	28,663

Included in the above for the Group:

(i) and the Company is additional assessment of RM26,822,000 (30.6.2001: RM28,608,000) raised for the years of assessment 1980 to 1992 as a result of the disallowance of interest expense in the tax computation. The Group and Company have appealed against the additional assessment raised. While the appeal is being considered, the Group and the Company have paid RM1,786,000 during the financial period. The payment of the remaining balance is pending the outcome of the appeal.

(ii) is an additional assessment for Real Property Gains Tax of RM11,487,000 (30.6.2001: RM11,487,000) raised for the year of assessment 1997 pertaining to the disposal of shares in a former subsidiary, Cipriani Sdn. Bhd. as a result of adopting a different basis of valuation by the tax authorities. The Group has appealed against the additional assessment raised and no payments have been made for the additional assessment pending the outcome of the appeal.

25. Share Capital

	Group and Company			
	Number of ordinary shares of RM1 Each		Amount	
	31.12.2002 RM'000	30.6.2001 RM'000	31.12.2002 RM'000	30.6.2001 RM'000
(a) Authorized	**3,000,000**	3,000,000	**3,000,000**	3,000,000
(b) Issued and fully paid				
At the beginning of period/year	**162,016**	324,033	**162,016**	324,033
Cancellation of RM0.50 from every ordinary share of RM1.00 each and the consolidation of 2 ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each, as per the composite scheme of arrangement	**–**	(162,017)	**–**	(162,017)
Conversion of ICULS at the rate of RM2.00 nominal value of ICULS for one (1) ordinary share of RM1.00 each (Note 26)	**39,540**	–	**39,540**	–
At the end of period/year	**201,556**	162,016	**201,556**	162,016

26. Irredeemable Convertible Unsecured Loan Stocks

	Group and Company	
	31.12.2002 RM'000	30.6.2001 RM'000
ICULS	**231,970**	231,970
Amount converted to ordinary shares (Note 25)	**(79,080)**	–
	152,890	231,970

The ICULS are convertible into fully paid ordinary shares of the Company during the period from 1 November, 2001 to 31 October, 2005, at the rate of RM2.00 nominal value of ICULS for one (1) fully paid ordinary share of RM1.00 each at premium of RM1.00 per share in the Company.

27. Minority Interests

	Group	
	31.12.2002 RM'000	30.6.2001 RM'000
At the beginning of period/year	**76,292**	73,092
Transfer to/(from) income statement	**9,764**	(48,015)
Final dividend paid	**(2,592)**	–
Interim dividend declared	**(2,462)**	–
Capitalization of prior year advances	**–**	51,215
At the end of period/year	**81,002**	76,292

28. Long Term Liabilities

	Group		Company	
	31.12.2002 RM'000	30.6.2001 RM'000	31.12.2002 RM'000	30.6.2001 RM'000
(a) Hire purchase obligations				
Future minimum payments are as follows:				
Payable within one year	**42**	36	**42**	36
Payable between one and five years	**63**	44	**63**	44
	105	80	**105**	80
Less: Finance charges	**(7)**	(14)	**(7)**	(14)
	98	66	**98**	66
Representing hire purchase liabilities:				
Due within 12 months	**42**	28	**42**	28
Due after 12 months	**56**	38	**56**	38
	98	66	**98**	66
(b) Deferred taxation				
At the beginning of period/year	**16,260**	15,030	**–**	–
Transfer from income statement (Note 8)	**242**	1,230	**–**	–
At the end of period/year	**16,502**	16,260	**–**	–
Deferred taxation is in respect of the timing differences between depreciation and corresponding capital allowances	**58,935**	58,071	**–**	–
(c) Non-Convertible Redeemable Secured Bonds ("NCRSB")	**252,784**	252,784	**–**	–
(d) Redeemable Convertible Secured Bonds ("RCSB")	**1,561,652**	1,561,652	**1,561,652**	1,561,652
Amount redeemed	**(24,718)**	(22,002)	**(24,718)**	(22,002)
Interest in suspense	**(381,745)**	(539,702)	**(381,745)**	(539,702)
	1,155,189	999,948	**1,155,189**	999,948
Total long term liabilities	**1,424,531**	1,269,030	**1,155,245**	999,986

The hire purchase facility attracted interest during the period of between 4.50% to 5.90% (30.6.2001: 4.50% to 5.90%) per annum.

NCRSB
The principal features of the 5-year NCRSB are as follows:

The RM252,784,000 nominal value of the NCRSB 2000/2005 were issued at its nominal value and carry a zero coupon rate for the first two years, followed by 2%, 3% and 3.5% per annum in the next three years respectively, to provide a yield to maturity of 12% per annum. At the end of its tenure, the bonds will be redeemed at its nominal value.

28. Long Term Liabilities (cont'd)

The NCRSB were issued by a subsidiary, Inter Heritage (M) Sdn. Bhd. to repay its secured debts outstanding to the respective financial institution creditors. The NCRSB are secured by way of a fixed and floating charge over all assets of the subsidiary, as disclosed in Note 10.

RCSB

The principal features of the 5-year Zero Coupon RCSB are as follows:

The RM1,561,652,000 nominal amount of the RCSB 2000/2005 were issued at 61.39% of the nominal amount and carry a yield to maturity of 10% per annum on a semi-annual basis. The RCSB may be converted into new ordinary shares in the Company at a conversion price of RM1.67, at the option of the RCSB holders from the first anniversary date after issuance of the RCSB up to the maturity date or the date of declaration of an event of default, whichever is the earlier.

The RCSB is not redeemable for cash except upon maturity in November, 2005. Redemption prior to the maturity date is at the option of the Company. However, the Company has given the following undertakings as stipulated in the trust deed agreement dated 13 September, 2000:

(a) The Company will redeem RM1,212,000,000 of the RCSB from the proceeds of the disposal of Strategic Charged Assets and Other Charged Assets based on the following time frame:

  (i) for the period beginning on the issue date to November, 2003, shall not be less than RM229,000,000;
  (ii) by November 2004 shall not be less than RM374,000,000; and
  (iii) by November 2005 shall not be less than RM1,212,000,000.

(b) If for any reason, the values refered to in (a)(i) and (ii) is not achievable, the disposal shall be deferred to the subsequent year subject to the consent of the bondholders.

(c) The disposal of the Strategic Charged Assets is subject to the following minimum selling price:

Strategic Charged Assets	**Minimum selling price RM'000**
Sheraton Penang	96,400
Merlin Inn Johor Bahru	34,700
Merlin Cameron Highlands	20,900
Penang Plaza	36,600
Sheraton Perdana	111,300
Faber Towers	158,900
Sheraton Labuan	92,600
Sheraton Kuantan	152,900
Sheraton Subang	325,800

The RCSB were issued to repay the debts outstanding to the secured financial institution creditors of the Company. The RCSB are secured by way of a fixed and floating charge over all assets as referred to in Notes 10, 11, 14, 16 and 17.

28. Long Term Liabilities (cont'd)

The structured and systematic disposal of charged assets have always been the Group's strategy for the redemption of the RCSB. Although the directors are of the view that the estimated realizable value of the Group's assets exceed its liabilities as at the balance sheet date, there are uncertainties as to the timing and amount of the realization of these values in the future to meet the obligations of the bond redemption. As such, the Group with its financial advisors is currently formulating a restructuring scheme to address the above concerns. The Group is currently discussing the options available with the bondholders. As such the RCSB to be redeemed within one year is not classified as short term liability.

As a first step to restructure the RCSB, on 10 April, 2003, the bondholders approved the proposed termination of further accrual of yield from that date resulting in interest savings amounting to RM337,359,000 for the years 2003 to 2005.

29. Capital Commitments

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
Approved and contracted for:		
Purchase of property, plant and equipment	**5,480**	5,175
Approved but not contracted for:		
Purchase of property, plant and equipment	**10,080**	–
Construction of a hotel	**57,000**	57,000
	67,080	57,000
	72,560	62,175

30. Contingent Liabilities (unsecured)

	Group		Company	
	31.12.2002	**30.6.2001**	**31.12.2002**	**30.6.2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Guarantees issued to financial institutions	**–**	–	**3,244**	3,244
(b) Litigations (unsecured)				
Claim for breach of contract	**22**	22	**22**	22
Claim for alleged wrongful termination of sale and purchase agreement	**26,179**	26,179	**–**	–
Claim for alleged wrongful termination of employment contract	**2,232**	4,005	**2,427**	4,005
Claim for alleged late delivery or late issue of certificate of fitness	**106**	92	**–**	–
Claim for alleged non payment of debts	**3,682**	5,030	**–**	–
	32,221	35,328	**2,449**	4,027

The directors are of the opinion that the likelihood of the crystallization of the above claims is remote.

(c) In addition to the above, the Group has the following additional contingent liabilities:

(i) On 2 December, 1999, Medlux Overseas (Guernsey) Limited ("MOG"), a minority shareholder of Faber Medi-Serve Sdn. Bhd. ("FMS"), filed a petition pursuant to Section 181 of the Companies Act, 1965 and obtained an injunction to prevent the payment and distribution of dividends by FMS to all its shareholders. The petition contains numerous grievances and allegations raised by MOG, including inter-alia, the justification and validity of management fees of RM1,169,994 and interest on advances of RM2,024,373 charged by the Company to FMS.

Subsequently, the Company and a subsidiary, Faber Healthcare Management Sdn. Bhd. filed an application to set aside the injunction and affidavits in opposition to MOG's injunction application.

Arising from a Consent Order entered into on 17 December, 1999, MOG has allowed payment of dividends to Class A shareholders and partial payment to the sole Class B shareholder.

On 18 April, 2001, the High Court dismissed the injunction applied by MOG and MOG appealed to the Court of Appeal. Subsequently, the Court of Appeal dismissed the appeal and MOG again appealed to the Federal Court. The Court of Appeal has ordered that no dividend to be paid until the disposal of the hearing of leave to appeal to the Federal Court. On 28 January, 2002, Medlux's application for leave of appeal to the Federal Court in respect of the dismissed injunction preventing declaration and payment of dividends based on Article 4A was dismissed by the Federal Court.

Therefore, the petition was fixed for case management on 30 July, 2002 where the Court decided that the case management will only be heard upon hearing FGB's appeal against the Senior Assistant Registrar's decision in allowing amendments to the petition to include 2 more defendants. FGB's application against the order of amending the petition has been fixed for hearing on 7 May, 2003.

The directors have sought legal advice and based on the legal advice, the directors are of the opinion that no loss will arise from this case.

30. Contingent Liabilities (unsecured) (cont'd)

(ii) On 11 June, 2001, Consistent Wisdom Sdn. Bhd., a shareholder of a subsidiary, FMS, has made a claim of RM6.2 million to FMS in respect of the services rendered in securing the privatization of hospital support services project.

There has not been any further development on this claim and the directors are of the view that the likelihood of the crystallization of the claim is remote.

(iii) Propel-Johnson Controls (M) Sdn. Bhd. and UMC Service Master Sdn. Bhd., the sub-contractors of FMS, a subsidiary, submitted claim of RM74 million and RM0.5 million respectively for variation works.

It has been agreed by the sub-contractors and FMS that the claims are subject to the Ministry of Health ("MOH") adjustment and approval. FMS has submitted claims of RM95 million against MOH in respect of the variation works of which only RM21 million has been approved and received from MOH. FMS has agreed with the contractors that their claims will only be reimbursed, after the quantum has been mutually agreed between the parties and upon MOH approving the claims submitted by FMS. As disclosed in Note 23(c), the Group has yet to recognize claims approved by MOH amounting to approximately RM17 million as the attributable cost and liability cannot be measured with sufficient reliability currently.

As the amount of liability cannot be measured with sufficient reliability and it has been agreed that the amount claimed by the sub-contractors are subject to MOH adjustment and approval, no provision has been made in the financial statements.

(iv) On 23 August, 2000 the Company has entered into settlement agreement with Sheraton Overseas Management Corporations ("SOMC") to settle the management fees amounting to RM7.2 million due by its subsidiaries to SOMC.

11,300,000 ICULS were issued to SOMC for the settlement of RM7.2 million worth of prior year management fees. SOMC is entitled to sell the ICULS to recover the management fees of RM3.6 million by 31 August, 2002 and the remaining RM3.6 million by 31 August, 2003. In the event, the market price of the ICULS does not realize each of the trigger amount by each of the target date, SOMC shall be entitled to sell,

(i) after 1 September, 2002, such amount of ICULS required to realize RM3.6 million of the management fees subject to a maximum of 60% of the ICULS;

(ii) after 1 September, 2003, the remaining ICULS; and

any shortfall shall be reimbursed by the Company.

On 18 November, 2002, the Company entered into a supplemental agreement with SOMC to vary the terms of the agreement whereby:

(i) out of RM3.6 million due on 31 August, 2002, the sum of RM1.98 million will be settled in cash by the Company and its wholly-owned subsidiary, Faber Hotels Holdings Sdn. Bhd.;

(ii) subject to the payment of RM1.98 million being received by SOMC as per (i) above, SOMC shall not sell any part of the management fee ICULS and shall retain it for the purposes of settling the remaining outstanding amount of RM5.22 million.

30. Contingent Liabilities (unsecured) (cont'd)

The expected shortfall based on the current market value of the ICULS is approximately RM3.90 million.

The directors are of the view that the amount of liability is uncertain as it is dependent on the market value of the ICULS and whether the ICULS will be exercised. Hence, no provision for this potential shortfall has been made in the financial statements.

(v) In prior year, a subsidiary, Inter Heritage (M) Sdn. Bhd. entered into a tenancy agreement with ASA Sports Sdn Bhd ("ASA") to rent part of the hotel to ASA for the operation of entertainment facility ("club"). During the financial period, ASA terminated the tenancy agreement and ceased the business and operations of the club claiming that the Company failed to produce the certificate of fitness or temporary certificate of fitness for occupation which is a breach of the tenancy agreement.

ASA claimed RM12,509,000 for loss of profits and damage incurred as a result of the above.

Based on legal advice, the directors are of the opinion that the likelihood of the crystallization of the claim is remote as there was a temporary certificate of fitness for occupation for the hotel at that time. Furthermore, ASA is unable to provide justification on the loss of profits as the club suffered losses since it started operation.

31. Significant Related Party Transactions

	Group		**Company**	
	31.12.2002	**30.6.2001**	**31.12.2002**	**30.6.2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Management fee expense/ (income)				
– affiliated company, HBN Management Sdn. Bhd.	**252**	89	**158**	26
– affiliated company, Vista Commonwealth Sdn. Bhd.	**(423)**	–	**–**	–
Rental income from affiliated companies	**(14,649)**	(9,648)	**–**	–
– Rangkaian Segar Sdn. Bhd.	**(1,062)**	(652)		
– Pengurusan Lebuhraya Sdn. Bhd.	**(3,329)**	(2,250)	**–**	–
– Setia Haruman Sdn. Bhd.	**(332)**	(235)	**–**	–
– Crest Petroleum Berhad	**(143)**	(71)	**–**	–
– TL Geohydrographics Sdn. Bhd.	**(143)**	(44)	**–**	–
– Petcon (M) Sdn. Bhd.	**(300)**	(181)	**–**	–
– Probadi Sdn. Bhd.	**(541)**	(352)	**–**	–
– Teknik Lengkap Sdn. Bhd.	**(600)**	(400)	**–**	–
– TL Offshore Sdn. Bhd.	**(1,137)**	(699)	**–**	–
– Projek Lebuhraya Utara-Selatan Berhad	**(3,811)**	(2,569)	**–**	–
– Projek Penyelenggaraan Lebuhraya Bhd	**(1,146)**	(764)	**–**	–
– Renong Overseas Corporation	**(47)**	(81)	**–**	–
– Total Medical Consultancy Sdn. Bhd.	**(143)**	(95)	**–**	–
– Prolink Development Sdn. Bhd.	**(407)**	(245)	**–**	–
– UEM Genisys (M) Sdn. Bhd.	**(280)**	(218)	**–**	–
– UE Construction Sdn. Bhd.	**(603)**	(373)	**–**	–
– Vistajati Holdings Sdn. Bhd.	**(264)**	(176)	**–**	–
– Kualiti Alam Sdn. Bhd.	**(287)**	(191)	**–**	–
– TIME Telecommunications Sdn. Bhd.	**(74)**	(52)	**–**	–

31. Significant Related Party Transactions (cont'd)

	Group		Company	
	31.12.2002	**30.6.2001**	**31.12.2002**	**30.6.2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Project management fee paid to an affiliated company, Electronic Data Interchange Sdn. Bhd.	**–**	1,047	**–**	–
Contracted cost paid and payable to an affiliated company, Propel-Johnson Controls (M) Sdn. Bhd.	**82,940**	177,068	**–**	–
Purchase of property, plant and equipment from an affiliated company, Propel-Johnson Controls (M) Sdn. Bhd.	**3,663**	–	**–**	–
Inventory purchased from an affiliated company, Propel-Johnson Controls (M) Sdn. Bhd.	**2,901**	–	**–**	–
Interest income from subsidiaries	**–**	–	**(167,866)**	(101,080)
Property rental income from subsidiaries	**–**	–	**(329)**	(229)
Management fees from subsidiaries	**–**	–	**(5,800)**	(4,300)
Rental of land and buildings payable to subsidiaries	**–**	–	**596**	239

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

32. Segment Reporting

(a) Business Segments:
The Group is organized into four major business segments:

(i) Property development – the development of residential and commercial properties;
(ii) Hotels and resorts – management and operations of hotels;
(iii) Transport – investment holding in a company principally engaged in haulage and transportation;
(iv) Healthcare – provision of hospital support services and linen processing activities.

Other business segment include investment holding which is not of sufficient size to be reported separately.

The directors are of the opinion that all inter-segments transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

32. Segment Reporting (cont'd)

	Properties		Hotel		Transport	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	31.12.02	30.6.01	31.12.02	30.6.01	31.12.02	30.6.01
Revenue						
External sales	**63,993**	86,256	**196,539**	134,762	**–**	–
Inter-segment sales						
– Interest income	**–**	–	**–**	–	**–**	–
– Others	**1,636**	669	**–**	115	**–**	–
Total revenue	**65,629**	86,925	**196,539**	134,877	**–**	–
Results						
Segment results	**6,975**	10,365	**(59,389)**	(1,008)	**(79)**	(301)
Finance costs						
– Others	**1,595**	1,605	**(53,658)**	(22,303)	**–**	(2,244)
– Intercompany	**–**	–	**(167,866)**	(101,081)	**–**	–
	8,570	11,970	**(280,913)**	(124,392)	**(79)**	(2,545)
Share of net (loss)/profit of an associate	**–**	–	**–**	–	**(2,254)**	1,017
Profit/(loss) before taxation	**8,570**	11,970	**(280,913)**	(124,392)	**(2,333)**	(1,528)
Taxation	**(4,021)**	(3,865)	**(362)**	(278)	**–**	(1,026)
	4,549	8,105	**(281,275)**	(124,670)	**(2,333)**	(2,554)
Profit/(loss) after taxation						
Minority interests	**–**	–	**(364)**	–	**–**	–
Net profit/(loss)	**4,549**	8,105	**(281,639)**	(124,670)	**(2,333)**	(2,554)
Other Information						
Segment assets	**312,705**	326,607	**1,402,053**	1,442,658	**831**	2,967
Investment in associate	**–**	–	**–**	–	**18,588**	23,002
Consolidated total assets	**312,705**	326,607	**1,402,053**	1,442,658	**19,419**	25,969
Segment liabilities/ Consolidated total liabilities	**112,016**	130,468	**1,989,055**	1,748,387	**27,181**	31,398
Capital expenditure	**1,237**	667	**6,850**	30,673	**–**	–
Depreciation and amortization	**719**	593	**40,592**	22,877	**6**	4

Healthcare		Others		Elimination		Group	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.02	30.6.01	31.12.02	30.6.01	31.12.02	30.6.01	31.12.02	30.6.01
442,359	275,303	**–**	–	**–**	–	**702,891**	496,321
–	–	**167,866**	101,081	**(167,866)**	(101,081)	**–**	–
–	–	**14,980**	4,300	**(16,616)**	(5,084)	**–**	–
442,359	275,303	**182,846**	105,381	**(184,482)**	(106,165)	**702,891**	496,321
43,318	12,328	**(196,709)**	106,477	**179,178**	(113,195)	**(26,706)**	14,666
–	–	**(156,101)**	(96,031)	**–**		**(208,164)**	(118,973)
–	–	**–**	–	**167,866**	101,081	**–**	–
43,318	12,328	**(352,810)**	10,446	**347,044**	(12,114)	**(234,870)**	(104,307)
–	–	**–**	–	**–**	–	**(2,254)**	1,017
43,318	12,328	**(352,810)**	10,446	**347,044**	(12,114)	**(237,124)**	(103,290)
(14,338)	(3,963)	**–**	155	**–**		**(18,721)**	(8,977)
28,980	8,365	**(352,810)**	10,601	**347,044**	(12,114)	**(255,845)**	(112,267)
–	–	**–**	–	**(9,400)**	48,015	**(9,764)**	48,015
28,980	8,365	**(352,810)**	10,601	**337,644**	35,901	**(265,609)**	(64,252)
228,001	194,426	**1,220,584**	1,613,369	**(1,263,585)**	(1,633,864)	**1,900,589**	1,946,163
–	–	**–**	–	**–**	–	**18,588**	23,002
228,001	194,426	**1,220,584**	1,613,369	**–**	–	**1,919,177**	1,969,165
110,141	130,485	**1,346,420**	1,275,696	**(1,791,312)**	(1,731,376)	**1,793,501**	1,585,058
25,753	10,795	**2,602**	1,452	**–**	–	**36,442**	43,587
18,003	11,202	**476**	1,750	**–**	–	**59,796**	36,426

33. Financial Instrument and Financial Risk Management Objectives and Policies

The daily operations of the Group require the use of financial instruments. Financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, contractual right to exchange financial instruments from other enterprises under conditions that are potentially favourable or an equity instrument of another enterprise, whilst financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to other enterprises or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The use of financial instruments exposes the Group to financial risks which are categorized as credit, foreign currency, liquidity, cash flow, interest rate and market risks.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the respective companies businesses whilst managing their risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group financial risk management policies that are approved by the Board.

It is the Group's policy not to engage in speculative transactions. As and when the Group undertakes significant transactions with risk exposure, the Group evaluates its exposure and the necessity to hedge such exposure taking into consideration the availability and cost of such hedging instruments.

The policies for controlling these risks where applicable are set out below:

(a) Credit risk

The Group controls its credit risk by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on all customers requiring credit over a certain amount and strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis.

Generally, the Group does not require collateral in respect of its financial assets. As at the balance sheet date, the Group has a significant concentration of credit risk in the form of outstanding balances arising from amount due from a subsidiary, Faber Medi-Serve Sdn. Bhd. representing approximately 95% of the total receivables.

(b) Foreign currency risk

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowings in currencies that match the future revenue streams to be generated from its investments. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level and short-term imbalances are addressed by buying or selling foreign currencies at spot rates.

The table below shows the group's currency exposures, i.e., those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognized in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating currency of the operating unit involved.

33. Financial Instrument and Financial Risk Management Objectives and Policies (cont'd)

Functional Currency of the Group and Company 31 December, 2002	**Malaysia Ringgit RM'000**	**South African Rand RN'000**	**US Dollar US'000**
Malaysian Ringgit	**–**	**1,230**	**34,062**
South African Rand	**–**	**–**	**–**
US Dollar	**–**	**–**	**–**
	–	**1,230**	**34,062**

Functional Currency of the Group and Company 30 June, 2001	**Malaysia Ringgit RM'000**	**South African Rand RN'000**	**US Dollar US'000**
Malaysian Ringgit	–	1,230	33,808
South African Rand	–	–	–
US Dollar	–	–	–
	–	1,230	33,808

(c) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

In addition, the Group's objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long term borrowings. Short-term flexibility is achieved through credit facilities and short-term borrowings. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The debt maturity profile of the Group is disclosed as follows:

(i) Maturity of bonds and borrowings

	Group	
	31.12.2002 RM'000	**30.6.2001 RM'000**
Between two and five years		
RCSB	**1,155,189**	999,948
NCRSB	**252,784**	252,784
Hire purchase	**14**	10
Between one and two years		
Hire purchase	**42**	28
Within one year		
Hire purchase	**42**	28
Bank overdraft	**799**	838
	1,408,870	1,253,636

33. Financial Instrument and Financial Risk Management Objectives and Policies (cont'd)

(c) Liquidity and cash flow risk (cont'd)

	Group	
	31.12.2002	**30.6.2001**
	RM'000	**RM'000**
Represented by:		
RCSB	1,155,189	999,948
NCRSB	252,784	252,784
Hire purchase	98	66
Bank overdraft	799	838
	1,408,870	1,253,636

(d) Interest rate risk

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalize on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The interest profile of the financial assets and liabilities of the Group and of the Company as at 31 December, 2002 are as follows:

	Group	**Company**
	31.12.2002	**31.12.2002**
	RM'000	**RM'000**
Financial Assets		
Fixed rate	**–**	709,506
Floating rate	**48,201**	1,740
Interest free	**222,238**	436,778
Total	**270,439**	1,148,024
Financial Liabilities		
Fixed rate	**1,408,029**	1,155,245
Floating rate	**841**	42
Interest free	**319,954**	184,160
Total	**1,728,824**	1,339,447

33. Financial Instrument and Financial Risk Management Objectives and Policies (cont'd)

(d) Interest rate risk (cont'd)

The weighted average interest rates on the financial assets and liabilities as at 31 December, 2002 are as follows:

	Group 31.12.2002 %	Company 31.12.2002 %
Financial Assets		
Floating rate	**2.93**	**2.91**
Interest free	–	–
Financial Liabilities		
Fixed rate	**11.00**	**10.00**
Floating rate	**9.04**	**5.10**
Interest free	–	–

The weighted average interest rates on the financial liabilities can be further analysed as follows:

	Group 31.12.2002 %	Company 31.12.2002 %
Bank overdraft	**9.30**	–
Hire purchase	**5.20**	**5.20**
RCSB	**10.00**	**10.00**
NCRSB	**12.00**	–

(e) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices of the financial instrument or its security assets. For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into short or medium term agreements with suppliers. For security assets, the Group maintains sufficient financial resources to offer its lenders should the market value of the security assets falls below the margin required by the lenders.

(f) Fair values

The fair value of financial assets and financial liabilities approximate their respective carrying values on the balance sheet of the Group and of the Company.

There are no fair values for financial instruments not recognized in the balance sheet as at 31 December, 2002 that are required to be disclosed.

34. Subsidiaries

Details of the subsidiaries are as follows:

Incorporated in Malaysia	Issued and paid-up share capital RM	Percentage of shareholding 31.12.2002 %	30.6.2001 %	Nature of business
Merlion Credit Corporation Bhd. (14534-X)	6,000,000	**100**	100	Dormant
Semangat Holdings Sdn. Bhd. (74910-M)	1,000,000	**100**	100	In liquidation
TC Parking Sdn. Bhd. (43231-U)	20,002	**100**	100	Investment holding
Shaybon Sdn. Bhd. (214582-P)	5,000,000	**100**	100	In liquidation
Faber Healthcare Management Sdn. Bhd. (365178-M)	2	**100**	100	Investment holding
Faber Medi-Serve Sdn. Bhd. (109818-H)	43,170,010	**57**	57	Hospital support services
Merlin Inn (Melaka) Sdn. Bhd. (109825-K)	2	**100**	100	In liquidation
Merlin Inn Muar Sdn. Bhd. (108663-D)	2	**100**	100	In liquidation
Merlin Travel & Tours Sdn. Bhd. (34627-V)	50,000	**100**	100	In liquidation
Merlino Enterprises Sdn. Bhd. (63707-V)	450,000	**100**	100	In liquidation
Sate Yaki Sdn. Bhd. (72963-M)	5,000,000	**60**	60	In liquidation
FM Management Services Sdn. Bhd. (113888-K)	2	**100**	100	In liquidation
Renown Alliance Sdn. Bhd. (325061-K)	2	**100**	100	Investment holding
Faber Hotels Holdings Sdn. Bhd. (107611-V)	95,279,551	**100**	100	Investment holding
Hotel Merlin Cameron Highlands Bhd. (3535-W)	4,500,000	**100**	100	Hotel proprietor
Hotel Merlin Kuantan Sdn. Bhd.* (3449-T)	3,333,330	**100**	100	Hotel proprietor
Merlin Inn Johor Bahru Sdn. Bhd. (16960-M)	10,000,000	**100**	100	Hotel proprietor
Faber Labuan Sdn. Bhd. (109827-V)	2	**100**	100	Investment holding
Malaysian Bagus Travel and Tours Sdn. Bhd. (103775-H)	1,000,000	**100**	100	Dormant
Merlin Labuan Sdn. Bhd. (109695-U)	2	**100**	100	Hotel proprietor

34. Subsidiaries (cont'd)

Incorporated in Malaysia	Issued and paid-up share capital RM	Percentage of shareholding 31.12.2002 %	30.6.2001 %	Nature of business
Merlin Tower Hotel Sdn. Bhd. (57490-A)	8,000,003	**100**	100	Dormant
Mersing Merlin Inn Sdn. Bhd. (18861-W)	1,000,000	**100**	100	Ceased operations
Bernam Valley Sdn. Bhd. (81251 K)	100,000	**100**	100	In liquidation
Subang Jaya Hotel Development Sdn. Bhd. (44190-A)	36,311,609	**100**	100	Hotel proprietor
Fraser's Hill Merlin Hotel Sdn. Bhd. (24126-W)	2,000,000	**51**	51	Ceased operations
Faber Kompleks Sdn. Bhd. (12314-T)	15,000,000	**100**	100	Hotel proprietor
Merlin Management Corporation Sdn. Bhd. (27817-X)	100,000	**100**	100	Hotel management services
Langkawi Island Resort Sdn. Bhd. (61904-X)	34,479,864	**100**	100	Hotel proprietor
Inter Heritage (M) Sdn. Bhd. (186852-H)	41,411,289	**51**	51	Hotel proprietor
Merlin Highway Inns Sdn. Bhd. (333748-P)	2	**100**	100	In liquidation
Faber Development Holdings Sdn. Bhd. (107612-D)	28,260,006	**100**	100	Investment holding
Faber Heights Management Sdn. Bhd. (109824-W)	2	**100**	100	Property management
Country View Development Sdn. Bhd. (66457-K)	1,200,000	**100**	100	Property development
Faber Centre Sdn. Bhd. (13832-P)	3,000,000	**100**	100	Property management
Faber Grandview Development (Sabah) Sdn. Bhd. (51081-T)	4,500,000	**100**	100	Property development
Faber Union Sdn. Bhd. (10501-T)	50,000,000	**100**	100	Property development
Faber Development Sdn. Bhd. (56857-P)	16,000,000	**100**	100	In liquidation
FM Property Management Sdn. Bhd. (107920-D)	50,000	**100**	100	Property management
Mont Hill Sdn. Bhd. (245934-T)	2	**100**	100	Dormant
Mutiara Unik (M) Sdn. Bhd. (216202-D)	2	**100**	100	Dormant

34. Subsidiaries (cont'd)

Incorporated in Malaysia	Issued and paid-up share capital RM	Percentage of shareholding 31.12.2002 %	30.6.2001 %	Nature of business
Jiwa Unik Sdn. Bhd. (249878-A)	100,000	**51**	51	Dormant
Faber Plaza Sdn. Bhd. (271751-D)	20,586,002	**100**	100	Property management
Rimbunan Melati Sdn. Bhd. (304034-U)	272,222	**55**	55	Property development
Faber Haulage Sdn. Bhd. (108662-V)	610,002	**100**	100	Investment holding
Firstgain Holdings Sdn. Bhd. (191099-K)	1,000,000	**100**	100	Ceased operations
Hasil Lintang Sdn. Bhd. (191100-H)	50,000	**100**	100	Ceased operations
Cermin Cahaya Sdn. Bhd. + (417909-M)	2	**100**	–	Provision of hospital support services
Cermin Dunia Sdn. Bhd. + (415187-M)	2	**100**	–	Provision of hospital support services
Cermin Kenyalang Sdn. Bhd. + (582764-H)	2	**100**	–	Provision of laundry processing activities

Incorporated outside Malaysia	Issued and paid-up share capital RM	Percentage of shareholding 31.12.2002 %	30.6.2001 %	Nature of business	Country of incorporation
Belaire Investments (Proprietary) Ltd+ (94/05691/07)	Rand100	**100**	100	Ceased operations	South Africa
Vimas Joint Venture Company Limited++* (SCCI No. 578/GP)	US$30,000,000	**70**	70	Hotel development and hotel proprietor	Vietnam

+ Subsidiaries not audited by Arthur Andersen & Co.

* The auditors' reports on the financial statements of these subsidiaries, Vimas Joint Venture Company Limited was qualified on an "except for" basis in regards to the possible impairment of its capital work in progress.

35. Associates

	Percentage of shareholding 31.12.2002 %	Percentage of shareholding 30.6.2001 %	Nature of business	Country of incorporation
MISC Haulage Services Sdn. Bhd. + (112038-H)	**25**	25	Haulage and transportation	Malaysia
Merlin Inn (Kedah) Sdn. Bhd. + (57284-T)	**30**	30	In liquidation	Malaysia

+ Associates not audited by Arthur Andersen & Co.

36. Significant Events

(a) On 21 May, 2002, 2 subsidiaries, Faber Medi-Serve Sdn. Bhd. ("FMS") and Cermin Dunia Sdn. Bhd. ("CDSB"), entered into a Shareholders' Agreement with SSP Medical Technologies Sdn. Bhd. ("SSP") to provide biomedical engineering maintenance services and electronic and electrical asset management and maintenance services using CDSB as the venture company.

Under the arrangement, FMS holds 60% of the equity and SSP holds 40% of the equity of CDSB.

The venture has been approved by the Board of Directors of FMS on 2 May, 2002 and the shareholders and Board of Directors of SSP on 6 May, 2002. It has also been approved by the Foreign Investment Committee ("FIC") subject to the following conditions:

(i) that CDSB increases its Bumiputra equity holding to at least 30% before 31 December, 2003;
(ii) that FMS maintains its majority shareholding in CDSB at any time; and
(iii) that the Ministry of Health gives its approval to the Joint Venture.

(b) On 21 May, 2002, FMS had entered into a Shareholders' Agreement with Simfoni Dua Sdn. Bhd. ("SDSB") for the purpose of constructing, operating and maintaining laundry processing plant and equipment, and for the purpose of carrying out linen processing services.

Under the arrangement, FMS holds 55% of the equity and SDSB holds 45% equity of the venture the company. Pursuant to the Shareholders' Agreement, FMS had formed a wholly-owned subsidiary known as Cermin Kenyalang Sdn. Bhd. which will be used to facilitate this arrangement.

The joint venture is subject to approvals from the FIC and other necessary regulatory authorities. The FIC had, on 27 January, 2003, approved the venture.

(c) On 5 November, 2002, a wholly-owned subsidiary, Faber Haulage Sdn. Bhd., entered into a Sale and Purchase of Shares Agreement with MISC Integrated Logistics Sdn. Bhd., for the disposal of 25% equity interest, comprising 10,000,000 ordinary shares of RM1 each in MISC Haulage Services Sdn. Bhd., a company principally engaged in transportation, repair and storage of containers, for a total cash consideration of RM19,500,000. The proposed disposal had been approved by the shareholders of the Company on 12 March, 2003 and by the bondholders on 10 April, 2003.

37. Change of Financial Year End

During the current financial period, the Group and the Company changed their financial year end from 30 June to 31 December, in order to be co-terminous with that of their corporate shareholder. Accordingly, the current financial period covers an 18-month period from 1 July, 2001 to 31 December, 2002. As the previous financial year covered a 12-month period from 1 July, 2000 to 30 June, 2001, the figures in the financial statements for 2002 and 2001 set out on pages 57 to 110 are not comparable.

38. Comparative Figures

The reclassification of the following balance sheet comparative figures relates to mainly:

a) the reclassification made by a subsidiary, Vimas Joint Venture Company Limited.

b) reclassification of investment properties previously included in property, plant and equipment to investment properties.

	As restated RM'000	As previously reported RM'000
Property, plant and equipment	1,457,864	1,551,474
Deferred expenditure	46,720	21,253
Investment properties	22,100	–
Receivables	124,191	122,766
Payables	(248,386)	(293,004)

analysis of shareholdings

Analysis of Shareholders as per the Record of Depositors as at 23 April 2003

Authorized Share Capital	:	RM3,000,000,000.00
Issued and fully paid	:	RM202,945,474
Class of shares	:	Ordinary shares of RM1.00 each
No. of shareholders	:	39,467
Voting rights	:	1 vote per ordinary share

No. of Holders	**Holdings**	**Total Holdings**	**Percentage**
25,624	Less than 1,000	7,682,680	3.79
12,476	1,000 – 10,000	34,144,761	16.82
1,259	10,001 – 100,000	35,974,885	17.73
107	100,001 – to less than 5% of issued shares	27,900,880	13.75
1	5% and above of issued shares	97,242,268	47.92
39,467	Total	202,945,474	100.00

Category of Shareholders as per the Record of Depositors as at 23 April 2003

Size of Holdings	**No. of Holders**		**Percentage**		**No. of Shares**		**Percentage**	
	Malaysian	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**
Individual	25,804	803	65.38	2.03	56,703,642	5,287,330	27.94	2.61
Body Corporate								
Banks/ Finance Companies	81	1	0.20	*	1,295,875	881	0.64	*
Investment Trust/ Foundations/ Charities	3	–	0.01	–	5,600	–	*	–
Other type of Companies	249	26	0.63	0.07	1,463,656	328,773	0.72	0.16
Government Agencies/ Institutions*	6	–	0.02	–	485,620	–	0.24	–
Nominees	2,981	9,513	7.55	24.10	112,990,189	24,383,908	55.68	12.02
Total	29.124	10,343	73.80	26.20	172,944,582	30,000,892	85.22	14.78

Note : * Insignificant

analysis of shareholdings

30 Largest Shareholders as per the Record of Depositors as at 23 April 2003

No.	Shareholders	No. of Shares	Percentage
1.	RHB Merchant Nominees (Tempatan) Sdn Bhd United Engineers (Malaysia) Berhad for Cantuman Bahagia Sdn Bhd (Pledged Sec A/C)	97,242,268	47.92
2.	Ong Bee Lian	1,068,500	0.53
3.	Lim Seng Chee	1,059,400	0.52
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alya Chew binti Abdullah (CEB)	1,000,000	0.49
5.	Low Piang Woon	1,000,000	0.49
6.	HDM Nominees (Asing) Sdn Bhd DBS Vickers Securities (Singapore) Pte Ltd for Tan Ju Hong	969,100	0.48
7.	Yee Shia Ming	886,000	0.44
8.	UOBM Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for Ngan Tang Joo	809,200	0.40
9.	Mrs Lee Ming Fang Nee Seow Ming Fang	665,166	0.33
10.	Gan Kam Ming	594,000	0.29
11.	HDM Nominees (Asing) Sdn Bhd OCBC Securities Pte Ltd for Tan Ju Hong	589,900	0.29
12.	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Lian (472592)	553,000	0.27
13.	Yeoh Seok Boon	502,000	0.25
14.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Sor Ah Kee	485,000	0.24
15.	Tan Eng Huat	445,000	0.22
16.	Menteri Kewangan Malaysia Section 29 (SICDA)	444,617	0.22
17.	Kwee Swie Hok @ Andi Tandean	425,250	0.21
18.	Chin Kiam Hsung	411,500	0.20
19.	Abdullah Suhaimi bin Yacob	371,000	0.18
20.	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choo Sook Heng (471333)	337,000	0.17
21.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Hong Huat (CEB)	324,000	0.16
22.	Koh Lee Huat	319,000	0.16
23.	Thong & Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Moy Chin Goon	310,000	0.15
24.	Tan Kay Hwa	305,000	0.15
25.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Roslina binti Abdul Rahman (PB-1U)	300,000	0.15
26.	AMFinance Berhad Pledged Securities Account for Perumal a/l A Pikiri @ A Packiri (SMART)	300,000	0.15
27.	Fam Choon Hock	294,000	0.14
28.	RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	290,000	0.14
29.	Tan Eng Kwee	279,000	0.14
30.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Seng Kee	275,000	0.14
Total		112,853,901	55.61

analysis of shareholdings

Direct and Indirect Interest of Directors in the listed issuer as per the Register of Directors' Shareholdings (maintained under Section 134 of the Companies Act, 1965) as at 23 April 2003

	No. of Ordinary Shares of RM1.00 each			
Directors	**Direct**	**Percentage**	**Indirect**	**Percentage**
Dato' Anwar bin Haji @ Aji	–	–	–	–
Datuk Zainal Abidin bin Alias	–	–	–	–
Dato' Mohamed Zain bin Mohamed Yusuf	–	–	–	–
Dato' Ikmal Hijaz bin Hashim	–	–	–	–
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	1,500	*	–	–
Elakumari a/p Kantilal	–	–	–	–
Azmanuddin Haq bin Ahmad	–	–	–	–
Noorizah binti Hj. Abd Hamid	–	–	–	–

As at 23 April 2003, none of the Directors of Faber has any direct and/or indirect interest in any related corporation of Faber.

Notes:
* Insignificant

Substantial Shareholders as per the Register of Substantial Shareholders as at 23 April 2003

	No. of Ordinary Shares of RM1.00 each			
Name of Substantial Shareholders	**Direct**	**Percentage**	**Indirect**	**Percentage**
Cantuman Bahagia Sdn Bhd (a)	97,242,268	47.92	–	–
Fleet Group Sdn Bhd (b)	–	–	97,242,268	47.92
Renong Berhad (c)	–	–	97,242,268	47.92
United Engineers (Malaysia) Berhad (d)	–	–	97,242,268	47.92
TIME Engineering Berhad (d)	–	–	97,242,268	47.92
Ikral Capital Sdn Bhd (d)	–	–	97,242,268	47.92
Peri Bakti Sdn Bhd (d)	–	–	97,242,268	47.92
Tan Sri Dato' Seri Halim bin Saad (d)	–	–	97,242,268	47.92
Syarikat Danasaham Sdn Bhd (e)	–	–	97,242,268	47.92
Khazanah Nasional Berhad (f)	–	–	97,242,268	47.92

Notes:
(a) Shares registered in the name of its nominee, RHB Merchant Nominees (Tempatan) Sdn Bhd, as bare trustee
(b) Deemed interested by virtue of its substantial interest in Cantuman Bahagia Sdn Bhd
(c) Deemed interested by virtue of its substantial interest in Fleet Group Sdn Bhd
(d) Deemed interested by virtue of its/his substantial interest in Renong Berhad
(e) Deemed interested by virtue of its substantial interest in United Engineers (Malaysia) Sdn Bhd
(f) Deemed interested by virtue of its substantial interest in Syarikat Danasaham Sdn Bhd

analysis of ICULS holders

Analysis of holdings of Zero Coupon Irredeemable Convertible Unsecured Loan Stocks ("ICULS") as at 23 April 2003

Issued	:	RM150,111,199
No. of ICULS holders	:	768
Voting rights	:	None

No. of Holders	**Holdings**	**Total Holdings**	**Percentage**
4	Less than 1,000	2,056	*
333	1,000 – 10,000	1,911,887	1.27
327	10,001 – 100,000	13,299,725	8.86
100	100,001 – to less than 5% of ICULS issued	67,010,674	44.64
4	5% and above of ICULS issued	67,886,857	45.22
768	Total	150,111,199	100.00

Note: * Insignificant

analysis of ICULS holders

30 Largest ICULS holders as at 23 April 2003

No.	ICULS Holders	No. of ICULS held	Percentage
1.	PAB Nominee (Tempatan) Sdn Bhd Affin Bank Berhad (Loan Recovery)	23,456,388	15.63
2.	CIMSEC Nominees (Tempatan) Sdn Bhd Danaharta Urus Sdn Bhd	18,520,242	12.34
3.	RHB Nominees (Asing) Sdn Bhd Sheraton Overseas Management Corporation	16,391,315	10.92
4.	PAB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Federal Furniture Industries Sdn Bhd (Corp Banking)	9,518,912	6.34
5.	Kasugi Prima Sdn Bhd	6,250,250	4.16
6.	GDP Architects Sdn Bhd	5,440,248	3.62
7.	Taisei Corporation	4,770,000	3.18
8.	Ekovest Berhad	3,981,716	2.65
9.	Renong Berhad	3,621,000	2.41
10.	Intria Bina Sdn Bhd	3,569,155	2.38
11.	Bumiputra-Commerce Bank Berhad	3,251,927	2.17
12.	Seloga Jaya Sdn Bhd	3,145,396	2.10
13.	Road Builder (M) Sdn Bhd	2,981,850	1.99
14.	Syarikat Pemasaran Sejati Sdn Bhd	2,455,903	1.64
15.	Syarikat Letrik Winlite Sdn Bhd	1,576,771	1.05
16.	KCA International Designers Sdn Bhd	1,402,400	0.93
17.	Jurutera Budiman Sdn Bhd	1,072,821	0.71
18.	Universal Trustee (Malaysia) Berhad	770,280	0.51
19.	Syarikat Letrik Winlite Sdn Bhd	719,491	0.48
20.	Juaraconsult Sdn Bhd	694,000	0.46
21.	Pembinaan Duta Idaman Sdn Bhd	681,089	0.45
22.	T Y Lin (SEA) Sdn Bhd	676,647	0.45
23.	Seng Hup Corporation Bhd (Special Administrators Appointed)	672,052	0.45
24.	Chan Kam Tong	620,000	0.41
25.	Jalex Sdn Bhd	590,143	0.39
26.	Ong Bee Lian	580,000	0.39
27.	Syarikat Pembinaan Ng Malaysia Sdn Bhd	572,595	0.38
28.	Light Style Sdn Bhd	552,346	0.37
29.	CIMB Nominees (Tempatan) Sdn Bhd Commerce International Merchant Bankers Berhad	543,233	0.36
30.	Lai Kim Teck	484,231	0.32
Total		119,562,401	79.65

properties held by the group

Location and Address	Description of Properties	Approx. Land Area	Gross Built-Up Area (Sq. ft.)	Existing Use	Tenure (Expiry Date)	Approx. Age (Years)	Net Book Value as at 31.12.2002 (RM'000)	Last Date of Revaluation or if none; date of acquisition
Faber Group Berhad								
PT 23538 Sungai Petani, Kedah	Vacant land	3.74 acres	–	Vacant Land	Freehold	–	**5,451**	7.9.1995
Lot 65 Kamunting, Perak	Incinerator plant	5.87 acres	17,007	Incinerator for hospitals clinical waste	Leasehold	–	**1,278**	6.3.1996
Hotels Division								
Subang Jaya Hotel Development Sdn Bhd Jalan SS12/2 Subang Jaya, Selangor	Redevelopment of a 504-room hotel known as Sheraton Subang Hotel & Towers	405,108 sq. ft.	468,000	Hotel Building	Freehold	22	**276,994**	1.2.1984
Merlin Inn Johor Bahru Sdn Bhd Jalan Bukit Meldrum Johor Bahru, Johor	An 8-storey 75-room hotel known as Merlin Inn Johor Bahru (South Wing)	18,889 sq. ft.	60,400	Hotel Building	Freehold	20	**17,729**	1986
	A 6-storey 50-room hotel known as Merlin Inn Johor Bahru (North Wing)	26,703 sq. ft.	43,830	Hotel Building	Freehold	16	**9,133**	1986
Mersing Merlin Inn Sdn Bhd Jalan Endau Mersing, Johor	A 31-room hotel known as Merlin Inn Resort Mersing	123,057 sq. ft.	22,544	Hotel Building	Freehold	23	**2,236**	15.8.1983
	Vacant land for development	317,552 sq. ft.	–	Vacant Land	Freehold	–	**291**	15.8.1983
Hotel Merlin Kuantan Sdn Bhd Teluk Cempedak Kuantan, Pahang	Proposed redevelopment to construct a 268-room hotel known as Sheraton Kuantan	913,453 sq. ft.	–	Hotel Building	Leasehold 75 years (18.2.2039)	30	**115,043**	15.8.1983

properties held by the group

Location and Address	Description of Properties	Approx. Land Area	Gross Built-Up Area (Sq. ft.)	Existing Use	Tenure (Expiry Date)	Approx. Age (Years)	Net Book Value as at 31.12.2002 (RM'000)	Last Date of Revaluation or if none; date of acquisition
Hotel Merlin Cameron Highlands Bhd, Tanah Rata Cameron Highlands Pahang	A 66-room hotel known as Merlin Inn Resort Cameron Highlands	474,804 sq. ft.	64,067	Hotel Building	Leasehold 99 years (19.11.2035)	40	**16,318**	15.8.1983
Faber Kompleks Sdn Bhd Jalan Larut, Penang	A 279-room hotel known as Sheraton Penang	39,365 sq. ft.	350,000	Hotel Building	Freehold	17	**85,764**	15.8.1983
Langkawi Island Resort Sdn Bhd Pulau Langkawi, Kedah	A 207-room known as Sheraton Perdana Resort Langkawi	4,333,567 sq. ft.	239,000	Hotel Building	Leasehold 60 years (21.8.2032)	31	**102,480**	22.8.1973
Merlin Labuan Sdn Bhd Jalan Merdeka Labuan	A 183-room hotel known as Sheraton Labuan Hotel	65,340 sq. ft.	236,000	Hotel Building	Leasehold 99 years (31.12.2090)	11	**73,488**	31.12.1991
Inter-Heritage (M) Sdn Bhd Jalan Sultan Ismail Kuala Lumpur	A 398-room hotel known as Sheraton Imperial Hotel	84,893 sq. ft.	957,184	Hotel Building	Freehold	7	**292,004**	1990
Vimas Joint Venture Co Ltd K5 Nghi Tam Village Hanoi, Vietnam	A proposed construction of a 299-room hotel known as Sheraton Hanoi Hotel & Towers	214,751 sq. ft.	–	Hotel Building	Leasehold 30 years (5.4.2023)	8	**255,333**	6.4.1993

properties held by the group

Location and Address	Description of Properties	Approx. Land Area	Gross Built-Up Area (Sq. ft.)	Existing Use	Tenure (Expiry Date)	Approx. Age (Years)	Net Book Value as at 31.12.2002 (RM'000)	Last Date of Revaluation or if none; date of acquisition
Property Division								
Faber Union Sdn Bhd								
Lot 51566 Taman Desa Kuala Lumpur	3 storey office and shopping podium and 21 storey tower blocks known as Faber Towers	2.63 acres	868,518	Office use – rental	Freehold	12	**105,122**	1991
Lot 35283 Taman Desa Kuala Lumpur	Vacant land for development	5.91 acres	–	Vacant Land	Freehold	–	**6,778**	1971
Lot 35284 Taman Desa Kuala Lumpur	Vacant land for development of condominiums	1.25 acres	–	Vacant Land	Freehold	–	**1,223**	1971
Overseas Union Garden Off Jalan Kelang Lama Kuala Lumpur	Vacant land	0.48 acres	–	Vacant Land	Freehold	–	**912**	1983
Taman Sri Desa Ipoh, Perak	Vacant land for mixed development	8.00 acres	–	Vacant Land	Leasehold 99 years expiring 13.9.2090	–	**3,272**	1982
PT 4343 Desa Business Park Taman Desa Kuala Lumpur	Vacant lot for commercial use	0.34 acres	–	Vacant Land	Freehold	–	**2,916**	1971
Faber Centre Sdn Bhd								
Taman Desa Kuala Lumpur	Commercial space at Taman Desa	0.48 acres	–	Rental	Freehold	16	**3,629**	1981

properties held by the group

Location and Address	Description of Properties	Approx. Land Area	Gross Built-Up Area (Sq. ft.)	Existing Use	Tenure (Expiry Date)	Approx. Age (Years)	Net Book Value as at 31.12.2002 (RM'000)	Last Date of Revaluation or if none; date of acquisition
Country View Development Sdn Bhd								
CL015027237 Kota Kinabalu, Sabah	Vacant land for development of condominiums known as Lucky Heights	4.78 acres	–	Vacant Land	Leasehold 999 years (2.12.2920)	–	**2,277**	1982
Faber Grandview Development (Sabah) Sdn Bhd								
Taman Grandview Off Mile 1.5, Jalan Utara Sandakan, Sabah	Vacant land for development of terrace houses phase 2	9.2 acres	–	Vacant Land	Leasehold 999 years (4.9.2881)	–	**4,767**	1981
Faber Plaza Sdn Bhd								
Faber Plaza Jalan Burmah, Penang	A shopping complex consisting of a 3-storey podium block and a 6-storey tower block of office space known as Penang Plaza	2.06 acres	134,798	Office use – rental	Freehold	18	**22,100**	1983

other information

Utilization of Proceeds
There were no proceeds raised by FGB from any corporate proposals during the financial period ended 31 December 2002.

Shares Buy-Backs
There were no share buy-backs during the financial period ended 31 December 2002.

Options, Warrants or Convertible Securities Exercised
FGB has not issued any options, warrants or convertible securities in respect of the financial period ended 31 December 2002.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")
FGB has not sponsored any ADR or GDR programme for the financial period ended 31 December 2002.

Sanctions and/or Penalties
There were no sanctions and/or penalties imposed on the FGB Group, its Directors or Management by relevant regulatory bodies.

Non-Audit Fees
The amount of non-audit fees paid and payable to external audit firms by the FGB Group for the financial period ended 31 December was RM81,840 in respect of tax and tax related consultancy fees.

Variation in Results
On 30 April 2003, pursuant to Chapter 9, Part J, para 9.19 (34) of the Listing Requirements of Kuala Lumpur Stock Exchange, FGB announced that there were variances between the audited financial statements as at 31 December 2002 of the FGB Group as compared to the quarterly report on unaudited consolidated result for the financial period ended 31 December 2002 as highlighted below:

The variance on the above was mainly due to deferred expenditure comprising pre-branding expenses written off amounting to RM41,464,000 as recommended by the auditors. The pre-branding expenses are in relation to direct cost incurred in connection with the Sheraton branding of the Sheraton Hanoi hotel. In the past, these pre-branding expenses were capitalized by the FGB Group and only written off upon the opening of the hotel. However, in the current financial period, these expenses have been written off in accordance with the Standard 1 of the Malaysian Accounting Standards Board.

	Unaudited	Audited	Percentage of Variance
	RM'000	RM'000	(%)
Net loss attributable to the members of FGB	(224,242)	(265,609)	18%

other information

Profit Guarantee

FGB did not issue any profit forecast or profit guarantee for the financial period ended 31 December 2002.

Material Contracts

Save as disclosed below, there were no material contracts entered into by the FGB Group which involve its Directors' and major shareholders' interests either still subsisting at the end of the financial period ended 31 December 2002 or entered into since the end of the previous financial year.

Sale and Purchase Agreement dated 19 May 2003 between Danaharta Hartanah Sdn Bhd ("Hartanah") and Faber Medi-Serve Sdn Bhd ("FMS") in respect of the acquisition by FMS of the lease of a piece of land together with a single storey detached factory with a double storey office and ancillary building erected thereon identified as Lot 37, Kuala Ketil Industrial Estate, Mukim of Tawar, District of Baling Kedah Darul Aman for a total cash consideration of RM1,100,000.00.

Hartanah is a wholly-owned subsidairy company of Pengurusan Danaharta Nasional Berhad which in turn is a wholly-owned subsidiary company of Ministry of Finance Incorporated ("MOF").

FMS is a 57% owned subsidiary company of FGB and Faber Healthcare Management Sdn Bhd which in turn is a wholly-owned subsidiary company of FGB. Cantuman Bahagia Sdn Bhd ("CBSB") is a major shareholder of FGB holding a direct interest of 47.89% in FGB as at 19 May 2003 held in the name of RHB Merchant Nominees (Tempatan) Sdn Bhd as bare trustee. CBSB is a wholly-owned subsidiary of Fleet Group Sdn Bhd ("FGSB") which in turn is a wholly-owned subsidiary of Renong Berhad ("RB"). United Engineers (M) Berhad ("UEM") has a 31% interest in RB. UEM is a wholly-owned subsdiary of Syarikat Danasaham Sdn Bhd ("Danasaham"). Danasaham is a wholly-owned subsidiary company of Khazanah Nasional Berhad ("Khazanah"). MOF holds 99% of the equity interest of Khazanah.

recurrent related party transactions

The shareholders of FGB had at an Extraordinary General Meeting ("EGM") held on 11 December 2001, granted their approval for the FGB Group to enter into the categories of recurrent related party transactions ("Recurrent Related Party Transactions") of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business and on terms not more favourable to the Related Parties than those generally available to the public and with those related parties ("the Shareholders' Mandate") as set out in the Circular to Shareholders dated 19 November 2001.

The shareholders of FGB had at an EGM held on 12 March 2003 approved the renewal of the Shareholders' Mandate and for the FGB Group to enter into additional Recurrent Related Party Transactions with the Related Parties as set out in the Circular to Shareholders dated 26 February 2003.

During the financial period ended 31 December 2002, the aggregate value of transactions conducted pursuant to the Shareholders' Mandate are as disclosed below:

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
1.	FGB Group	Staff training and development	Renong Berhad ("RB")	FGB is a 60.02% owned subsidiary of Cantuman Bahagia Sdn Bhd which in turn is a wholly-owned subsidiary company of Fleet Group Sdn Bhd which in turn is wholly-owned by RB.	322,000
			HBN Management Sdn Bhd ("HBN")	HBN is a wholly-owned subsidiary company of RB.	
2.	FGB Group	Audit services	HBN	HBN is a wholly-owned subsidiary company of RB.	224,000
3.	FGB Group	Administrative services	HBN	HBN is a wholly-owned subsidiary company of RB.	362,000
			Renong Overseas Corporation Sdn Bhd ("ROC")	ROC is a 92.3% subsidiary company of RB.	
4.	Faber Union Sdn Bhd ("FUSB")	Rental of bus	Park May Berhad ("PMB")	PMB is a 49% owned associated company of RB.	182,000

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
5.	FGB Group	Insurance premiums (including brokerage)	Bradstock Insurance Brokers Sdn Bhd ("Bradstock")	Bradstock is a 30% owned associated company of Hatibudi Nominees (Tempatan) Sdn Bhd, a wholly-owned subsidiary company of RB.	4,508,000
			MIT-Perinsima Insurance Brokers Sdn Bhd ("MIT")	RB holds all the preference shares in MIT which are due to be redeemed in May 2002.	
6.	Faber Medi-Serve Sdn Bhd ("FMS")	Provision of ash disposal services	Kualiti Alam ("Kualiti Alam")	Kualiti Alam is a wholly-owned subsidiary of Kualiti Alam Holdings Sdn Bhd which in turn is wholly-owned by UE Construction Sdn Bhd which in turn is wholly-owned by United Engineers (Malaysia) Berhad ("UEM").	248,000
7.	FGB Group	Repair and maintenance of vehicles	United Services and Automotive Industries Sdn Bhd ("USAI")	USAI is a wholly-owned subsidiary company of UEM.	65,000
8.	FGB Hotel Companies	Rental of counters at airports managed	Malaysia Airport Holdings Berhad ("MAHB")	MAHB is a 22.74% owned associated company of Khazanah Nasional Berhad ("Khazanah"). Khazanah also indirectly holds a 31% equity interest in RB via Syarikat Danasaham Sdn Bhd ("Danasaham") , a wholly-owned subsidiary of Khazanah who will eventually hold 100% equity interest in UEM. Khazanah is also a Major Shareholder of Tenaga Nasional Berhad ("TNB"), Telekom Malaysia Berhad ("Telekom") and TIMEdotCom Berhad ("TIMEdotCom").	153,000

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
9.	FGB Group	Purchase of airline tickets and payment of airport tax to MAHB for use of airport facilities	Enesty Travel and Tours Sdn Bhd ("Enesty")	Enesty is a wholly-owned subsidiary company of Enesty Hire & Drive Sdn Bhd which in turn is a 60% subsidiary company of Ikral Management Services Sdn Bhd ("IMS"), a wholly-owned subsidiary company of Ikral Capital Sdn Bhd. Tan Sri Halim Saad ("TSH"), one of the major shareholders of RB, is a Director of IMS.	1,031,000
			MAHB	MAHB is a 22.74% owned associated company of Khazanah.	
10.	FUSB	Rental of office space in Faber Towers and ancillary facilities	Rangkaian Segar Sdn Bhd ("Rangkaian Segar")	RB, UEM, PMB and Commerce Asset Holding Berhad ("CAHB") each hold 20% in Rangkaian Segar and Intria Berhad ("Intria") and Antara Consolidated Sdn Bhd ("Antara") hold 10% each.	13,920,000
			Projek Penyelenggaraan Lebuhraya Berhad ("Propel")	Propel is a 56.2% owned subsidiary company of UEM.	
			Prolink Development Sdn Bhd ("Prolink")	Prolink is a 80% owned subsidiary company of Amra Resources Sdn Bhd which ("Amra") in turn is a 80% owned subsidiary company of RB.	
			Setia Haruman Sdn Bhd ("Setia Haruman")	Setia Haruman is a 25% owned associated company of RB.	
			Projek Lebuhraya Utara-Selatan Berhad ("PLUS")	PLUS is a wholly-owned subsidiary company of UEM.	
			Mahisa Sdn Bhd ("Mahisa")	Mahisa is a wholly-owned subsidiary company of RB.	
			Crest Petroleum Berhad ("CPB") and its subsidiary companies	CPB is a 38.56% owned associated company of RB.	

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
10.			ROC	ROC is a 92.3% subsidiary company of RB.	
			Kinta Kellas ("KK") and its subsidiary companies ("KK Group")	KK is a 62.4% owned subsidiary company of UEM.	
			UEM and its subsidiary companies ("UEM Group")	UEM is a major shareholder of RB holding a 31% direct interest. RB in turn held approximately 37.9% of the shares in UEM which have been disposed to Danasaham.	
11.	FUSB	Rental of basement and rooftop space of Faber Towers	TTdotCom Sdn Bhd ("TTdC")	TTdC is a wholly-owned subsidiary of TIMEdotCom which in turn is a 45% owned associated company of TIME Engineering Berhad ("TIME"), which in turn is a 46.8% owned associated company of RB. TIMEdotCom is also a 30% owned associated company of Khazanah.	74,000
12.	FUSB	Administration of shuttle bus services	Rangkaian Segar	RB, UEM, PMB and CAHB each hold 20% in Rangkaian Segar and Intria and Antara hold 10% each.	144,000
			Propel	Propel is a 56.2% owned subsidiary company of UEM.	
			Prolink	Prolink is a 80% owned subsidiary company of Amra which in turn is a 80% owned subsidiary company of RB.	
			PLUS	PLUS is a wholly-owned subsidiary company of UEM.	

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
13.	FM Property Management Sdn Bhd ("FMPM")	Provision of property management services, including reimbursable expenses	Vistajati Holdings Sdn Bhd ("Vistajati")	Vistajati is a wholly-owned subsidiary company of UEM.	1,471,000
14.	FGB Group	Provision of legal services	Abu Talib, Shahrom and Zahari ("ATSZ")	Abu Talib bin Abdul Rahman, a director of UEM, is a partner in the law firm of ATSZ.	1,083,000
			Abdullah and Zainuddin ("A&Z")	Dato' Abdullah Mohd Yusof, a past Chairman and past Director of FGB as well as several of its subsidiary companies, is a partner in the law firm of A&Z.	
			Albar & Partners ("Albar")	Tuan Syed Zaid b. Syed Jaffar Albar, a past Director of RB, is a partner in the law firm of Albar.	
			Rashid and Lee ("R&L")	Lee Siew Choong, a partner in the law firm of R&L, is a past Director of RB, PMB and CPB.	
			Shearn Delamore & Co. ("Shearn")	Michael Lim Hee Kiang, a past Director of RB, is a partner in the law firm of Shearn.	
15.	FGB Group	Provision of company secretarial services	Rashid and Lee Management Services Sdn Bhd ("RLMS")	Lee Siew Choong, a major shareholder and Director of RLMS, is a past Director of RB, PMB and CPB.	126,000
16.	Inter Heritage (M) Sdn Bhd ("IHSB")	Rental of office space at Faber Imperial Court	Albar	Tuan Syed Zaid b. Syed Jaffar Albar, a past Director of RB, is a partner in the law firm of Albar.	954,000

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
17.	FGB Group	Toll payment	PLUS	PLUS is a wholly-owned subsidiary company of UEM.	321,000
			Linkedua (Malaysia) Berhad ("Linkedua")	Linkedua is a wholly-owned subsidiary company of UEM.	
			Metramac Corporation Berhad ("Metramac")	Metramac is a wholly-owned subsidiary of Metacorp Berhad ("MB") and TSH was, up to 9 August 2001, a major shareholder of MB.	
			Expressway Lingkaran Tengah Sdn Bhd ("Elite")	Elite is a wholly-owned subsidiary company of UEM.	
			Penang Bridge Sdn Bhd ("PBSB")	PBSB is a wholly-owned subsidiary company of Intria which in turn is a 44.6% owned associated company of UEM.	
18.	FGB Group	Telephone services (fixed line)	TTdC	TTdC is a wholly-owned subsidiary of TIMEdotCom which in turn is a 45% owned associated company of TIME, which in turn is a 46.8% owned associated company of RB. TIMEdotCom is also a 30% owned associated company of Khazanah.	2,550,000
19.	FGB Group	Telephone services (leased line)	TIMEdotNet Berhad ("TdN")	TdN is a wholly-owned subsidiary company of TIMEdotCom which in turn is 45% owned associated company of TIME, which in turn is a 46.8% owned associated company of RB. TIMEdotCom is also a 30% owned associated company of Khazanah.	150,000

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
20.	FGB Group	Telephone services (mobile)	TIMECel Sdn Bhd ("TIMECel")	TIMECel is a wholly-owned subsidiary company of TIMEdotCom which in turn is 45% owned associated company of TIME, which in turn is a 46.8% owned associated company of RB. TIMEdotCom is also a 30% owned associated company of Khazanah.	84,000
21.	FMS	Provision of medical services to FMS	Klinik Razak	Azian Bani Hashim, a partner of Klinik Razak, is the sister of Tajul Azwa Bani Hashim, a Director of FMS.	29,000
22.	FGB Hotel Companies	Management fees	Sheraton Overseas Management Corporation ("SOMC")	SOMC is a wholly-owned subsidiary of Starwood Hotels and Resorts Worldwide Inc. ("Starwood") Granton International Limited ("Granton") is a wholly-owned subsidiary company of Starwood, through its wholly-owned subsidiary company Sheraton International Incorporation. Granton holds 49% of IHSB whilst FGB holds the remaining 51% through its wholly-owned subsidiary company, Faber Hotels Holdings Sdn Bhd.	11,160,000
23.	FGB Group	Provision of electricity	TNB	TNB is a 36.04% owned associated company of Khazanah. Khazanah also indirectly holds a 31% equity interest in RB via Danasaham, a wholly-owned subsidiary of Khazanah who will eventually hold 100% equity interest in UEM. Khazanah is also a Major Shareholder of Telekom, MAHB and TIMEdotCom.	24,300,000

recurrent related party transactions

RRPT No.	FGB Group or the subsidiary companies of FGB	Type of Transaction	Related Party	Nature of Relationship as set out in the Circular to Shareholders dated 19.11.2001	Aggregate Value of Transactions (RM)
24.	FGB Group	Telephone services	Telekom	Telekom is a 35.92% owned associated company of Khazanah. Khazanah also indirectly holds a 31% equity interest in RB via Danasaham, a wholly-owned subsidiary of Khazanah who will eventually hold 100% equity interest in UEM. Khazanah is also a Major Shareholder of TNB, MAHB and TIMEdotCom.	2,800,000
25.	FGB Hotel Companies	Provision of hotel facilities and accommodation by the FGB Hotel Companies	Any Director or Major Shareholder or a person connected with such Director or Major Shareholder who is utilizing the hotel facilities and accommodation provided by the FGB Hotel Companies	–	300,000
26.	FMS	Provision of clinical waste disposal services by FMS	Specialty Medical Laboratories Sdn Bhd ("SML")	SML is a 50% owned associated company of Remedi which in turn is a 70% owned subsidiary company of Pharmaniaga Berhad ("Pharmaniaga") which in turn is a 30% owned associated company of UEM.	1,404,000
			Remedi Pharmaceuticals (M) Sdn Bhd ("Remedi")	Remedi is a 70% owned subsidiary of Pharmaniaga which in turn is a 31% owned associated company of UEM.	

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE

39th Annual General Meeting of the Company will be held at Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 18 June 2003 at 10.00 a.m. for the purpose of transacting the following businesses:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements of the Company for the period ended 31 December 2002 together with the Directors' and Auditors' reports therein. **Ordinary Resolution 1**

2. To approve the fees payable to Directors for the period ended 31 December 2002. **Ordinary Resolution 2**

3. To re-elect the following Directors who are retiring in accordance with Article 65 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
   (i) Dato' Anwar bin Haji @ Aji **Ordinary Resolution 3**
   (ii) Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff **Ordinary Resolution 4**

4. To re-elect the following Directors who are retiring in accordance with Article 70 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
   (i) Encik Azmanuddin Haq bin Ahmad **Ordinary Resolution 5**
   (ii) Puan Noorizah binti Hj. Abd. Hamid **Ordinary Resolution 6**

5. To consider and if thought fit, to pass the following ordinary resolution:

   "THAT Messrs Ernst and Young be and are hereby appointed Auditors of Faber Group Berhad in place of the retiring Auditors, Messrs Arthur Andersen & Co. to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the Directors."

   The Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as "Annexure A", has been received by the Company for the nomination of Messrs Ernst and Young, who have given their consent to act, for appointment as Auditors of Faber Group Berhad. **Ordinary Resolution 7**

notice of annual general meeting

6. To transact any other business for which due Notice shall have been given.

By Order Of The Board

Gwee Ooi Teng
(MAICSA 0794701)
Company Secretary

Kuala Lumpur
27 May 2003

Note 1

1. Any member of the Company entitled to attend and vote at this Meeting is also entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

2. An instrument appointing a proxy, in case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation shall be either given under its Common Seal or signed on its behalf by an attorney or officer of the corporation so authorized.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.

Annexure A to the Notice of Annual General Meeting

RHB MERCHANT NOMINEES (TEMPATAN) SDN BHD
(56464-U) Incorporated In Malaysia

Level 9, Tower Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-92873888
Fax: 03-92873377

Date: 12 May 2003

The Board of Directors
Faber Group Berhad
20th Floor, Menara 2, Faber Towers
Jalan Desa Bahagia
Taman Desa, Off Jalan Klang Lama
58100 Kuala Lumpur

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS

Pursuant to section 172(11) of the Companies Act, 1965, we, RHB Merchant Nominees (Tempatan) Sdn Bhd, being a registered shareholder of Faber Group Berhad, hereby give notice of our intention to nominate Messrs Ernst and Young, Chartered Accountants, of Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur for appointment as Auditors of Faber Group Berhad, to replace the retiring Auditors, Messrs Arthur Andersen & Co, and to propose the following as an ordinary resolution to be tabled at the forthcoming annual general meeting of Faber Group Berhad.

"THAT Messrs Ernst and Young be and are hereby appointed Auditors of Faber Group Berhad in place of the retiring Auditors, Messrs Arthur Andersen & Co. to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the Directors."

Yours faithfully
for RHB Merchant Nominees (Tempatan) Sdn Bhd

Mahathir Dato' Mohd Ismail
Director

notice of annual general meeting

Statement Accompanying the Notice of the 39th Annual General Meeting

Pursuant to Paragraph 8.28 (2) of the Kuala Lumpur Stock Exchange Listing Requirements ("the Listing Requirements"), appended hereunder are:

1. The names of the Directors who are standing for re-election:

   Directors retiring by rotation pursuant to Article 65 of the Articles of Association

   - Dato' Anwar bin Haji @ Aji
   - Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff

   Directors retiring by rotation pursuant to Article 70 of the Articles of Association

   - Azmanuddin Haq bin Ahmad
   - Noorizah binti Hj Abd Hamid

   Further details of the Directors who are standing for re-election are set out in the section on Directors' Profile in the Annual Report.

2. A total of 12 Board of Directors' Meetings were held in the financial period ended 31 December 2002 as follows:

	Date
Board of Directors' Meeting	16 August 2001
Board of Directors' Meeting	24 August 2001
Board of Directors' Meeting	26 October 2001
Board of Directors' Meeting	19 November 2001
Board of Directors' Meeting	10 December 2001
Board of Directors' Meeting	20 February 2002
Board of Directors' Meeting	23 May 2002
Board of Directors' Meeting	24 July 2002
Board of Directors' Meeting	23 August 2002
Board of Directors' Meeting	16 October 2002
Board of Directors' Meeting	25 October 2002
Board of Directors' Meeting	26 November 2002

3. Details of attendances of Directors at the Board of Directors' Meetings held in the financial period ended 31 December 2002 are as follows:

Name of Director	**Number of meetings attended (A total of 12 Board Meetings were held)**
Dato' Anwar bin Haji @ Aji *	9/12
Datuk Zainal Abidin bin Alias *	10/12
Dato' Mohamed Zain bin Mohamed Yusuf *	10/12
Dato' Ikmal Hijaz bin Hashim	11/12
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	12/12
Elakumari a/p Kantilal *	9/12
Azmanuddin Haq bin Ahmad **	–
Noorizah binti Hj. Abd. Hamid ***	–
Dato' Prof. Ir. Dr. Mohammad Noor bin Haji Salleh +	5/12
Ahmad Pardas Senin ++	12/12
Christopher Lawrence Bachran +++	6/12
Dato' Abdullah Mohd Yusof #	2/12
Tuan Haji Bidari Tan Sri Datuk Mohamed #	2/12
Dato' Syed Abdul Bari Shahabudin #	2/12
Dato' Moehamad Izat bin Ahmad Habechi Emir #	1/12

* Appointed on 22 October 2001
** Appointed on 18 February 2003
*** Appointed on 17 March 2003
\+ Resigned on 17 March 2003
\++ Resigned on 18 February 2003
\+++ Resigned on 30 April 2002
\# Resigned on 22 October 2001

4. Date, Time and Place of the 39th Annual General Meeting

Date	:	18 June 2003
Time	:	10.00 a.m.
Place	:	Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE

40th Annual General Meeting of the Company will be held at Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 18 June 2003 at 10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the 39th Annual General Meeting of the Company, which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, or any adjournment thereof for the purpose of transacting the following businesses:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements of the Company for the period ended 31 December 2002 together with the Directors' and Auditors' reports therein. **Ordinary Resolution 1**

2. To re-elect the following Directors who are retiring in accordance with Article 65 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
   (i) Datuk Zainal Abidin bin Alias **Ordinary Resolution 2**
   (ii) Dato' Mohamed Zain bin Mohamed Yusuf **Ordinary Resolution 3**
   (iii) Miss Elakumari a/p Kantilal **Ordinary Resolution 4**

3. To re-appoint Messrs Ernst and Young as Auditors to hold office until the conclusion of the next annual general meeting and to authorize the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following resolutions:

4. **Proposed Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

   "THAT, pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company as at the date of this Annual General Meeting and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Ordinary Resolution 6**

5. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("The Proposed Mandate")**

"THAT, pursuant to paragraph 10.09 of the Listing Requirements of Kuala Lumpur Stock Exchange, a mandate be and is hereby granted to the Company and its subsidiaries (the "FGB Group") to enter into the recurrent transactions of a revenue or trading nature which are necessary for the FGB Group's day-to-day operations as set out in paragraph 2.4 of the Circular to Shareholders dated 27 May 2003 with the related parties mentioned in paragraph 2.3 therein, provided that:

(i) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) the disclosure of the breakdown aggregate value of the transactions conducted during a financial year will be disclosed in the annual report for the said financial year based on the following information:

   i. the type of the recurrent transactions made,
   ii. the names of the related parties involved in each type of the recurrent transaction made and their relationship with the Company;

AND THAT the authority conferred by such mandate shall continue to be in force until:

(a) the conclusion of the next annual general meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by shareholders in general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Mandate." **Ordinary Resolution 7**

notice of annual general meeting

6. **Proposed Issue of Annual Report in CD-ROM Format**

   "THAT, subject to compliance with the requirements of Kuala Lumpur Stock Exchange and any other relevant authorities, if any, the Company be and is hereby authorized to issue its Annual Report in CD-ROM format for the financial year ending 31 December 2003, if the Company so wishes, and that the approval given by the shareholders of the Company shall be subject to renewal at the next AGM." **Ordinary Resolution 8**

7. To transact any other business for which due notice shall have been given.

By Order Of The Board

Gwee Ooi Teng
(MAICSA 0794701)
Company Secretary

Kuala Lumpur
27 May 2003

Note 1

1. Any member of the Company entitled to attend and vote at this Meeting is also entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

2. An instrument appointing a proxy, in case of an individual, shall be signed by the appointer or by his attorney duly authorized in writing and in the case of a corporation shall be either given under its Common Seal or signed on its behalf by an attorney or officer of the corporation so authorized.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.

Note 2

Resolution pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 6, if passed, would enable the Directors to issue up to a maximum of 10% of the issued share capital of the Company as at the date of this Annual General Meeting for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next annual general meeting.

Note 3

Resolution pertaining to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The detailed information on the Recurrent Related Party Transactions is set out in the Circular to Shareholders of the Company dated 27 May 2003 in relation to the Proposed Mandate for Recurrent Related Party Transactions which was dispatched together with the Company's Annual Report.

Note 4

Resolution pursuant to the authority to issue the Company's Annual Report in CD-ROM format.

In the face of emerging trends towards information technology, and with the objective to leverage and take advantage of new technologies, the Company is endeavoring to issue its Annual Report in Compact Disc-Read Only Memory ("CD-ROM") format. The issue of Annual Reports in CD-ROM format would not only provide savings in printing and storage costs for the Company but also increase administrative efficiency and reduce postages involved in the dispatch of the Annual Reports to shareholders.

The passing of Ordinary Resolution 8 as set out in the notice of the 40th Annual General Meeting of the Company would empower the issue of the Company's Annual Report for the financial year ending 31 December 2003 in CD-ROM format if the Company so wishes. Shareholders' approval will be sought on a yearly basis if the Company decides to issue its Annual Report in CD-ROM format for future years.

Shareholders are however informed that printed copies of the Annual Report will be available upon written request.

notice of annual general meeting

Statement Accompanying the Notice of the 40th Annual General Meeting

Pursuant to Paragraph 8.28 (2) of the Kuala Lumpur Stock Exchange Listing Requirements ("the Listing Requirements"), appended hereunder are:

1. The names of the Directors who are standing for re-election:

   Directors retiring by rotation pursuant to Article 65 of the Articles of Association

   - Datuk Zainal Abidin bin Alias
   - Dato' Mohamed Zain bin Mohamed Yusuf
   - Elakumari a/p Kantilal

   Further details of the Directors who are standing for re-election are set out in the section on Directors' Profile of the Annual Report.

2. A total of 12 Board of Directors' Meetings were held in the financial period ended 31 December 2002 as follows:

	Date
Board of Directors' Meeting	16 August 2001
Board of Directors' Meeting	24 August 2001
Board of Directors' Meeting	26 October 2001
Board of Directors' Meeting	19 November 2001
Board of Directors' Meeting	10 December 2001
Board of Directors' Meeting	20 February 2002
Board of Directors' Meeting	23 May 2002
Board of Directors' Meeting	24 July 2002
Board of Directors' Meeting	23 August 2002
Board of Directors' Meeting	16 October 2002
Board of Directors' Meeting	25 October 2002
Board of Directors' Meeting	26 November 2002

notice of annual general meeting

3. Details of attendances of Directors at the Board of Directors' Meetings held in the financial period ended 31 December 2002 are as follows:

Name of Director	Number of meetings attended (A total of 12 Board Meetings were held)
Dato' Anwar bin Haji @ Aji *	9/12
Datuk Zainal Abidin bin Alias *	10/12
Dato' Mohamed Zain bin Mohamed Yusuf *	10/12
Dato' Ikmal Hijaz bin Hashim	11/12
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	12/12
Elakumari a/p Kantilal *	9/12
Azmanuddin Haq bin Ahmad **	–
Noorizah binti Hj. Abd. Hamid ***	–
Dato' Prof. Ir. Dr. Mohammad Noor bin Haji Salleh +	5/12
Ahmad Pardas Senin ++	12/12
Christopher Lawrence Bachran +++	6/12
Dato' Abdullah Mohd Yusof #	2/12
Tuan Haji Bidari Tan Sri Datuk Mohamed #	2/12
Dato' Syed Abdul Bari Shahabudin #	2/12
Dato' Moehamad Izat bin Ahmad Habechi Emir #	1/12

* Appointed on 22 October 2001
** Appointed on 18 February 2003
*** Appointed on 17 March 2003
+ Resigned on 17 March 2003
++ Resigned on 18 February 2003
+++ Resigned on 30 April 2002
# Resigned on 22 October 2001

4. Date, Time and Place of the 40th Annual General Meeting

Date	:	18 June 2003
Time	:	10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the 39th Annual General Meeting of the Company, which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, or any adjournment thereof.
Place	:	Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur

proxy form

No. of Shares Held

I/We (full name in block letters) .... (CDS Account number ....)

of (address) ....

....

being a member/members of Faber Group Berhad hereby appoint (full name) ....

of (address) ....

....

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Ninth (39th) Annual General Meeting of the Company to be held at Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Wednesday, 18 June 2003 at 10.00 am and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	Receipt of Reports and Accounts		
Ordinary Resolution 2	Approval of Fees Payable to Directors		
Ordinary Resolution 3	Re-election of Director		
Ordinary Resolution 4	Re-election of Director		
Ordinary Resolution 5	Re-election of Director		
Ordinary Resolution 6	Re-election of Director		
Ordinary Resolution 7	Appointment of Auditors		

Please indicate with "X" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2003

Signature/Common Seal of Shareholder(s)

Notes

Any member of the Company entitled to attend and vote at this Meeting is also entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

An instrument appointing a proxy, in case of an individual, shall be signed by the appointer or by his attorney duly authorized in writing and in the case of a corporation shall be given under its Common Seal or signed on its behalf by an attorney or officer of the corporation so authorized.

The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.

Stamp

The Company Secretary
Faber Group Berhad
20th Floor, Menara 2, Faber Towers
Jalan Desa Bahagia,
Taman Desa, Off Jalan Klang Lama
58100 Kuala Lumpur

proxy form

No. of Shares Held

I/We (full name in block letters) .... (CDS Account number ....)

of (address) ....

....

being a member/members of Faber Group Berhad hereby appoint (full name) ....

of (address) ....

....

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Fortieth (40th) Annual General Meeting of the Company to be held at Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Wednesday, 18 June 2003 at 10.30 am or immediately following the conclusion or adjournment (as the case may be) of the 39th Annual General Meeting of the Company, which will be held at the same venue and on the same day at 10.00 am, whichever is later, or any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	Receipt of Reports and Accounts		
Ordinary Resolution 2	Re-election of Director		
Ordinary Resolution 3	Re-election of Director		
Ordinary Resolution 4	Re-election of Director		
Ordinary Resolution 5	Re-appointment of Auditors		
Ordinary Resolution 6	Authority to Allot Shares Pursuant to Section 132D of the Companies Act 1965		
Ordinary Resolution 7	Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
Ordinary Resolution 8	Issue of Annual Report in CD-Rom Format		

Please indicate with "X" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2003

Signature/Common Seal of Shareholder(s)

Notes

Any member of the Company entitled to attend and vote at this Meeting is also entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

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Stamp

The Company Secretary
Faber Group Berhad
20th Floor, Menara 2, Faber Towers
Jalan Desa Bahagia,
Taman Desa, Off Jalan Klang Lama
58100 Kuala Lumpur

design by **chimera sdn bhd**

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