

ANNUAL REPORT  
2003



Strengthening  
**CORE** Competencies

Faber Group Berhad  
annual report 2003  
[www.fabergroup.com.my](http://www.fabergroup.com.my)

**FABER GROUP BERHAD** (5067-M)

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CORPORATE REVIEW

FINANCIAL STATEMENTS

## OUR **VISION**

TO BE THE LEADING PROVIDER OF VALUED SERVICES AND PRODUCTS IN THE TOTAL FACILITY MANAGEMENT, PROPERTY AND HOSPITALITY INDUSTRIES

## OUR **MISSION**

- TO TURNAROUND THE COMPANY
- TO SECURE NEW SIZABLE CASH GENERATING BUSINESS
- TO CREATE VALUE TO THE COMPANY'S STAKEHOLDERS

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ANNUAL REPORT 2003

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# MESSAGE FROM THE CHAIRMAN



Dato' Anwar bin Aji  
*Chairman*

## DEAR SHAREHOLDERS

THE YEAR UNDER REVIEW MARKED ONE OF THE MOST CHALLENGING PERIODS IN FABER GROUP BERHAD'S ("FABER") CORPORATE HISTORY. AS EXPECTED, OUR FOCUS AND ENERGIES THROUGHOUT 2003 WERE CHANNELED TOWARDS RESOLVING FABER'S FINANCIAL PREDICAMENT IN THE BEST INTEREST OF ALL CONCERNED. DESPITE INITIATIVES TO PARE DOWN DEBTS THROUGH THE SALE OF NON-CORE ASSETS, THE SITUATION WAS COMPOUNDED BY EVENTS WELL BEYOND OUR CONTROL WHICH WAS NOT ALTOGETHER UNEXPECTED BY THE BOARD. ALL THESE HAVE HAD A NEGATIVE IMPACT ON FABER'S DETERIORATING FINANCIAL POSITION, CULMINATING IN IT TO BE DECLARED A PN4 COMPANY ON 18 NOVEMBER 2003.

However, with the new debt restructuring scheme now approved by our Bondholders, we are finally able to see the proverbial light at the end of the tunnel. Rather than a liquidation scenario, this far-reaching scheme presents a viable solution for both Faber and its Bondholders whereby it will put Faber out of the PN4 position.

Let me assure you that in working out the debt-restructuring scheme, the Board has never lost sight of its obligations to its shareholders. When the restructuring scheme is eventually put in place, Faber will be on firmer foundation to strive to meet the expectations of our shareholders. The task before us is to turn Faber around and ultimately, to increase long-term shareholders' value. As a leaner, more intensely focused entity, Faber will strive to create more value from its remaining two core businesses namely property development and the provision of healthcare support services.

On behalf of the Board, I hereby present this Annual Report and Audited Accounts of Faber for the financial year ended 31 December 2003.

## FINANCIAL PERFORMANCE

For the year under review, Faber achieved total revenue of RM561.5 million, which represents a significant 16.5% improvement from RM481.9 million posted in 2002. By far the most important contributor to revenue was the Faber's Healthcare Division, which accounted for 67.2% of turnover or RM377.3 million. The Hotels Division contributed RM132.7 million or 23.6% of Faber's revenue, whilst the Property Division accounted for 9.2% of Faber's revenue with a contribution of RM51.5 million.

The Group achieved Earnings Before Interest, Taxation, and Depreciation and Amortization ("EBITDA") before exceptional items of RM72.1 million, an improvement of 11.3% from 2002. However, Faber's results was weighed down by the impairment loss on its hotel properties besides the interests incurred on its debts, namely, the Redeemable Convertible Secured Bonds ("RCSB") and the Non-Convertible Redeemable Secured Bonds ("NCRSB"). Consequently, the loss before taxation sustained by the Group deteriorated further to RM471.03 million in 2003, from a loss of RM237.12 million in 2002. The loss before taxation would otherwise have been much higher if your company has not successfully terminated the accrual of the 10% yield-to-maturity of RCSB on 10 April 2003.

The above items have also taken a toll on the quality of Faber's balance sheet. As a result, Faber's shareholders' funds slipped into deficit, thus the PN4 position.

## DEBT RESTRUCTURING

In consultation with its advisers, the Board and the Management have been actively engaged in working out a long-term solution to the Group's mounting outstanding debts. Left unresolved, the NCRSB of RM252.8 million would have escalated to RM447.3 million upon maturity in 2005, while the RCSB would remain at RM1.186 billion, pursuant to a Special Resolution obtained to terminate the accrual of the 10% yield-to-maturity effective from 10 April 2003. Combined, the total amount due for redemption by 2005 would have accreted to a staggering RM1.633 billion. Faber would not be in a position to redeem the RCSB and NCRSB based on its cash flow and inherent asset value.

As anticipated in last year's report, matters came to reality on 18 November 2003, when Faber announced that the continued deterioration of its financial situation, hastened by impairment loss had resulted in a negative shareholders' funds position.

On 19 November 2003, the Group put forward a proposed restructuring scheme as part of an integral turnaround approach that would place it on a better financial footing. The Group would then be able to reinvent and position itself to strengthen its core business. In addressing its debt burden before the year 2005, Faber has elected to be transparent, facing the realities of the present situation with a viable solution, instead of waiting for the RCSB to mature.

In summary, the scheme of arrangements comprises of:

- Proposed Transfer Of A Selection Of Faber's Subsidiaries And Assets To A Special Purpose Vehicle ("SPVH") ("Proposed Transfer Of Assets")
- Proposed Waiver Of The Accreted Yield From The Date Of Issuance To 10 April 2003 ("Proposed Waiver Of Accreted Yield")
- Proposed Novation Of Liability Under Nominal Value RCSB and Proposed Issuance of Bonds by SPVH In Settlement Of Such Novated Liability ("Proposed Novation Of Liability And Issuance Of SPVH Bonds");
- Proposed Issuance of Redeemable Convertible Preference Shares ("RCPS") and Redeemable Secured Loan Stocks ("RSLs") to SPVH;
- Proposed Acknowledgement Of Debt And Settlement Of The Balance Sum Amounting To RM51.442 million ("Proposed Acknowledgement Settlement of Balance Sum");
- Proposed Management Arrangement; and
- Proposed Settlement by SPVH Bonds.

As part of the scheme, assets that have been identified for transfer to SPVH include Faber's hotel properties, office properties and certain land assets. After the proposed transfer of assets and the proposed waiver of accreted yield, Faber will novate its entire liability of RM929.46 million under the RCSB to SPVH. In replacement of the RCSB, SPVH will issue a series of SPVH Bonds redeemable within eight (8) years from the issuance date. After the novation exercise, the amount still owing the SPVH will be partly settled by Faber via the issuance of RCPS of RM200 million and RSLs of up to RM185.528 million. Faber will settle the Balance Sum of RM51.442 million through the assignment of profits from various property development projects and the assignment of partial dividends receivable from Faber Medi-Serve Sdn Bhd ("FMS"). The scheme also provides for Faber to manage the assets transferred to the SPVH for a period of eight years or until the assets are disposed, whichever comes earlier.



The proposed scheme was approved by the Bondholders on 15 December 2003 and subsequently approved by the Securities Commission on 27 May 2004.

Upon completion, the restructuring plan will restore the financial and operational viability of the Group and will enable it to continue as a going concern. Our immediate task is to strengthen our core businesses, now focused on healthcare services and property development, while remaining alert to exploring potential and promising new opportunities.

## OTHER CORPORATE DEVELOPMENTS

As an integral part of Faber's plan to dispose of its non-core businesses, the Board decided to divest its interest in the haulage and transportation business. Consequently, at an Extraordinary General Meeting on 26 February 2003, approval was obtained from shareholders for the disposal of the entire equity of 25% in MISC Haulage Sdn Bhd by Faber's wholly-owned subsidiary, Faber Haulage Sdn Bhd for a total cash consideration of RM19.5 million. The sale proceed was utilized to settle the outstanding tax liabilities and the investment in Intensive Quest Sdn Bhd ("IQSB"), a company that has an equity interest of 21.1% in FMS. The acquisition of 63% equity interest in IQSB that was completed on 8 April 2004 has effectively resulted in an increase in Faber's effective interest in FMS from 57% to 70%.

## STRENGTHENING CORE COMPETENCIES

Throughout 2003, all the operating divisions in the Group have embarked on measures aimed at strengthening their core competencies and building resilience to cope with any challenges. In the face of intense competition and to meet the growing expectations of an increasingly demanding clientele, our property development arm has earned accreditation to the stringent ISO 9001:2000 quality management system. By embarking on a journey towards continual improvement, Faber Development Holdings Sdn Bhd ("FDH") aims for nothing short of excellence in ensuring customer satisfaction.

In the Healthcare Division, FMS adopted several initiatives during the year. FMS was also certified an ISO 9001:2000 company in 2003, the scope of registration covering all five services provided by the company. FMS' quest for quality was reinforced by an in-house Quality Improvement Programme aimed at inculcating a culture of positive change and continual improvement. To ensure a higher level of customer satisfaction, FMS initiated a 'Customer Satisfaction Survey' as a means to measure its performance against customers' expectations and perceptions.

Despite the tough operating conditions, Faber's hotel chain was able to hold its own against the competition. This was proven by the number of accolades and awards secured during the year - Sheraton Perdana Langkawi was awarded with Best Landscape Award under Hotel Category for the state of Kedah in the "Outstanding Contribution to Tourism Award 2003".

Meanwhile Sheraton Imperial Kuala Lumpur had won two awards in the Hospitality Asia Platinum 2003. Its restaurant, Villa Danieli won the first award for "Best Cuisine" under the western food category, while the hotel's Pavillion Lounge won the second award for "Best Hotel Lobby Lounge". In the Salon Culinaire Malaysia 2003, the hotel's Chefs won a total of 14 medals under various categories of competition.

Sheraton Subang Hotel and Towers, Food and Beverage team won four medals in the Culinaire 2003 competition, organized by Malaysian Association of Hotels. The hotel's Miyako Restaurant was named as "Malaysia's Best Restaurants" by The Malaysia Tatler Magazine in its restaurant category list.

## OPERATIONAL HIGHLIGHTS

During 2003, the Property Division recorded better performance in terms of the take-up rate of properties launched in late 2001 and 2002. At Taman Danau Desa in Kuala Lumpur, FDH has three projects targeted for completion in 2004. The 500-unit Danau Murni Condominium has to date registered sales of more than 90%. Meanwhile the commercial project, Plaza Danau II, has recorded 94% sales out of 68 units since it was launched. Within the vicinity, all 266 units of a low-cost apartment called Taratak Muhibbah have been sold, along with nine of the 14 units of low-cost shops.

In Sabah, FDH successfully sold 12 out of 14 units of double storey semi-detached houses at Taman Grandview, Sandakan.

On 6 June 2003, FDH through its 55% owned subsidiary, Rimbunan Melati Sdn Bhd ("RMSB") concluded a Supplementary Agreement with the Government of Malaysia to construct a new complex for the Police Federal Reserve Unit worth RM81 million. In return, RMSB will receive a parcel of land measuring 100.816 acres in Kepong as well as a cash payment.

Since 2002, FMS client base in clinical waste management services has expanded from 239 to the current 311 clients. The year in review saw the commissioning of the



newly built incinerator plant and adjacent laundry facilities at Lok Kawi, Kota Kinabalu, Sabah. This facility will enable FMS, through its contractor, to provide linen and laundry services to 10 hospitals in Sabah and Lawas, Sarawak.

On 10 February 2003, FMS signed a Supplementary Agreement with Ministry of Health, which clarifies FMS' eligibility to draw additional service fees for increased quantities of works resulting from expansion of hospitals and installation of additional equipment and facilities to be serviced at the hospital. During the year, FMS received a total of RM80.5 million for such additional services rendered since commencement of the concession until 2003.

## OUTLOOK AND PROSPECTS

One of the objectives of the proposed restructuring scheme is to reduce the gearing of Faber from 38.94 times as at 31 December 2002 to a more manageable level of 2.41 upon implementation. The scheme is also expected to enhance the consolidated earnings of Faber for the financial year ending 31 December 2004. Meanwhile, ongoing activities in Faber's profitable Property And Healthcare Divisions will continue to provide a steady revenue stream.

Several launches of residential properties have been planned for 2004. These comprise 64 units of three-storey luxury link houses at Taman Danau Desa, the 410-units of high cost condominium in Taman Desa and 32 units of low-rise condominiums in Kota Kinabalu, Sabah. Looking forward, the Group's land bank will increase with the addition of 100.816 acres of land in Kepong, which have been planned for mixed development in 2005-2009.

Faber's Healthcare Division is also expected to benefit from the Government's efforts to improve the quality of healthcare services in the country. The private sector has also been called upon to play a bigger role in supporting the public sector effort. At the same time, an increasingly sophisticated public is also demanding more from the country's healthcare services. As one of the premier healthcare support service providers in Malaysia, FMS is well positioned to capitalize on the emerging opportunities coming its way. Having established a foothold in Brunei and the Philippines, FMS is looking to other markets within the Asian region that are planning to improve the standard of healthcare services.

With the implementation of the debt restructuring exercise Faber will be given a new lease on life. The challenge and task ahead of us will be to live up to the expectations of the restructuring exercise. With a renewed sense of purpose and a clear direction of where the Group is heading, the future appears promising.

## ACKNOWLEDGEMENT

Undeniably, 2003 was a very tough year for both management and staff. As a team, working as one, we have demonstrated the commitment, dedication and professionalism to navigate through those challenging times. On behalf of the Board, I thank each and every member on our team for giving their best.

We also acknowledge the support and help extended to us by several quarters: our bondholders, shareholders, bankers, creditors, customers, suppliers, business partners, contractors, consultants, regulatory authorities and Government agencies. Your understanding, patience and support of what we were trying to achieve have not gone unappreciated. It is acknowledged with gratitude and thanks.

Faced with formidable challenges, one could not ask for a better team than the one we have on the Board. Everyone played their part and was generous with both advice and support. We have a new member on the Board. Tuan Hj. Puasa Osman was appointed to the Board on 19 June 2003 as an Independent Non-Executive Director. Given his professional background, Faber looks forward to benefiting from his knowledge and expertise.

Thank you.

Dato' Anwar bin Aji  
Chairman  
Date: 4 June 2004



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dato' Anwar bin Haji @ Aji  
Chairman  
Non-Independent Non-Executive

Noorizah binti Hj Abd Hamid  
Managing Director

Datuk Zainal Abidin bin Alias  
Senior 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

Puasa bin Osman  
Independent Non-Executive

## COMPANY SECRETARY

Gwee Ooi Teng  
(MAICSA 0794701)

## GROUP MANAGEMENT

**Faber Group Berhad**  
Noorizah binti Hj Abd Hamid  
Managing Director

**Faber Development Holdings Sdn Bhd**  
Wong Weng Peng  
Managing Director

**Faber Hotels Holdings Sdn Bhd**  
Noorizah binti Hj 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 Kelang Lama,  
58100 Kuala Lumpur.  
Telephone: 03-7628 2888  
Facsimile : 03-7628 2828  
www.fabergroup.com.my

## AUDIT COMMITTEE

Datuk Zainal Abidin bin Alias  
Chairman  
Senior Independent Non-Executive

Dato' Mohamed Zain bin Mohamed Yusuf  
Independent Non-Executive

Elakumari a/p Kantilal \*  
Non-Independent Non-Executive

Puasa bin Osman  
Independent Non-Executive

\* Member of Malaysian Institute of Accountants

## AUDITORS

Ernst and Young,  
Chartered Accountants,  
Level 23A Menara Milenium,  
Jalan Damanlela, Pusat Bandar Damansara,  
50490 Kuala Lumpur.  
Telephone: 03-2087 7000  
Facsimile : 03-2095 5332

## SHARE REGISTRAR

Signet Share Registration Services Sdn Bhd  
Level 26, Menara Multi Purpose,  
Capital Square, No. 8, Jalan Munshi Abdullah,  
50100 Kuala Lumpur.  
Telephone: 03-2721 2222  
Facsimile : 03-2721 2530/03 2721 2531  
E-mail : ssrs@signet.com.my

## PRINCIPAL BANKER

Bumiputra-Commerce Bank Berhad

## PRINCIPAL SOLICITORS

Shahrizat Rashid & Lee  
Abu Talib Shahrom & Zahari  
Shearn Delamore & Co.

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad



# 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%

PROPERTIES »»  
HEALTHCARE »»  
HOTELS »»

## FABER HEALTHCARE MANAGEMENT SDN BHD 100% »»

- »» Sehat Technologies Sdn Bhd 51%
- »» Faber Medi-Serve Sdn Bhd 57%\*
  - »» Healthtronics (M) Sdn Bhd (formerly known as Cermin Dunia Sdn Bhd) 60%
  - »» Cermin Cahaya Sdn Bhd 100%
  - »» Cermin Kenyalang Sdn Bhd 55%

\* Intensive Quest Sdn Bhd, a 63% owned subsidiary company of Faber Group Berhad also holds 21.1% of Faber Medi-Serve Sdn Bhd.

## 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%
- »» Faber Labuan Sdn Bhd 100%
  - »» Vimas Joint Venture Company Limited 70%

# CORPORATE PROFILE

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 Hotel 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

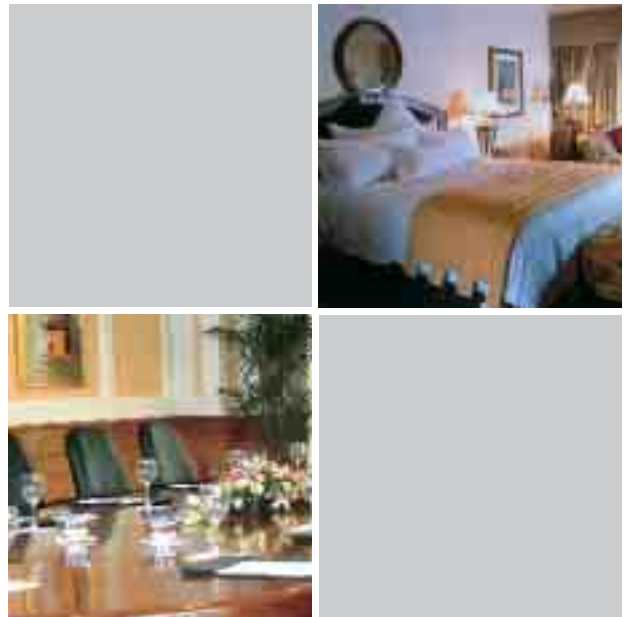
Having long been a reputable and thoroughly reliable property developer and manager, responsible for the popular and rapidly growing Taman Desa development in Kuala Lumpur, Faber Group, through its wholly-owned subsidiary Faber Development Holdings Sdn Bhd, aims to improve its leadership position by 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.

### 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.

### 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. Overseas, the Group has also open its newly completed hotel, Sheraton Hanoi Hotel in Vietnam. 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.



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 fulfil 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 53, malaysian  
non-independent non-executive chairman

Dato' Anwar was appointed to the Board of Directors of Faber Group Berhad ("FGB") and as Chairman of FGB on 22 October 2001. He holds a Master of Arts in International Studies from Ohio University, United States of America. 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 the position as Senior General Manager until December 2001 when he was appointed to the position of Chief Operating Officer and subsequently Managing Director of Khazanah in September 2003. His directorships in other public companies include Commerce Asset-Holding Berhad, Khazanah Nasional Berhad, Syarikat Prasarana Negara Berhad, UEM World Berhad, United Engineers (Malaysia) Berhad and Perusahaan Otomobil Nasional Berhad (Alternate Director).

Dato' Anwar has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. He attended all 8 of the Board of Directors' Meetings held during the financial year.



**NOORIZAH BINTI HJ ABD HAMID**  
aged 44, malaysian  
managing director

Noorizah was appointed to the Board of Directors of FGB and as Managing Director of FGB on 17 March 2003. She is also the Managing Director of Faber Hotels Holdings Sdn Bhd 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, United States of America. 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 a subsidiary of the Terengganu State Economic 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 Lebuh raya 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 posted to PLUS as Senior General Manager, Finance before assuming her designation as the Chief Operating Officer of FGB on 9 August 1999. She was also appointed as Director of various subsidiary companies of FGB. Other than FGB, she has no directorship in other public company. She has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. She attended all 5 of the Board of Directors' Meetings held during the financial year, after her appointment as Director. The 1st Board of Directors' Meeting of FGB that she attended in her capacity as Director was on 22 April 2003.



**DATUK ZAINAL ABIDIN BIN ALIAS**  
aged 60, malaysian  
senior-independent non-executive director

Datuk Zainal was appointed to the Board of Directors of FGB on 22 October 2001. He is the Chairman of the Audit Committee and the Nomination Committee of FGB since 26 October 2001 and 24 July 2002, 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 the 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 FGB, he has no directorship in other public company.

Datuk Zainal has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. He attended all of the 8 Board of Directors' Meetings held during the financial year.



**DATO' MOHAMED ZAIN BIN MOHAMED YUSUF**  
aged 64, malaysian  
independent non-executive director

Dato' Mohamed Zain was appointed to the Board of Directors of FGB 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 FGB 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 1988. 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 other 18 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 with the take over by AmFinance Berhad. He is presently the Chairman of Confoil (M) Sdn Bhd. His directorship in other public company includes Pembinaan Jayabumi (Sarawak) Berhad.

Dato' Mohamed Zain has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. He attended all 8 of the Board of Directors' Meetings held during the financial year.



**DATO' IKMAL HIJAZ BIN HASHIM**  
aged 51, malaysian  
non-independent non-executive director

Dato' Ikmal was appointed to the Board of Directors of FGB on 10 August 1999. He holds a Bachelor of Arts with Honours from University of Malaya and a 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 Malaysian-Singapore Second Crossing Project. He became the Chief Operating Officer of PLUS on 1 January 1993 and was appointed the Managing Director on 1 January 1995 to 30 June 1999. 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. Subsequently, on 1 February 2000, he was appointed as the President of Property Division of the Renong Group and maintained as the Managing Director of Prolink Development Sdn Bhd. He was also the Managing Director of Renong Berhad from August 2002 until end of 2003. On 27 October 2003, he was seconded to Pos Malaysia Berhad and appointed as the Chief Executive Officer ("CEO"). On 6 December 2003, he was appointed as Managing Director of Pos Malaysia as well. On 19 December 2003, he was appointed as Executive Director of Pos Malaysia & Services Holdings Berhad, while on 13 April 2004, he was redesignated as Group Managing Director/CEO. Besides FGB, Pos Malaysia Berhad and Pos Malaysia & Services Holdings Berhad, he has no directorship in other public company.

Dato' Ikmal has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. He attended all 8 of the Board of Directors' Meetings held during the financial year.



**DATO' (DR.) MOHAMED ISHAK @ ISHAK  
BIN HAJI MOHAMED ARIFF**  
aged 68, malaysian  
independent non-executive director

Dato' (Dr) Mohamed Ishak was appointed to the Board of Directors of FGB on 31 December 1993. He is the Member of Remuneration Committee since 12 December 2001 and was appointed as a Member of 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 Honourary 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 as Chairman of Yee Lee Corporation Berhad, and 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 FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years. He holds 1,500 ordinary shares of RM1.00 each in FGB but does not hold any shares in the subsidiary companies of FGB. He attended 7 out of the 8 Board of Directors' Meetings held during the financial year.





**ELAKUMARI A/P KANTILAL**  
aged 47, malaysian  
non-independent non-executive director

Elakumari was appointed to the Board of Directors of FGB on 22 October 2001 and was appointed as a Member of the Audit Committee on 26 October 2001. She holds a Masters of Science in Finance and Accounting from the University of East Anglia, United Kingdom and 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 Accountant General's Office in 1981 with the first posting to the Ministry of Agriculture and subsequently 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 FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. She attended 6 out of the 8 Board of Directors' Meetings held during the financial year.



**PUASA BIN OSMAN**  
aged 59, malaysian  
independent non-executive director

Puasa was appointed to the Board of Directors of FGB and appointed as a Member of the Audit Committee of FGB on 19 June 2003. He is presently the Director of Internal Audit and Business Development of Consolidated Farms Berhad. He holds a Master in Business Administration from Ohio University, United States of America. His previous working experience include serving in various managerial positions in Bank Pertanian Malaysia in the Department of Personnel and Training, Branch Operations, Retail Banking and Credit Operations. Other than FGB, he has no directorship in other public company.

He has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. He attended all 3 of the Board of Directors' Meetings held during the financial year, after his appointment as Director. The 1st Board of Directors' Meeting of FGB that he attended was on 25 August 2003.



**AZMANUDDIN HAQ BIN AHMAD**  
aged 34, malaysian  
non-independent non-executive director

Azmanuddin was appointed to the Board of Directors and as a Member of the Nomination Committee of FGB on 18 February 2003. He holds a Bachelor (Honours) in Accounting and Financial Management from University of Sheffield, United Kingdom. He was previously with Aseambankers Malaysia Berhad prior to joining United Engineers (Malaysia) Berhad ("UEM"). He joined UEM as Assistant General Manager in the Office of Managing Director/Chief Executive Officer on 24 October 2001. He was made the Special Assistant to the Executive Vice-Chairman of Renong Berhad on 1 November 2002. His primary role at the UEM Group was to oversee the Corporate Finance and Mergers & Acquisitions of UEM Group.

Azmanuddin is currently the Managing Director of UEM Environment Sdn Bhd and Kualiti Alam Sdn Bhd. He holds directorship in Cement Industries of Malaysia Berhad, a public listed company on Bursa Malaysia Securities Berhad. He is also a Director of E-Idaman Sdn Bhd, Environment Idaman Sdn Bhd and other private companies within the UEM Group.

He has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB, never been charged for any offence within the past 10 years and does not hold any shares in FGB and its subsidiaries. He holds 100,000 Irredeemable Convertible Unsecured Loan Stocks of FGB. He attended all 8 of the Board of Directors' Meetings held during the financial year.



# SENIOR MANAGEMENT'S PROFILE



**WONG WENG PENG**  
managing director – FDH

Wong Weng Peng, aged 47, is the Managing Director of Faber Development Holdings Sdn Bhd ("FDH") and is responsible for the Property Development and Management Division of the FGB 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 47, is the Managing Director of Faber Medi-Serve Sdn Bhd ("FMS") and responsible for the Hospital Support Services Division of the FGB Group. He holds a Bachelor of Science Degree in Mathematics and Information Science from the University of Tasmania, Australia. He began his career in Information Technology with the Hydro-Electric Commission of Tasmania until his return to Malaysia in 1983. He then worked with Malaysian Mining Corporation Bhd, Automated Technology Sdn Bhd and Progressive Insurance Sdn Bhd until he joined PLUS in 1989 as Senior System Analyst. In PLUS, his career moved from information technology to management of operations when he became the Senior Manager of Toll Department in 1994. He was subsequently promoted to General Manager of Operations of PLUS in 1996 prior to his appointment as Chief Operating Officer of FMS in January 1997.

**AHMAD ZAMRI SAID**  
chief operating officer – FMS

Ahmad Zamri Said has been appointed as Chief Operating Officer of FMS with effect 18 April 2003. Ahmad Zamri joined FMS in January 1997 as Manager, Sabah Zone. He progressed steadily at FMS where he assumed the position of General Manager in January 2002. Prior to joining FMS, he was attached to Queen Elizabeth Hospital, Kota Kinabalu as Biomedical Engineer and subsequently as the Head of the Engineering Department. Ahmad Zamri Said graduated with a Bachelor of Electrical, Science and System Engineering (Communication) from Southern Illinois University, USA.

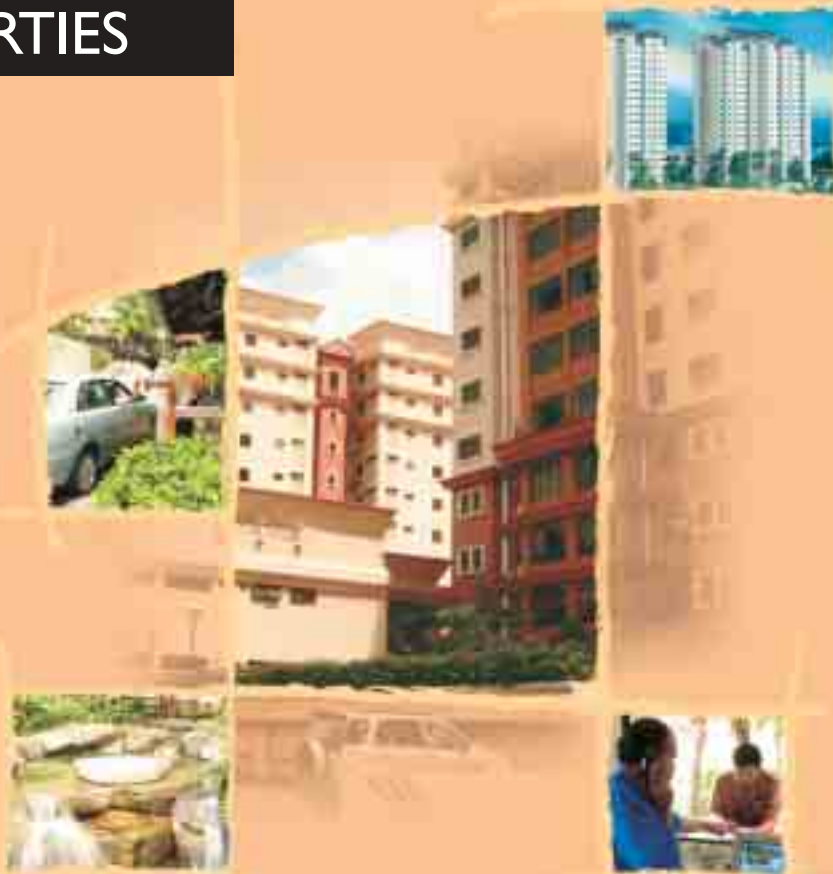
**PROPERTIES** ▶▶

**HEALTHCARE** ▶▶

**HOTELS** ▶▶

**OPERATIONS**  
**REVIEW**

## PROPERTIES



FABER'S PROPERTY DIVISION CONTINUED TO HOLD BY ITS OWN DESPITE STIFF COMPETITION FROM OTHER PROPERTY DEVELOPERS. ITS PROPERTY ARM, FABER DEVELOPMENT HOLDING SDN BHD ("FDH") HAS ALREADY ESTABLISHED ITS REPUTATION WITH THE DEVELOPMENT OF TAMAN DANAU DESA AND TAMAN DESA IN KUALA LUMPUR. A COMBINATION OF FACTORS, THAT INCLUDE THE PRIME LOCATION OF ITS DEVELOPMENT PROJECTS, EXCELLENT INFRASTRUCTURE, INNOVATIVE DESIGN AND QUALITY FINISHING HAVE MADE FDH'S PROPERTIES MUCH SOUGHT AFTER.

Reflecting the more buoyant economic conditions, the year in review recorded a marginal improvement in investor sentiments for residential properties. The property sector was given a shot in the arm vis-à-vis the Government's RM7.3 billion packages to buttress the nation against global uncertainties and stimulate domestic economic growth. Under this package, the construction sector and the property sub-sector was identified as key sectors to stimulate domestic economic activities through the multiplier effect. Moreover, this was also in line with the Government's objective to provide Malaysians with affordable homes. As part of the Home Ownership for the People (HOPE) government initiative, various additional incentives were introduced.

Stiff market competition has compelled FDH to hone its core competencies to keep abreast with other players in the industry. Competing on the basis of location or price is not enough under the tough market conditions. Developers need to go the extra mile in anticipating the needs of an increasingly discerning clientele. Maintaining high quality standards remains the key to staying ahead in the business. An important step was taken in this continual journey to excellence when on 23 September 2003; Faber's property arm was successfully accredited to the ISO 9001:2000 quality system.

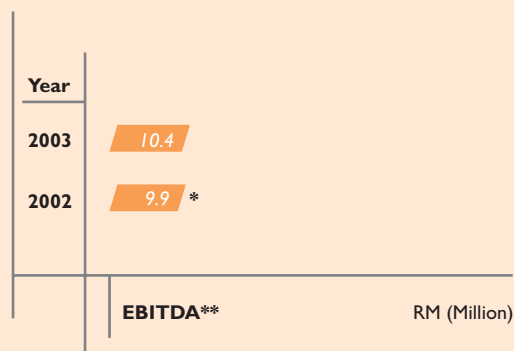
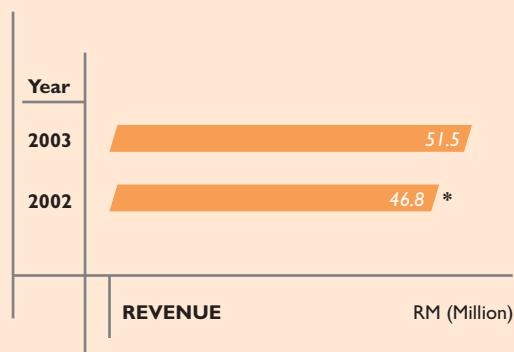
## FINANCIAL REVIEW

Through rental of office and shop lots of Faber Towers and Penang Plaza, sales of properties from the ongoing development projects around Kuala Lumpur and in Sandakan, Sabah, and the property management services, the Property Division was able to contribute RM51.5 million towards the Faber's revenue.

## REVIEW OF OPERATIONS

Against the backdrop of reviving demand for residential properties and improved investor sentiments, FDH had a satisfactory year in 2003. Potential buyers showed renewed interest in properties launched in the late 2001 and 2002. Most of these properties are scheduled for completion in the last quarter of 2004.

Within the vicinity of Taman Danau Desa, three projects are nearing completion namely Danau Murni, Plaza Danau II and Taratak Muhibbah. Danau Murni Condominium, comprising 500 units of medium-cost condominiums, is targeted for completion by end of 2004. Launched in December 2001, Danau Murni has to date, registered a sale of more than 90%. The remaining units are allocated only for Bumiputras.



\* Result was based on the period of January to December 2002.

\*\*Earnings before interest, taxation, depreciation and amortization before exceptional items.

## THE CONTEMPORARY DESIGNS OF THESE HOMES, SET AMIDST SURROUNDINGS ARE MAJOR ATTRACTIONS.

The commercial development project known as Plaza Danau II, comprising 68 units of a four-storey shop-office has performed better than expected. Launched in January 2002, some 94 % or 62 units have been sold. The units are priced from RM880,000 for an intermediate unit, while the corner units are priced at RM2.18 million. All units allocated to the public have been sold within a few months of the launch. The remaining units, reserved for Bumiputras, has shown encouraging take-up, particularly over the last few months. The project is progressing on schedule and is expected to complete by last quarter of 2004.

In line with the Government's policy for an optimal mix of development, FDH is also constructing another 266 units of low-cost apartments and 14 units of low-cost shops known as Taratak Muhibbah in addition to the existing completed 798 units in Taman Danau Desa. All the apartment units have been taken up, while only five shops are left unsold. The project, which is scheduled for completion by end of 2004, bears testimony to FDH's efforts to contribute to society by building affordable homes.

The company has also made headway with its housing project at Taman Grandview, Sandakan, in the state of Sabah. A total of 14 units of double-storey semi-detached houses expected to be completed in June 2004. Encouraged by the response to this project and responding to market demand, the company has launched in September 2003, some 38 units of double-storey terraced houses in Taman Grandview with an average price tag of RM228,000 per unit.

In June 2003, FDH's 55% owned subsidiary, Rimbunan Melati Sdn Bhd has successfully entered into a Supplementary Agreement with the Government of Malaysia and Syarikat Tanah dan Harta Sdn Bhd. The award of contract is for the design, construction and completion of a new complex for the Police Federal Reserve Unit ("FRU") at a contract value of RM81.0 million. The complex will be constructed on part of a parcel of land held under Lot P.T. 123 Mukim Cheras, Daerah Hulu Langat in Selangor Darul Ehsan.



**Top:** Under Construction – Danau Villa, three storey luxury link houses, Taman Danau Desa  
**Bottom:** Faber Towers' security control room

In relation to the above contract, the Government will transfer a parcel of land in Kepong measuring 100.816 acres and valued at RM48.3 million to the company being partial payment in lieu of cash. The land will be developed into a mix development, comprising three-storey terraced houses, apartments and shop-offices. The first sales launching is targeted in the first quarter of 2005. In the meantime, the company has proceeded discussion with the relevant authorities for proper and systematic relocation of squatters to enable an amicable settlement to be reached for an eventual development of the land.

FM Property Management Sdn Bhd ("FMPM"), a wholly-owned subsidiary of FDH, provides facilities and property management services for all properties owned and developed by FDH. FMPM's portfolio has been further expanded during the year to include companies within the UEM Group. The range of services provided now comprise the following:

- Property management for Faber Towers, Faber Plaza, Danau Permai, Danau Impian, Danau Idaman, Tiara Faber, Taratak Muhibbah and Penang Plaza
- Facility management for Vista Komanwel A, B & C, developed by Vista Jati Holdings Sdn Bhd
- Car park operation for Faber Towers and Century Square, Cyberjaya.

## FUTURE OUTLOOK

The year 2004 is already shaping up as one of sustained economic growth. In anticipation of increasing market demand for residential properties, several launches are in the pipeline. In June 2004, FDH is expected to launch 64 units of three storey luxury link houses called Danau Villa in Taman Danau Desa. The response has been very favourable, given the fact that we started out with a significant number of registered potential purchasers. As the first development of its kind in Taman Danau Desa, and with its strategic location by the lake, these luxury homes are to cater for a higher end market. The contemporary designs of these homes, set amidst beautifully landscaped surroundings are major attractions. Priced at between RM720,000 and RM1.1 million per unit, the development is expected to generate revenue of approximately RM50 million.



*Danau Idaman Condominium – One of the joint venture development with Dewan Bandaraya Kuala Lumpur (DBKL)*

In the third quarter of 2004, the company will embark on a freehold condominium project in Taman Desa. The 410 units Casa Palma condominium is located on a 5.9 acre land. The planned development comprises a mix of high and low-rise duplex condominiums with sizeable built-up areas, each designed to maximize the surrounding view. In terms of location, the property enjoys good accessibility via Taman Danau Desa's interchange and the currently upgraded Old Klang Road.

In the state of Sabah, FDH is planning to launch 32 units of low-rise condominiums located in the capital, Kota Kinabalu in the third quarter of 2004.

## HEALTHCARE



FABER MEDI-SERVE SDN BHD (“FMS”), HOLDS A 15-YEAR CONCESSION WITH THE MINISTRY OF HEALTH (“MOH”) TO PROVIDE INTEGRATED HEALTHCARE SUPPORT SERVICES CONSISTING OF FIVE SERVICES; BIO-MEDICAL ENGINEERING MAINTENANCE, CLEANSING, CLINICAL WASTE MANAGEMENT, FACILITY ENGINEERING MAINTENANCE AND LINEN AND LAUNDRY. FMS NOW ENTERS ITS EIGHTH YEAR PROVIDING SUCH SERVICES TO 72 GOVERNMENT HEALTHCARE INSTITUTIONS IN PERLIS, KEDAH, PENANG, PERAK, SABAH AND SARAWAK.



The coverage of FMS' services is rapidly expanding beyond the local shores. FMS has successfully made inroads into international markets, in particular, Philippines and Brunei. The company through its 60% subsidiary, Healthtronics (M) Sdn Bhd (formerly known as Cermin Dunia Sdn Bhd) has secured a Bio-Medical Engineering Maintenance contract with a prominent hospital in Philippines. The response from the hospital administrators for FMS' services in Philippines has, to date, been very encouraging. While in Brunei, the company has been providing Bio-medical Engineering Services to 4 government hospitals since 2002.

## FINANCIAL REVIEW

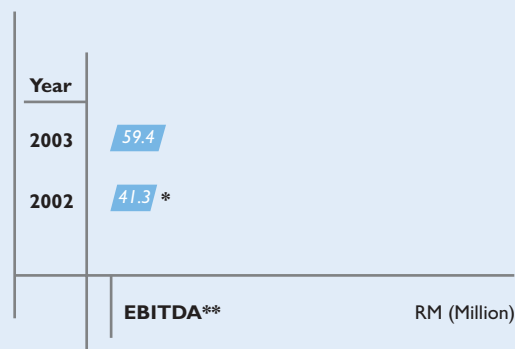
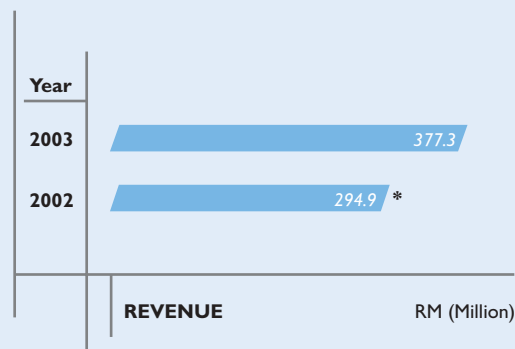
Faber's Healthcare Division remained the major contributor to Group revenue and profitability. For the year under review, the healthcare division accounted for 67.2 % of total revenue or RM377.3 million. In spite of the challenging circumstances faced by the Group, revenues from the Healthcare Division grew by RM82.4 million or 28% against FY2002 annualised revenues.

The increase in revenues was mainly due to the recognition of additional revenue for Replacement Hospitals and Newly Installed Facilities based on a Supplementary Agreement signed with MoH on 10 February 2003. The Supplementary Agreement clarifies FMS' eligibility to draw additional service fees for increased quantities of works resulting from expansion of hospitals and installation of additional equipment and facilities to be serviced at the hospitals.

On the back of this revenue growth, the division reported RM45.2 million in Profit Before Tax representing a Y-on-Y growth of 56% against FY2002 annualised Profit Before Tax RM28.8 million for the division, the growth mainly attributed to the flow through of additional revenue on the Replacement Hospitals and Newly Installed Facilities.

## REVIEW OF OPERATIONS

FMS has redefined its focus of ensuring delivery of quality services and achieving operational efficiency to a new dimension. The company views its nation building role as one of creating environments that promote health and wellness through use of technology, innovative solutions and process, not just for today but lasting well into the next generation. In a nutshell, the company's core belief and its focus is "Creating Next Generation Environments for Wellness".



\* Result was based on the period of January to December 2002.

\*\*Earnings before interest, taxation, depreciation and amortization before exceptional items.

## THE DEVELOPMENT OF MEDICAL CARE SERVICES HAS BEEN ACCORDED HIGH PRIORITY, WITH 95% OF THE ALLOCATION GOING TOWARDS THE ONGOING CONSTRUCTION AND EQUIPPING OF NEW HOSPITALS AND CLINICS.

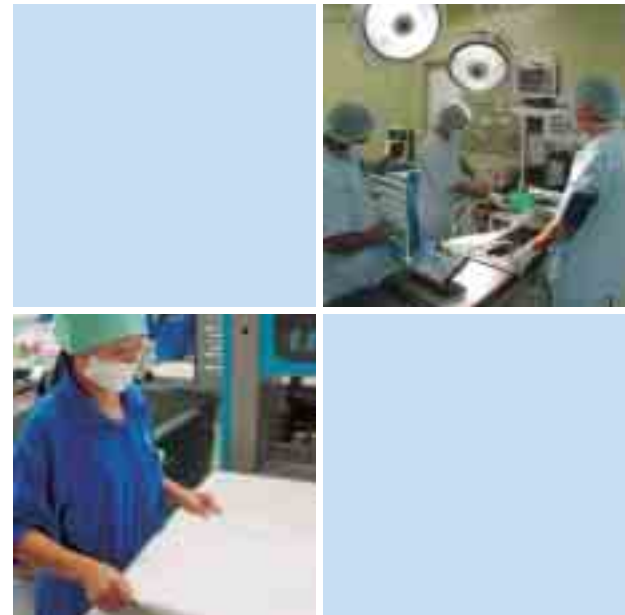
With its pedigree origins as Malaysia's largest Integrated Healthcare Support Services company, FMS today has evolved into one of the world's largest companies of its kind with a clear focus on establishing itself as the leading name in the provision of wellness-related support services.

The success of the company in delivering Integrated Healthcare Support Services is evidenced by the company's 2003 service performance in which FMS established itself as the best performer. This testimonial of FMS' service excellence and leadership places the company on firm footing to expand its services locally and globally.

For the year under review, this success has been delivered together with its subsidiaries. Cermin Cahaya Sdn Bhd ("CCSB") a 100% subsidiary of FMS was formed to improve service delivery and operational efficiency, and secure commercial contracts.

Healthtronics (M) Sdn Bhd formerly known as Cermin Dunia Sdn Bhd ("CDSB"), has made significant inroads in its international expansion, renamed to better reflect its activities and improve brand recognition. For the year under review Healthtronics (M) Sdn Bhd has secured one contract in the Republic of Philippines and is currently servicing 4 government hospitals in Brunei.

In keeping with its core belief of "Creating Next Generation Environments for Wellness", FMS' maintenance practices have moved from a preventive approach into a predictive and proactive strategy. Predictive Maintenance or Condition monitoring is used to predict equipment failures or monitor the condition of the equipment, allowing technicians to take remedial actions to prevent failures, thereby maximizing equipment life span and uptime. In 2003, FMS successfully implemented the Predictive Maintenance programme through its personnel that were certified and trained to carry out predictive maintenance practices.



**Top:** FMS ensures all bio-medical equipment is available and well maintained

**Bottom:** Linen and laundry – one of the five services provided by FMS to hospitals in its concession

From the outset, FMS has always emphasized the critical necessity for strategic partnerships with its vendors. As a dynamic business organization, FMS has adopted a strategy of focusing on its core competencies and strategically out-sourcing specialized and/or non-core services to their vendors/partners. The out-sourcing strategy has enabled the company to gain production and operational efficiency by leveraging on the different strengths of FMS and the vendors.

FMS has developed a network of reliable local vendors and suppliers of materials and services to form a resilient supply chain infrastructure to support the company's services and the national agenda of developing Small – Medium Enterprises. As an example, the company has appointed several laundry service contractors in Sabah to undertake specific operations for linen and laundry services. By outsourcing to these small companies, they were able to exponentially grow their business in a short period of time while FMS benefited from the operational and production efficiencies.

In line with FMS' strategy of employing new technology to provide its customers with better services while improving production efficiencies, for the year in review, the company has committed RM15.3 million for the construction of its centralized laundry facilities in Kamunting, Perak and Kuala Ketil, Kedah. The facilities will be able to cater for the increasing volumes of linen from MoH and provide economies of scale in the linen processing operations.

## FUTURE OUTLOOK

Worldwide, the healthcare industry is facing a paradigm shift. It is rapidly evolving beyond the current traditional view of healthcare, and taking on a more holistic perspective. As an example, many public healthcare authorities are now evaluating the use of Public Private Partnership models to deliver healthcare services.

In order for any company to compete globally in this new and greater arena, companies must leverage on the collective strength of their different specializations to deliver a more effective, efficient and cost-competitive solution.



*Dedicated Linen and laundry staff at work*

FMS' pole position in the healthcare services category is due to its impressive track record, use of best of breed technologies and international standards, committed management talents and well trained personnel. As the Government invests more under the Eighth Malaysia Plan, a total of RM5.5 billion to further develop the country's health sector, the Healthcare Division is well in place to tap into the growing demand for high quality healthcare services.

## HOTELS



THROUGH ITS HOTEL DIVISION, FABER GROUP BERHAD CELEBRATED THE 40TH ANNIVERSARY OF ITS OPERATIONS IN MALAYSIA DURING THE YEAR UNDER REVIEW. ONE OF THE PIONEERING NAMES IN THE COUNTRY'S HOSPITALITY INDUSTRY, THE COMPANY HAS GROWN IN STEP WITH THE NATION AND EVOLVED WITH THE CHANGING TIMES.

Faber Hotels Holdings Sdn Bhd ("FHH") is a key player and leading name in the hospitality industry. With a total of seven fully operational properties under its wing, it is one of the most enduring names in the business, synonymous with quality and trusted by Malaysians.

Through a strategic alliance with Starwood Hotels & Resorts Worldwide Inc, FHH owns six 5-star international hotels under the Sheraton brand. These properties are located in Langkawi, Penang, Labuan, Subang and Kuala Lumpur and Hanoi, Vietnam. FHH also owns and operates two tourist-class hotels under the original Merlin Brand.

## FINANCIAL REVIEW

The Malaysian hospitality industry has been through some of its most challenging periods over the past several years. Barely recovering from the attack on America which had an adverse impact on global travel, the bombing incident in Bali dealt another severe blow. In 2003, the industry suffered another setback with the Iraq war and the outbreak of the Severe Acute Respiratory Syndrome (SARS). The negative repercussions on the airlines and tourism industries were passed on to the hotels business. FHH did not escape unscathed and the performance of its hotel chain, particularly the resort hotels, was severely affected.

In line with the Group accounting policy, the Group conducted a group-wide valuation exercise in November 2003 to value its hotel properties every three years. Against the above background, the Group's hotel market values dropped significantly resulting in FHH having to recognize impairment to its assets totaling FM404.0 million in its books.

As anticipated, the events that unfolded during the year took a severe toll on FHH's hotel operations. FHH recorded an average hotel occupancy rate of 60.8%, with average room rates hovering around RM197 per night. The food and beverage business turned over 1.2 million covers, recording an average per cover check of RM44. For the year, the hotel division recorded a loss before taxation charge of RM500.0 million on the back of total revenue of RM132.7 million. The loss was recorded after taking into consideration the impairment of hotel assets value and interest expenses amounting to RM75.0 million. The accrual on interest charges for RCSB was stopped on 10 April 2003, with the approval of FGB's bondholders, as part of the Group's debt-restructuring exercise.

FHH also achieved RM14.2 million in earnings before interest, taxation, depreciation, amortisation charges and extraordinary items.

Year	
2003	132.7
2002	134.4 *
REVENUE RM (Million)	

Year	
2003	14.2
2002	17.0 *
EBITDA** RM (Million)	

\*Result was based on the period of January to December 2002.

\*\*Earnings before interest, taxation, depreciation and amortization before exceptional items.

## THE TWO MERLIN HOTELS IN CAMERON HIGHLANDS AND JOHOR BAHRU CATER PREDOMINANTLY TO BUDGET-CONSCIOUS TRAVELLERS TAKING THEIR VACATION BREAK.

### OPERATIONS REVIEW

Despite the setback of the SARS outbreak, operationally, the Group's hotel chain was still able to turn in a commendable performance. At the very onset, the Group took a holistic approach to assess the situation before a series of proactive strategies were embarked upon as mitigating measures. The tough operating environment provided the opportunity for the hotel Group to sharpen its resilience by strengthening its core competencies. While everyone else could compete on the basis of price, FHH decided its edge would be the choice location of its properties and the range of services provided. To ensure its share of a rapidly shrinking market, FHH took appropriate steps to ensure that there was no compromising on quality excellence.

Sheraton Perdana Langkawi remained firmly entrenched as the market leader in the luxury resort hotel category. It achieved a creditable average room rate of RM332 per night and average occupancy for its rooms was 52.5% for the year under review. Sheraton Perdana Langkawi also won the Best Landscape Award – Hotel Category, for the state of Kedah.

Meanwhile, the Sheraton Imperial Kuala Lumpur continued to uphold its reputation as the premier luxury hotel in the city. Popular among clients in the corporate sector, the hotel is noted for its excellent dining facilities. In 2003, the hotel added several new awards to an already long list of accolades. In the Hospitality Asia Platinum Award 2003/2005, it garnered two awards. Its restaurant, Villa Danieli, won the first award for 'Best Cuisine' under the western food category, while the hotel's Pavillion Lounge gained the second award for 'Best Hotel Lobby Lounge'. The hotel also made it to the Malaysia Tatler Magazines list of 'Malaysia's Best Restaurants' for four straight years. Certificates of recognition were awarded to Villa Danieli and the Celestial Court, the hotel's Chinese restaurant. In the Salon Culinaire Malaysia 2003, the hotel's chefs won a total of 14 medals under various categories of competition.



**Top:** Achievements – Sheraton Imperial Kuala Lumpur staff with their awards won from Hospitality Asia Platinum Award 2003/2005



**Bottom:** Sheraton Imperial's Villa Danieli restaurant specialities



Sheraton Subang Hotel and Towers has steadily established a loyal clientele on the strength of its beverage and banqueting operations. The hotel was once again rewarded in 2003 when its Miyako Restaurant was singled out by the Malaysia Tatler Magazine under its 'Malaysia's Best Restaurants' category. Reinforcing this reputation, its Food and Beverage team won four medals in the Culinaire 2003 competition, organised by the Malaysian Association of Hotels.

Located next to the island's offshore financial centre, Sheraton Labuan Hotel has a niche clientele, comprising mainly corporate and business clients. The Sheraton Penang Hotel continues to be popular with business and leisure travellers to the island.

Sheraton Hanoi Hotel, which opened its doors on 5 March 2004, is poised to be a strong competitor in the 5-star hotel market in Vietnam.

The two Merlin hotels in Cameron Highlands and Johor Bahru cater predominantly to budget-conscious travellers taking their vacation break.

#### FUTURE OUTLOOK

FHH is cautiously optimistic about its future prospects. It is confident it can recover faster and achieve the performance level before the SARS outbreak through an even more aggressive promotional and marketing campaign. The Group is also heartened by the Government's commitment to boost the Malaysian tourism and hospitality industries. As part of the Government's RM7.3 billion stimulus plan to jumpstart economic growth, the hospitality industry was accorded a 5% discount on electricity bills, while the service tax on complimentary rooms was abolished. A RM1 billion Special Relief Guarantee Facility was also set up to help the tourism sector. These measures have gone a long way towards helping the battered hospitality industry get back onto its feet. While the recent outbreak of the bird flu virus has been a cause for concern, it has been largely isolated to within the region. Nonetheless, FHH is closely monitoring developments of what could be the next 'hiccup' to the Hotel Division's recovery and future profitability.



*Sheraton Hanoi Hotel – One of the landmarks in Hanoi, Vietnam*

Upon the completion of the Group's Debt-Restructuring Scheme, FHH will own only one hotel, which is the Sheraton Hanoi Hotel in Vietnam. However FHH is still expected to administer the operations of the other hotels under the ownership of a special purpose vehicle company.



# HUMAN RESOURCE DEVELOPMENT

PEOPLE DRIVE THE ORGANIZATION. IT IS THROUGH THEIR COLLECTIVE KNOWLEDGE, EXPERIENCE AND COMMITMENT THAT ENSURE THE SUCCESS OF THE ORGANIZATION.

It has been said that human resources are the most important assets of any company. People drive the organization. It is through their collective knowledge, experience and commitment that ensure the success of the organization. Faber Group Bhd ("Faber") has long recognized the important role played by its management and staff. We have 8,172 men and women on our payroll. As an organization that believes in teamwork, we set great store in creating a conducive work environment and developing our human resources towards the attainment of both corporate and individual goals.

Continuing the practice of past years, Faber invested a sum of RM2,054,691.00 for its employees' training. The investment was utilized for sponsoring in-house training and external training at all levels. Training Needs Assessment was implemented to identify the competency gaps of the individual employee. The appropriate training and development programmes were then drawn up to bridge the competency gaps against job requirements. Faber has also systematically identified potential employees with relevant managerial and leadership skills to assume senior management positions. This is to ensure leadership succession is in place in the continual pursuit of organizational goals and objectives.

In a year that saw a spate of activities and changes on the organizational front, the Group has introduced various management initiatives in preparing employees for these changes. These initiatives are summarized as follows

- **Communicating the change**

Rather than rely on the rumour mill, employees had the right to know what were the changes taking place, reasons for change and how they would affect the individual.



**Top:** Staff recognition – part of employee relations program

**Center:** Hotel's staff play host to children from sheltered homes as part of Faber's employee-community relations program

**Bottom:** IT literacy with E-Learning

- **Participating and supporting the change**

Change can breed discontent, and the main issue that had to be addressed was the very real fear of losing one's job. Employees had to be won over to feel a sense of ownership over the redesigned organization structure and be assured over the future prospects for the company.

- **Disseminating knowledge on how to change**

Training was an important tool in educating staff on what they need to do to support the change process. Heads of Departments had dual roles; first in providing feedback to staff and seconding, they had to walk the talk in serving as role models.

- **Implementing the required skills and behaviors**

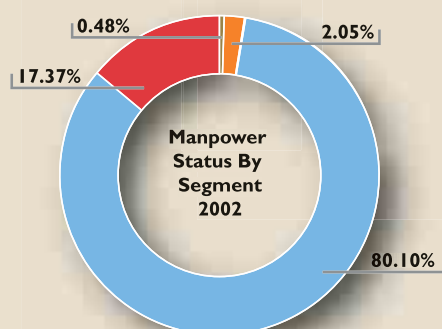
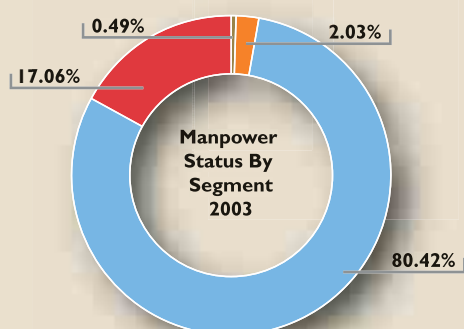
This was addressed through the Need Assessment Analysis to determine competency gaps and the training required to bridge the gaps to improve job performance to achieve new organizational goals.

- **Reinforcing and sustaining the change**

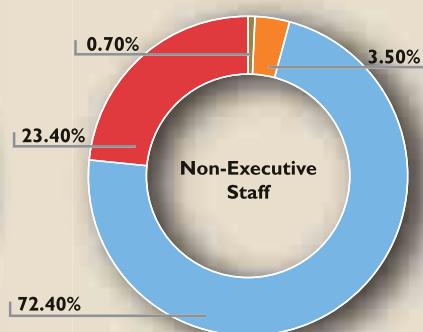
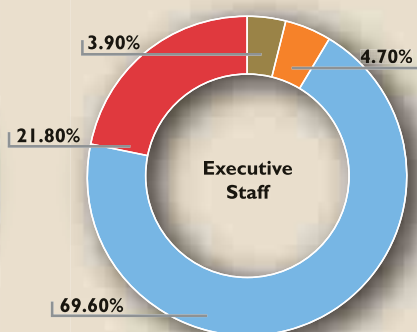
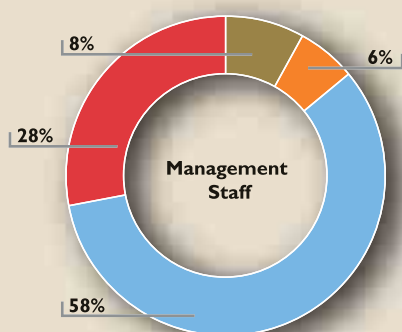
During 2003, this was manifested in a variety of ways; through incentives and rewards, compensation changes, celebration and personal recognition from the higher echelons of management. E-mail to an individual for a job well done goes a long way in winning support and sustain the change progress.

Throughout the year 2003, Faber also organized various activities and programs such as Education Collaboration Program, Working Visits, Excellent Service Award and Family Day.

In health care benefits, all Faber personnel have been provided with group insurance coverage, medical benefits through its panel of clinics and hospitals.



Training Expenditure Distribution 2003



# QUEST FOR QUALITY



*Fully Certified: Mr. Amajit Singh of SGS UK (left) presenting ISO 9001:2000 certificate to Managing Director of FMS. Witnessed by International Trade and Industry Minister, Datuk Seri Rafidah Aziz and FMS Chairman, Dato' Mohamed Zain Mohamed Yusuf*

The Faber Group's quest for quality excellence is a never-ending journey. All the major operating units in the Group have already achieved certification to the internationally recognized ISO quality system. With an upgrade of the ISO standards, the year under review saw all the major operating units successfully completing the migration to the new and more exacting ISO 9001:2000 certification.

ISO certification is but one of the tools adopted by the Group to strengthen core competencies and to build resilience. Each operating unit has launched its own programmes and initiatives to inculcate a quality culture. This has been reinforced by the use of quality concepts and principles in the daily operations, the benefits of which are ultimately manifested in better product and services and increased customer satisfaction.

In a year that saw a number of quality initiatives launched, one of the most significant was FMS' first Continual Improvement Convention held in February 2003. Besides acknowledging the achievements of the project teams, the convention was also a platform for FMS to establish benchmarks with a view to implement the best practices and standards within the industry. To build resilience and sharpen its core competencies, FMS is planning to set a new benchmark in the hospitality industry by adopting the '4s' fundamentals focusing on 'Standards, Scope, Skills and Segment'. Strategic partnerships and alliances with the private and public sectors have also given FMS an edge in its business operations. Other quality initiatives launched by FMS during the year include the Quality Assurance Programme for both the Bio-Medical Engineering Maintenance Services (BEMS) and Facility Engineering Maintenance Services (FEMS).

In FMS' efforts to further improve the standards of housekeeping practices within the organization, FMS has commenced 5S programmes at 2 pilot sites in Perak. 5S is an acronym for five Japanese words that are Seiri, Seiton, Seiso, Seiketsu and Shitsuke or Malay equivalents are Sisih, Susun, Sapu, Seeragam and Sentiasa Amal. It is a systematic approach involving management and workers to maintain and improve standards of housekeeping practices within organizations. 5S provides a good platform to improve safety at workplace, an organized workplace environment that enables the employees to perform work consistently and respond to emergency immediately. The 5S programme will be extended to other sites in stages over the next 3 years.

The third quarter of 2003 also saw Faber Development Holdings embarked on initiatives to migrate to the new and more exacting ISO 9001:2000 certification. The upgrading to the more stringent registration was successfully completed and certified on 23 September 2003.



*The Management and associates of Sheraton Imperial Kuala Lumpur pledged their support to Malaysian for Peace Campaign*

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FABER GROUP BERHAD  
ANNUAL REPORT 2003

# GROUP CORPORATE CALENDAR

## 18 FEBRUARY 2003

Resignation of Ahmad Pardas Senin as Director of Faber Group Berhad ("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 were held at Sheraton Imperial, Kuala Lumpur to seek shareholders' approval on the following proposals:-



- proposed disposal by Faber Haulage Sdn Bhd ("FHSB"), a wholly-owned subsidiary of FGB of 10,000,000 ordinary shares of RM1.00 each in MISC Haulage Services Sdn Bhd ("MHSB"), representing 25.0% equity interest in MHSB to MISC Intergrated Logistics Sdn Bhd for a total cash consideration of RM19,500,000.00 ("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 Hj. Abd. Hamid as Director and Managing Director of FGB.

## 18 MARCH 2003

An announcement was released to Bursa Malaysia Securities Berhad ("Bursa Malaysia") on the issue of Notices in relation to the convening of the following meetings:-

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

## 10 APRIL 2003

Meeting of the Bondholders in relation to:-

- the Proposed Disposal of MHSB Shares,
- proposed utilisation 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, 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.

**30 APRIL 2003**

FGB announced that the audited financial statements for the financial period ended 31 December 2002 was qualified on an “except for” basis and showed a deviation of more than 10% from the unaudited quarterly results for the financial period ended 31 December 2002 due to the deferred expenditure comprising pre-branding expenses write-off.

**19 MAY 2003**

Faber Medi-Serve Sdn Bhd (“FMS”) entered into a Sale and Purchase Agreement with Danaharta Hartanah Sdn Bhd, a wholly owned subsidiary company of Pengurusan Danaharta Nasional Berhad, which in turn is a wholly-owned subsidiary company of Ministry of Finance Incorporated, for the purpose of acquisition of the lease of a piece of land in Kuala Ketil, Kedah Darul Aman for a total cash consideration of RM1,100,000.00.

**19 MAY 2003**

FGB announced the completion of the Proposed Disposal of MHSB Shares and the entry by FHSB into a mutual termination agreement with MISC Enterprises Holdings Sdn Bhd (“MISC Enterprises”) and MHSB, under which the parties agreed to terminate the Shareholders' Agreement dated 27 April 1991 governing the relationship between MISC Enterprises and FHSB in respect of MHSB.

**21 MAY 2003**

FGB announced the entry of FMS, Cermin Dunia Sdn Bhd (“CDSB”), a 60% owned subsidiary company of FMS and SSP Medical Technologies Sdn Bhd into a Shareholders' Agreement in relation to the acquisition by CDSB of certain fixed assets, equipment, inventory or property of FMS has been completed.

**3 JUNE 2003**

CDSB changed its name to Healthtronics (M) Sdn Bhd.

**6 JUNE 2003**

Rimbunan Melati Sdn Bhd, a 55% owned subsidiary company of Faber Development Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of FGB entered into a

Supplemental Agreement with the Government of Malaysia and Syarikat Tanah dan Harta Sdn Bhd in relation to, inter-alia, the construction of the Federal Reserve Unit Complex, Royal Malaysian Police Cheras, Selangor Darul Ehsan.

**18 JUNE 2003**

FGB held its 39th and 40th Annual General Meetings at Sheraton Imperial, Kuala Lumpur.

**19 JUNE 2003**

Appointment of Puasa bin Osman as Director and Member of Audit Committee of FGB.

**3 JULY 2003**

FHMSB entered into a Shareholders' Agreement with SSP Meditech Sdn Bhd and Sehat Technologies Sdn Bhd in relation to a joint venture to manufacture, assemble, import, export, sell and distribute and deal with healthcare equipment, system apparatus and materials, medical solution, medicine and pharmaceutical products.





### 7 AUGUST 2003

Official Opening of Lok Kawi Plant & Blood Donation Campaign for Sabah Region.



### 5 SEPTEMBER 2003

FGB announced the fulfillment of the conditions precedent to the joint venture agreement between FMS and Simfoni Dua Sdn Bhd for the purpose of constructing, operating and maintaining laundry processing plant and equipment, and for the purpose of carrying out linen processing services.

### 17 NOVEMBER 2003

FMS entered into a Technical Assistance Agreement with Medlux Overseas (Guernsey) Limited ("MOG") for the provision of technical assistance to FMS in relation to hospital support services.

### 17 NOVEMBER 2003

Commence International Merchant Bankers Berhad ("CIMB") had on behalf of FGB released an announcement to Bursa Malaysia on the following proposals:-

- proposed acquisition by FGB of a 63.0% equity interest in Intensive Quest Sdn Bhd ("IQSB") comprising 315,000 ordinary shares of RM1.00 each in IQSB for a total cash consideration of RM10,925,258.00 ("the Proposed IQSB Acquisition"),
- proposed acquisition by FGB of seven (7) ordinary shares of RM1.00 each in FMS from Consistent Wisdom Sdn Bhd for a total cash consideration of RM17.50, and
- proposed settlement of the litigations involving MOG, FGB, Faber Healthcare Management Sdn Bhd, FMS, and IQSB ("the Proposed Settlement").

### 18 NOVEMBER 2003

FGB obtained the valuations ("the Valuations") on several of its hotels properties, namely, Sheraton Subang Hotel and Towers, Sheraton Perdana Resort, Sheraton Imperial Kuala Lumpur, Sheraton Penang, Sheraton Labuan,

Sheraton Kuantan, Merlin Inn Resort Cameron Highlands, Merlin Inn Johor Bahru and Mersing Merlin Inn (collectively referred to hereafter as "the Hotel Properties"). The Valuations were carried out in tandem with the FGB Group's accounting policy to appraise the Hotel Properties once in every three years and for the purpose of the Proposed Restructuring Scheme of FGB ("the Proposed Restructuring Scheme").

### 18 NOVEMBER 2003

In accordance to paragraph 4.1(a) of Practice Note 4/2001 of the Listing Requirements of Bursa Malaysia, FGB announced that there was a deficit in the adjusted shareholders' equity of FGB on consolidated basis based on the unaudited quarterly result of FGB and its subsidiary companies for the financial period ended 30 September 2003.

### 18 NOVEMBER 2003

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

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

### 19 NOVEMBER 2003

FGB despatched the Information Memorandum ("IM") detailing the Proposed Restructuring Scheme to all of the Bondholders for the purpose of giving effect and implementing the Proposed Restructuring Scheme comprising the following:-

- proposed transfer of a selection of FGB's subsidiaries and assets to a Special Purpose Vehicle ("SPVH") ("Proposed Transfer of Assets"),
- proposed waiver of the accreted yield from the date of issuance to 10 April 2003 ("Proposed Waiver of Accreted Yield"),
- proposed novation of liability under Zero Coupon Redeemable Convertible Secured Bonds Due 2005 ("RCSB") and proposed issuance of bonds by SPVH in

settlement of FGB's total liability under the RCSB as at the implementation date ("Proposed Novation of Liability and Issuance of SPVH Bonds"),

- proposed issuance of redeemable convertible preference shares ("RCPS") and redeemable unsecured loan stocks ("RULS") to SPVH ("Proposed Issuance of Preference Shares and RULS to SPVH"),
- proposed acknowledgement of debt and settlement of the balance sum amounting to RM51.442 million ("Proposed Acknowledgement and Settlement of Balance Sum"),
- proposed management and maintenance arrangements between SPVH and its subsidiary companies with FGB ("Proposed Management Arrangement"), and
- proposed settlement of the restructured RCSB amounting up to RM929.460 million ("Proposed Settlement by SPVH of SPVH Bonds").

#### 20 NOVEMBER 2003

FGB was declared as an affected listed issuer pursuant to Practice Note 4/2001 and reclassified to PN4 Condition sector with effect from 9.00 a.m., 21 November 2003.

#### 21 NOVEMBER 2003

An announcement was released to Bursa Malaysia on the entry by FMS into a conditional Managed Network Service Agreement with Telekom Malaysia Berhad in relation to the provision, installation, testing and commissioning of an internet protocol-virtual private network for five (5) years for a total contract sum of RM6,371,133.00 ("the Proposed Appointment").



#### 15 DECEMBER 2003

Meeting of the Bondholders in relation to:-

- the Proposed Restructuring Scheme, comprising the following:-
  - (a) Proposed Transfer of Assets,
  - (b) Proposed Waiver of Accreted Yield,
  - (c) Proposed Novation of Liability and Issuance of SPVH Bonds,
  - (d) Proposed Issuance of Preference Shares and RULS to SPVH,
  - (e) Proposed Acknowledgement and Settlement of Balance Sum,
  - (f) Proposed Management Arrangement, and
  - (g) Proposed Settlement by SPVH of SPVH Bonds,
- proposed appointment of Universal Trustee (Malaysia) Berhad ("the Trustee") to act as trustee for the Bondholders of the SPVH Bonds issued by SPVH pursuant to the Proposed Novation of Liability and Issuance of SPVH Bonds,
- proposed authorisation for the Trustee to execute the Restructuring Deed, the Novation Agreement, the New Trust Deed, the discharges of some of the existing securities securing the RCSB and the charges of the new and transferred securities securing the SPVH, and
- proposed authorisation for the Trustee to approve and assent to any amendment or modification to the Proposed Restructuring Scheme.

(Collectively referred to hereafter as "the Proposals")

The Bondholders had at the meeting approved the Proposals.



**22 DECEMBER 2003**

FGB entered into an agreement with the Bondholders (“the Restructuring Deed”) for the purpose of giving effect to and implementing the Proposed Restructuring Scheme.

**15 JANUARY 2004**

Extraordinary General Meeting of the shareholders of FGB was held at Sheraton Imperial, Kuala Lumpur to seek shareholders’ approval of the following:-

- the Proposed IQSB Acquisition,
- the Proposed Settlement, and
- the Proposed Appointment.

The Proposed IQSB Acquisition, the Proposed Settlement and the Proposed Appointment were approved by the shareholders.

**20 JANUARY 2004**

Aseambankers Malaysia Berhad (“ASEAM”) had on behalf of FGB, submitted to the Securities Commission (“SC”) for their consideration, the valuation reports on the assets identified for the purpose of the Proposed Restructuring Scheme.

**19 FEBRUARY 2004**

Aseam had on behalf of FGB submitted to the SC for their consideration the application on the Proposed Restructuring Scheme.

**9 APRIL 2004**

CIMB had on behalf of FGB released an announcement on the completion of the Proposed IQSB Acquisition and the Proposed Settlement. Following the completion on the Proposed IQSB Acquisition, IQSB becomes a 63% owned subsidiary company of FGB.

# GROUP FINANCIAL CALENDAR

<b>FINANCIAL YEAR ENDED</b> <b>Announcement of Unaudited Quarterly Results</b>	<b>31 DECEMBER 2003</b>
First Quarter	23 May 2003
Second Quarter	25 August 2003
Third Quarter	18 November 2003
Fourth Quarter	25 February 2004

# 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") and its subsidiary companies ("Faber Group").

Faber Group 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. This statement sets out the commitment of the Board towards good corporate governance principles and the extent of compliance with best practices of good governance pursuant to recommendations of the Code.

## **A BOARD OF TALENT**

The Board comprises eight (8) non-executive Directors of whom four (4) are independent non-executive Directors. Encik Puasa bin Osman was appointed as a Board member on 19 June 2003. Puan Noorizah Hj Abdul Hamid, the Managing Director of FGB is the only Director with an Executive capacity on the Board. 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 the Company, the Management is empowered to manage the daily operations based on an approved Discretionary Authority Limits and report to the Board.

To assist the Board in discharging its duty, the Board has delegated specific responsibilities to three (3) sub-committees i.e. Audit, Nomination and Remuneration Committee. These Committees have the authority to examine particular issues and report back to the Board

together with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire 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 also a 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 the Company. None of the Directors have unfettered power of decision.

More than one-third of the Board comprise Independent Non-Executive Directors since the Company recognises their contribution as equal members in the development of the Company'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.

In accordance with the requirements of the Code, YBhg Datuk Zainal Abidin bin Alias was appointed as the Senior Independent Non-Executive Director who deals with concerns regarding the company where it would be inappropriate for these to be dealt with by the Chairman or the Managing Director.

## **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 have also been invited to provide the Board with detailed explanations and clarifications on each agenda the Board deliberates.

During the financial year ended 31 December 2003, a total of eight (8) 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 The Financial Year
Dato' Anwar bin Haji @ Aji	Non-Independent, Non-Executive Chairman	8	8
Datuk Zainal Abidin bin Alias	Senior Independent, Non-Executive Director	8	8
Dato' Mohamed Zain bin Mohamed Yusuf	Independent, Non-Executive Director	8	8
Dato' Ikmal Hijaz bin Hashim	Non-Independent, Non-Executive Director	8	8
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	Independent, Non-Executive Director	7	8
Elakumari a/p Kantilal	Non-Independent, Non-Executive Director	6	8
Azmanuddin Haq bin Ahmad (appointed on 18.02.2003)	Non-Independent, Non-Executive Director	8	8
Noorizah binti Hj. Abd. Hamid (appointed on 17.03.2003)	Managing Director	5	5
Puasa bin Osman (appointed on 19.06.2003)	Independent, Non-Executive Director	3	3
Dato' Prof. Ir. Mohammad Noor (resigned on 17.03.2003)	Independent, Non-Executive Director	2	2
Ahmad Pardas Senin (resigned on 18.02.2003)	Non-Independent, Non-Executive Director	0	0

## STEWARDSHIP RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors forms the highest authority in the governance of Faber Group. 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 company.
- Overseeing the conduct of the company's business to evaluate whether the business is being properly managed.
- Identifying principal risks and ensuring the implementation of appropriate control 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 the company.
- Reviewing the adequacy and the integrity of the company'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 Faber Group. 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 Faber Group.

In practice, the Board of Directors has full and unrestricted access to the information within Faber 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. After review and recommendation by the Audit Committee, quarterly financial results are tabled to the Board for approval for release to Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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

## APPOINTMENTS TO THE BOARD

In compliance to the Code that 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 the 12 December 2001 and currently, the composition of the Nomination Committee is as follows:

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

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.
- 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 four (4) times during financial year ended 31 December 2003. The details of the attendance are as follows:

Name of Director	Status	No. of Meetings Attended	No. of Meetings Held During the Financial Year
Datuk Zainal Abidin bin Alias - Chairman	Senior Independent Non-Executive Director	4	4
Azmanuddin Haq bin Ahmad (appointed on 18.02.03)	Non-Independent, Non-Executive	3	3
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff (appointed on 17.03.03)	Independent, Non-Executive Director	2	3
Dato' Prof. Ir. Mohammad Noor bin Haji Salleh (resigned on 17.03.2003)	Independent, Non-Executive Director	2	2
Ahmad Pardas Senin (resigned on 18.02.2003)	Non-Independent, Non-Executive Director	0	1

As an integral element of the process of appointing new directors, the Nomination Committee ensures that there are orientation and educational programmes for new Board members.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). In addition, seminars and conferences organized by Bursa Malaysia, relevant regulatory authorities and professional bodies on areas concerning Directors' responsibilities and corporate governance issues are notified to the Board for their participation at such seminars and conferences. Directors are also encouraged to attend continuous education programmes and seminars to keep abreast with developments in the market place and to enhance their skills and knowledge.

#### RE-ELECTION

In accordance with the Company's Articles of Association, 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 Director*
- Datuk Zainal Abidin bin Alias  
*Senior Independent, Non-Executive Director*
- Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff  
*Independent, Non-Executive Director*

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 Company's committees.

The Remuneration Committee has met once on 21 May 2003 during the financial year ended 31 December 2003. All members of the Remuneration Committee attended the meeting.

#### 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 the Managing Director.
- (ii) Fees  
Fees payable to Non-Executive Directors are proposed by the Board with the approval from the shareholders at Annual General Meetings.
- (iii) Bonus Scheme  
The Company 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 the Company's business activities together with the assessment of each individual's performance. Bonus payable to the Managing Director is reviewed by the Remuneration Committee and approved by the Board.



- (iv) **Benefits-in-Kind**  
Other benefits such as leave passage, car and driver or car allowances, medical and dental cover for the Managing Director and immediate family. Other than the Managing Director, the Chairman of the Company is also entitled to a car and driver or car allowance.
- (v) **Retirement Plan**  
Contributions are made to the Employees Provident Fund in respect of the Managing Director.
- (vi) **Employee Equity Scheme**  
This is in respect of allotment of UEM World Berhad shares provided to eligible staff including the Managing Director based on specified criteria.

## DIRECTORS' REMUNERATION DISCLOSURE

### Directors' Remuneration

The breakdown of Directors' Remuneration for the financial year ended 31 December 2003, by category are shown below:-

Emoluments	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	—	512	512
Allowance	—	94	94
Salaries	313	—	313
Bonus	62	—	62
Contribution to Employees Provident Fund	56	—	56
Estimated Money Value of Benefits-in-kind	39	43	82
<b>Total</b>	<b>470</b>	<b>649</b>	<b>1,119</b>

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
Below - RM50,000	—	4*	4
RM50,001 - RM100,000	—	3	3
RM100,001 - RM150,000	—	3	3
RM150,001 - RM200,000	—	—	—
RM200,001 - RM250,000	—	—	—
RM250,001 - RM300,000	—	—	—
RM300,001 - RM350,000	—	—	—
RM350,001 - RM400,000	—	—	—
RM400,001 - RM450,000	—	—	—
RM450,001 - RM500,000	1	—	1

\* 2 former directors have resigned

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

During Annual General Meeting and Extraordinary General Meetings, the Directors will inform shareholders on current development of the Company. Shareholders have the opportunity to ask Directors on any issues pertaining to the Company.

Annual reports, printed in English are also given to all shareholders prior to the Annual General Meeting with information on the Company's Directors, accounts, development and future outlook.

A website at [www.fabergroup.com.my](http://www.fabergroup.com.my) has been established for shareholders and the public to access information pertaining to the Company which is updated regularly. The public and potential shareholders may also learn of the Company's product and services through the Company's website.

Faber Group also makes timely announcements to Bursa Malaysia on corporate proposals, meetings, announcements, financial reporting and all other announcements that are required pursuant to the Listing Requirements of Bursa Malaysia. Current and historical announcements of FGB are easily assessable to the public through Bursa Malaysia 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 the Company and the Group at the end of the financial year. Towards the end, the assessment of the Group's operations and prospects are presented in a balanced and easily understood manner.

The quarterly financial results is reviewed by the Audit Committee and approved by the Board of Directors before releasing to Bursa Malaysia. The details of the Company and the 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 Bursa Malaysia in 1999, FGB has since the mid 1990s taken the initiative in announcing its quarterly results prior to Bursa Malaysia 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 the Company.

### **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". In Pursuant to Paragraph 15.27 (b) of the Bursa Malaysia Listing Requirements, the Board of Directors of Faber Group 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 control systems to manage these risks
- ii. Reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board affirms the importance of ensuring that a sound system of internal control and effective risk management practices are in place in Faber Group. As such, the Board is committed in improving the effectiveness of internal control, risk management and governance processes of Faber Group. 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. The system of internal control covers, inter alia, risk management, financial, operational and compliance controls.

During the year, the Board embarked on establishing procedures to implement in full the recommendations of the 'Guidance for Directors of Public Listed Companies Statement of Internal Control' for the company and its subsidiaries. These procedures, which are subject to regular review, are intended to provide an ongoing process for identifying, evaluating and managing the significant risk faced by the Group.

## RISK ASSESSMENT FRAMEWORK

The Board of Directors adopted a Risk Management Framework for the Group on 23 December 2002. The

objective of this framework is to provide guidance to Faber Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the subsidiaries to the holding company in a timely manner.

Broadly, the Risk Assessment Framework entails the following:

- The corporate risk management policy;
- Roles of the Board of Directors, Audit Committee, Management and Risk Management Steering Committee; and
- The Risk Management process.

The Risk Management Steering Committee ("RMSC") has the overall responsibility to review the entire risk management processes and procedures and to provide feedback to the Board of Directors on a regular basis. The RMSC reports directly to the Audit Committee of FGB.

The Committee is chaired by the Managing Director ("MD") of FGB. The members of the Committee comprise a mix of senior management personnel in various fields at the holding company level and the heads of the three main subsidiary companies namely FHHSB, FDHSB and FMSSB.

A structured and integrated risk management process has been developed. Brainstorming and workshops are conducted at various subsidiaries level and the results are tabled and reviewed by the RMSC. Subsequent to that, the results are presented to the Audit Committee for input. Upon receiving the feedback from the Audit Committee, the results are tabled to the Board of FGB for approval. Management action plan agreed by Heads of Companies are reviewed on a bi-annual basis and reported to the Audit Committee and Board.

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

- Financial Risk
- Internal Process Risk (Operational Risk)
- External Risk
- Strategic Risk
- Product/Services Risk

The introduction of the Enterprise-Wide Risk Management program via the Risk Management Framework will ensure a more coordinated and consistent approach in managing the Group's risk exposures. In ensuring its on-going review of significant risks affecting the 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 Faber Group which has been certified under ISO 9001: 2000.

#### **ELEMENTS OF INTERNAL CONTROL**

The control environment sets the tone of Faber Group. 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 Faber Group. In recognising the importance of control environment in the overall governance process, the Board of Faber Group has instituted the following:

- Appointment of Four (4) 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 (MD)/Chief Executive Officer (CEO) in the management of various companies within the Group. The MD/CEO's 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 organisational structure, appropriate assignment of authority and responsibility and Policies and Procedures in the management of the business affairs of the Group and a Code of Conduct to ensure Faber Group employees are of high integrity and ethical values. Job descriptions defining each task and competency required and the availability of 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 Performance Monitoring and Budgetary System as tools for Management to monitor performance and measure 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 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 computerised financial system that produces monthly management financial statements and quarterly forecast performances which allows Management to focus on areas of concern.
- Review of internal control system is 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 Assessment 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 has resulted in any material loss that would require disclosure in the Group's financial statements.

# AUDIT COMMITTEE REPORT

The Audit Committee consists of four (4) members of the Board of which three (3) 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 Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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**#	Member
Puasa bin Osman* (appointed on 19.06.2003)	Member
* Independent Non-Executive Director	
** Non-Independent Non-Executive	
# 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 OF MEETINGS

During the financial year ended 31 December 2003, the Audit Committee held a total of seven (7) 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 the financial year
Datuk Zainal Abidin bin Alias	7	7
Dato' Mohamed Zain bin Mohamed Yusuf	7	7
Elakumari a/p Kantilal	7	7
Puasa bin Osman*	1	7
* Appointed as a member of the Audit Committee on 19 June 2003.		

The Senior Management of FGB, Internal Audit of FGB, Senior Management of subsidiary companies of FGB 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 2003:-

1. Reviewed and deliberated on a total of 16 audit reports produced by the Internal Audit Department of the Company.
2. Reviewed and deliberated on a total of 2 audit reports on special audit assignments conducted by the UEM Group Internal Audit.
3. Reviewed the unaudited quarterly financial statements, the audited financial statements of the Company and the 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.

4. 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.
5. 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.
6. Assessed and determined the performance rating of the General Manager, Internal Audit. The remuneration, annual increment and performance related incentives of the General Manager, 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 Department.
7. Reviewed and deliberated a total of six (6) related party transactions and proposed the same to the Board for approval.
8. Reviewed the Risk Management Framework for Faber Group Berhad and its subsidiaries.
9. Reviewed the proposal on shareholders mandate for recurrent related party transactions of a revenue or trading nature.
10. Reviewed and approved the Annual Audit Plan of the Group for the calendar year 2004. 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 Group and the Internal Audit's basis of assessment and risk rating of the proposed areas of audit.
11. During the year, the Audit Committee had a meeting with the external auditors in the absence of the management to discuss issues arising during the final audit.

## 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 e.g. 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 the 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 the Company'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 the Company and of any other companies within the 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 the Company 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 the Company, 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 the Company and the 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 the Company or the 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 the Company.
- (xii) Promptly report to Bursa Malaysia matters which result in a breach of the listing requirements.

#### INTERNAL AUDIT FUNCTION

The Company 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 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 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 →	
	1999	2000	2001	2002	2003
Fixed assets	1,583.60	1,555.40	1,483.30	1,427.77	983.68
Other assets	54.80	60.60	90.00	67.65	42.07
Current assets	362.50	421.20	395.80	423.75	450.52
Total assets	2,000.90	2,037.20	1,969.10	1,919.18	1,476.27
Current liabilities	(1,641.70)	(1,807.10)	(315.60)	(279.97)	(215.79)
	359.20	230.10	1,653.50	1,639.20	1,260.48
Represented by:					
Share capital	324.00	324.00	162.00	201.56	208.00
Non-distributable reserves	33.40	35.70	34.30	74.69	77.22
Retained profits/(loss)	(84.50)	(217.80)	(120.10)	(390.70)	(859.47)
ICULS	—	—	232.00	152.89	140.00
Shareholders' funds	272.90	141.90	308.20	38.44	(434.24)
Minority interests	68.90	73.10	76.30	81.00	73.40
Long term liabilities	17.40	15.10	1,269.00	1,519.76	1,621.33
	359.20	230.10	1,653.50	1,639.20	1,260.48
Net tangible assets per share (sen)	76.00	36.00	177.00	15.46	(211.88)
Current ratio (times)	0.22	0.23	1.25	1.51	2.09
Liquidity ratio (times)	0.05	0.06	0.35	0.44	0.65
Gearing ratio (times)	3.70	7.20	4.06	39.53	(3.73)

## CONSOLIDATED PROFIT & LOSS ACCOUNT

	← As at 30 June → (RM Million)			← As At 31 Dec →	
	1999	2000	2001	2002*	2003
Revenue	438.90	470.20	496.30	702.89	561.46
Earnings before interest, taxation, depreciation and amortization	41.00	25.90	54.10	36.60	(355.84)
Profit/(loss) before taxation	(119.90)	(114.90)	(103.30)	(237.12)	(471.03)
Taxation	(34.30)	(14.90)	(9.00)	(18.72)	0.03
Profit/(loss) after taxation	(154.20)	(129.80)	(112.30)	(255.85)	(471.00)
Minority interest	(4.00)	(3.50)	48.00	(9.76)	2.23
Profit/(loss) attributable to shareholders	(158.20)	(133.30)	(64.30)	(265.61)	(468.77)
Retained profit/(loss) for the year	(158.20)	(133.30)	(64.30)	(265.61)	(468.77)
Earnings/(loss) per share	(48.8)	(82.3)	(39.7)	(144.9)	(230.0)
Earnings before interest, taxation, depreciation and amortization as a percentage of revenue (%)	9	6	11	5	-63
Pre-tax profit/(loss) as a percentage of revenue (%)	-27	-25	-23	-34	-84
Pre-tax profit/(loss) as a percentage of shareholders' funds at year end (%)	-44	-81	-34	-617	108

\* Results are for a period of 18 months from 1 July 2001 to 31 December 2002

# GROUP QUARTERLY PERFORMANCE

For the year ended 31 December 2003

	Quarter RM'000				
	1st	2nd	3rd	4th	Total
<b>Revenue</b>	132,295	141,777	134,600	152,237	560,909
Operating expenses	(113,148)	(125,570)	(108,732)	(151,017)	(498,467)
Earnings before interest, taxation, depreciation and amortization and exceptional items	21,141	19,588	27,478	3,936	72,143
Profit before taxation	(26,967)	(4,328)	(404,706)	(35,033)	(471,034)
Profit/(loss) attributable to shareholders	(34,358)	4,602	(417,845)	(21,171)	(468,772)
Earnings per share (sen)	(19)	2	(206)	(10)	(230)

## By Segment

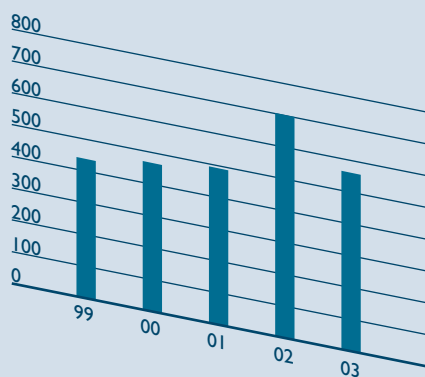
	Quarter RM'000				
	1st	2nd	3rd	4th	Total
<b>Revenue</b>					
Properties	6,407	8,957	10,422	26,095	51,881
Hotel	33,965	24,298	36,050	37,456	131,769
Healthcare	91,923	108,522	88,122	88,175	376,742
Others	—	—	6	511	517
<b>Total</b>	<b>132,295</b>	<b>141,777</b>	<b>134,600</b>	<b>152,237</b>	<b>560,909</b>
<b>Profit Before Taxation</b>					
Properties	1,339	1,852	(7,607)	(5,444)	(9,860)
Hotel	(40,537)	(18,013)	(409,806)	(31,617)	(499,973)
Healthcare	11,996	13,363	16,423	3,501	45,283
Others	235	(1,530)	(3,716)	(1,473)	(6,484)
<b>Total</b>	<b>(26,967)</b>	<b>(4,328)</b>	<b>(404,706)</b>	<b>(35,033)</b>	<b>(471,034)</b>

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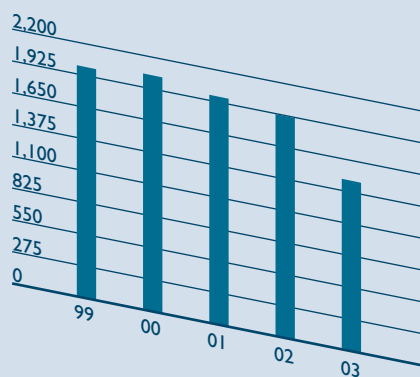
FABER GROUP BERHAD  
ANNUAL REPORT 2003

# 5-YEAR GROUP FINANCIAL HIGHLIGHTS

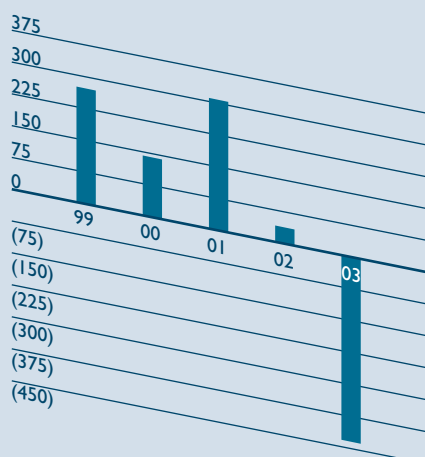
**TURNOVER**  
RM (Million)



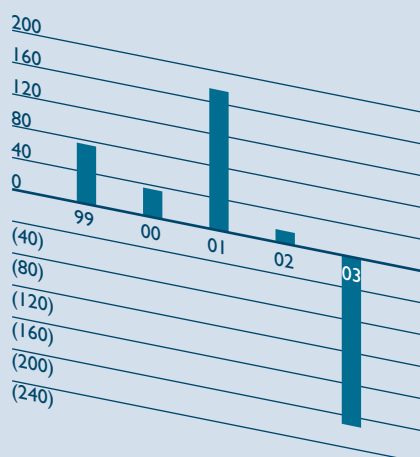
**TOTAL ASSETS**  
RM (Million)



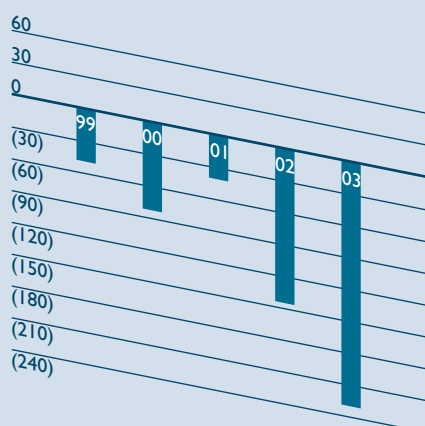
**SHAREHOLDERS' FUNDS**  
RM (Million)



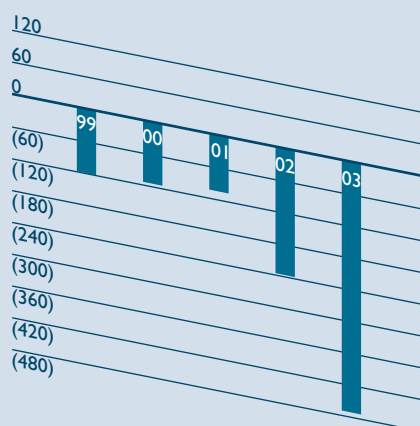
**NET TANGIBLE ASSETS**  
per Share (Sen)



**EARNINGS/(LOSS)**  
per Share (Sen)



**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 the responsibility of 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.



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# FINANCIAL STATEMENTS

FABER GROUP BERHAD  
ANNUAL REPORT 2003

# DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are described in Note 36 to the financial statements.

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

## RESULTS

	Group RM'000	Company RM'000
Net loss for the period	(468,772)	(511,884)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

## DIVIDEND

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

## 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  
Noorizah Hj Abd Hamid  
Elakumari a/p Kantilal  
Azmanuddin Haq bin Ahmad  
Puasa bin Osman (*appointed on 19 June 2003*)

## DIRECTORS' BENEFITS

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

Since the end of the previous financial period, 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 shown in Note 6 to 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 year 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			
	At 1 January 2003	Bought	Sold	At 31 December 2003
<b>The Company</b>				
<b>Direct Interest</b>				
Dato' (Dr) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	1,500	—	—	1,500

	Number of ICULS of RM1 each			
	At 1 January 2003	Bought	Sold	At 31 December 2003
<b>The Company</b>				
Azmanuddin Haq bin Ahmad	—	100,000	—	100,000

## ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Company was increased from RM201,556,000 to RM207,999,000 as a result of the conversion of 12,886,000 ICULS of RM1 each into fully paid ordinary shares at the conversion 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 realise 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 realise.
- (b) At the date of this report, the directors are not aware of any circumstances 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.

## OTHER STATUTORY INFORMATION (CONT'D)

- (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 year 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 year.
- (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 year which will or may affect the ability of the Group or 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 year 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 year in which this report is made.

## SIGNIFICANT EVENTS

The significant events during the year are disclosed in Note 37 to the financial statements.

## RESTRUCTURING SCHEME

The restructuring scheme is as disclosed in Note 38 to the financial statements.

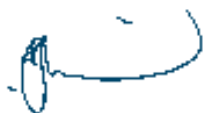
## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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



**DATO' ANWAR BIN HAJI @ AJI**



**NOORIZAH HJ ABD HAMID**

Kuala Lumpur, Malaysia  
28 April 2004

# STATEMENT BY DIRECTORS

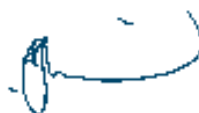
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Dato' Anwar bin Haji @ Aji** 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 60 to 126 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 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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



**DATO' ANWAR BIN HAJI @ AJI**



**NOORIZAH HJ ABD HAMID**

Kuala Lumpur, Malaysia  
28 April 2004

# 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 60 to 126 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, 1960.

Subscribed and solemnly declared by the abovednamed  
**Mohamad bin Abdullah** at Kuala Lumpur in the  
Federal Territory on 28 April 2004.

)  
)  
)



**MOHAMAD BIN ABDULLAH**

Before me,  
Jayam Gnanapragasam  
No: W278  
243-M, Jalan Tun Sambanthan,  
Brickfields



**COMMISSIONER FOR OATHS**

# REPORT OF THE AUDITORS

## TO THE MEMBERS OF FABER GROUP BERHAD

(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 60 to 126. 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.

We draw attention to Note 10(h) to the financial statements which states the Group as at 31 December 2003 is carrying its capital work-in-progress in relation to the construction of a hotel at historical cost of RM247,452,000. In accordance with Malaysian Accounting Standards Board ("MASB") 23, Impairment of Assets, an enterprise should assess at each balance sheet date whether there is an indication that an asset may be impaired. Where the asset is impaired, it is required to be reduced to its recoverable amount. The Group has not undertaken an impairment review as it re-commenced the construction of the hotel during the financial year and as at 31 December 2003 the completion of the hotel is pending. The directors of the Company believe that the recoverable amount will approximate the net book value upon its completion and adequate cash flows will be generated thereafter. Due to the lack of adequate information, we are unable to obtain appropriate audit evidence to quantify the effect of the departure from MASB 23 on the carrying amount of the assets and the corresponding net loss.

In our opinion:

- (a) except for the effects of such adjustments, if any, resulting from the matter discussed above, 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 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; 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 36 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 36 to the financial statements.

Without qualifying our report, we also draw attention to Notes 2(a) and 27 to the financial statements on the following matters:

- (i) The Group and Company have shareholders' deficit of RM434,244,000 and RM475,418,000 respectively as at 31 December 2003.
- (ii) In addition, as at the end of the financial year, the Group and the Company has redeemable convertible secured bonds outstanding amounting to RM1,186,062,000 of which RM229,000,000 was due for redemption in November 2003 and a further RM145,000,000 is due for redemption in November 2004. There exist inherent uncertainties with regard to the expected cash flows to be derived for the redemption of the bond.

The applicability of the going concern basis is dependent on the successful approval and implementation of the restructuring scheme used in the preparation of the financial statements as elaborated in Note 38 to the financial statements. 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.



**ERNST & YOUNG**  
No. AF 0039  
Chartered Accountants



**GEORGE KOSHY**  
No. 1846/07/05(J)  
Partner

Kuala Lumpur, Malaysia  
28 April 2004

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

		1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
	Note		
Revenue	3	561,462	702,891
Cost of sales	3	(360,443)	(447,570)
Gross profit		201,019	255,321
Other operating income		9,023	11,348
Marketing expenses		(12,077)	(19,814)
Administrative expenses		(58,551)	(59,625)
Depreciation		(42,614)	(58,568)
Impairment losses of property, plant and equipment		(407,764)	—
Deferred expenditure written off		—	(41,464)
Other operating expenses		(86,916)	(110,417)
Loss from operations	4	(397,880)	(23,219)
Interest expense	7	(72,576)	(211,651)
Share of loss of an associated company		(578)	(2,254)
Loss before taxation		(471,034)	(237,124)
Taxation	8	30	(18,721)
Loss after taxation but before minority interests		(471,004)	(255,845)
Minority interests	26	2,232	(9,764)
Net loss for the period		(468,772)	(265,609)
Loss per share (sen) - basic	9	230	145

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

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	2003 RM'000	2002 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	983,680	1,427,772
Investments in associate	12	—	18,588
Other investments	13	3,699	3,382
Investment properties	14	22,100	22,100
Deferred expenditure	15	6,460	7,279
Real properties	16	9,812	16,303
		1,025,751	1,495,424
<b>CURRENT ASSETS</b>			
Development properties	16	42,357	49,611
Inventories	17	109,544	111,519
Receivables	18	156,269	139,242
Marketable securities	19	707	359
Cash and bank balances	20	141,641	123,022
		450,518	423,753
<b>CURRENT LIABILITIES</b>			
Short term borrowings	21	860	841
Payables	22	198,745	230,916
Tax payable	23	16,187	48,217
		215,792	279,974
<b>NET CURRENT ASSETS</b>		234,726	143,779
		1,260,477	1,639,203
<b>REPRESENTED BY:</b>			
Share capital	24	207,999	201,556
Reserves		77,222	74,693
Accumulated losses		(859,469)	(390,697)
Irredeemable convertible unsecured loan stocks ("ICULS")	25	140,004	152,890
Shareholders' (deficit)/equity		(434,244)	38,442
Minority interests	26	73,396	81,002
		(360,848)	119,444
Long term liabilities	27	1,605,839	1,497,025
Deferred tax liabilities	28	14,366	22,734
Irredeemable convertible preference shares ("ICPS")	29	1,120	—
Non-current liabilities		1,621,325	1,519,759
		1,260,477	1,639,203

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2003

	Non-distributable Reserves						
	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
<b>At 1 July 2001</b>							
As previously stated	162,016	—	28,858	5,447	(120,075)	231,970	308,216
Prior year adjustments (Note 30)	—	—	—	(1,219)	(5,013)	—	(6,232)
<b>At 1 July 2001 (restated)</b>	162,016	—	28,858	4,228	(125,088)	231,970	301,984
Conversion of ICULS (Notes 24 and 25)	39,540	39,540	—	—	—	(79,080)	—
Foreign exchange difference representing net gain not recognised in income statement	—	—	2,067	—	—	—	2,067
Net loss for the period	—	—	—	—	(265,609)	—	(265,609)
<b>At 31 December 2002</b>	201,556	39,540	30,925	4,228	(390,697)	152,890	38,442
<b>At 1 January 2003</b>							
As previously stated	201,556	39,540	30,925	5,447	(385,684)	152,890	44,674
Prior year adjustments (Note 30)	—	—	—	(1,219)	(5,013)	—	(6,232)
<b>At 1 January 2003 (restated)</b>	201,556	39,540	30,925	4,228	(390,697)	152,890	38,442
Conversion of ICULS (Notes 24 and 25)	6,443	6,443	—	—	—	(12,886)	—
Impairment losses of property, plant and equipment	—	—	—	(5,117)	—	—	(5,117)
Reversal of deferred tax on revaluation surplus (Note 28)	—	—	—	1,203	—	—	1,203
Net loss for the period	—	—	—	—	(468,772)	—	(468,772)
<b>At 31 December 2003</b>	207,999	45,983	30,925	314	(859,469)	140,004	(434,244)

\* 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 foreign subsidiaries.

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

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(471,034)	(237,124)
Adjustments for:		
Depreciation	42,614	58,568
Impairment losses of property, plant and equipment	407,764	—
Property, plant and equipment written off	6,252	4,846
Gain on disposal of property, plant and equipment	(343)	(311)
Loss on dilution of interest in subsidiaries	2,195	—
Share of loss of an associated company	578	2,254
Amortisation of deferred expenditure	819	1,228
Deferred expenditure written off	—	41,464
Provision for short term accumulating compensated absences	1,942	—
Goodwill written off	—	8
(Reversal)/provision for diminution in value of investments and marketable securities	(777)	2,690
Net allowance for doubtful debts	2,134	529
Bad debts written off	53	155
Provision for diminution in value in real properties	5,215	4,467
Write down in value of development properties	1,886	—
Real properties written off	—	1,537
Inventory written down	6,820	29
Attributable loss/(profits) for developed properties	1,656	(5,802)
Reversal of provision for late delivery	—	(1,593)
Reversal of provision for defect liabilities	(800)	(1,700)
Interest income	(1,963)	(3,487)
Interest expense	72,576	211,651
Unquoted investment written off	54	—
Gain on disposal of associated company	(1,490)	—
Gain on disposal of marketable securities	(14)	—
Provision for sinking fund	586	2,363
Operating profit before working capital changes	76,723	81,772

	<b>I.1.2003 to 31.12.2003 RM'000</b>	<b>I.7.2001 to 31.12.2002 RM'000</b>
Increase in receivables	(21,092)	(19,185)
Decrease in real properties and development properties	4,988	9,333
(Decrease)/increase in payables	(24,023)	14,998
Increase in inventories	(4,845)	(5,018)
Net cash generated from operations	31,751	81,900
Taxes paid	(37,287)	(38,070)
Increase in intangible assets	—	(155)
Interest paid	(5,191)	(56)
Net cash (used in)/generated from operating activities	(10,727)	43,619
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,963	3,487
Dividend received	—	3,000
Purchase of investment	—	(115)
Proceeds from disposal of investment	72	—
Proceeds from disposal of property, plant and equipment	2,861	435
Proceeds from disposal of investment in associates	19,500	—
Purchase of property, plant and equipment	(39,799)	(33,446)
Net cash used in investing activities	(15,403)	(26,639)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares to minority shareholders	855	—
Proceeds from issuance of preference shares to minority shareholder	1,120	—
Advances from corporate shareholders of subsidiaries	7,616	—
Draw down from borrowing	43,632	—
Repayment of hire purchase obligations	(50)	(68)
Dividend paid to minority shareholder	(8,424)	(2,592)
Redemption of bonds	—	(2,716)
Net cash generated from/(used in) financing activities	44,749	(5,376)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	18,619	11,604
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	122,223	110,619
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (NOTE 20)</b>	140,842	122,223

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

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

		1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
	Note		
Revenue	3	35,106	173,666
Other operating income		1,289	687
Administrative expenses		(4,293)	(5,255)
Depreciation		(326)	(476)
Allowance for doubtful debts		(323,878)	(353,334)
Impairment losses of investment in subsidiaries		(190,580)	—
Impairment losses of property, plant and equipment		(2,201)	—
Other operating expenses		(6,534)	(9,264)
Loss from operations	4	(491,417)	(193,976)
Interest expense	7	(30,880)	(157,974)
Loss before taxation		(522,297)	(351,950)
Taxation	8	10,413	—
Net loss for the period		(511,884)	(351,950)

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



# BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	2003 RM'000	2002 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,881	7,625
Investments in subsidiaries	11	56,519	247,099
Other investments	13	398	398
		60,798	255,122
<b>CURRENT ASSETS</b>			
Receivables	18	824,547	1,144,818
Cash and bank balances	20	22,318	2,808
		846,865	1,147,626
<b>CURRENT LIABILITIES</b>			
Short term borrowings	21	43	42
Payables	22	185,185	184,118
Tax payable	23	11,775	26,877
		197,003	211,037
<b>NET CURRENT ASSETS</b>			
		649,862	936,589
		710,660	1,191,711
<b>REPRESENTED BY:</b>			
Share capital	24	207,999	201,556
Reserves		45,983	39,540
Accumulated losses		(869,404)	(357,520)
ICULS	25	140,004	152,890
Shareholders' (deficit)/equity		(475,418)	36,466
Long term liabilities	27	1,186,078	1,155,245
		710,660	1,191,711

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2003

	Share Capital RM'000	Non- Distributable Share Premium RM'000	Accumulated Losses RM'000	ICULS RM'000	Total RM'000
<b>At 1 July 2001</b>	162,016	—	(5,570)	231,970	388,416
Conversion of ICULS (Notes 24 and 25)	39,540	39,540	—	(79,080)	—
Net loss for the period	—	—	(351,950)	—	(351,950)
<b>At 31 December 2002</b>	201,556	39,540	(357,520)	152,890	36,466
Conversion of ICULS (Notes 24 and 25)	6,443	6,443	—	(12,886)	—
Net loss for the period	—	—	(511,884)	—	(511,884)
<b>At 31 December 2003</b>	207,999	45,983	(869,404)	140,004	(475,418)

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

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(522,297)	(351,950)
Adjustments for:		
Depreciation	326	476
Impairment losses of property, plant and equipment	2,201	—
Gain on disposal of property, plant and equipment	(398)	(103)
Provision for short term accumulating compensated absences	49	—
Allowance for doubtful debts	323,878	353,334
Impairment losses of investment in subsidiaries	190,580	—
Bad debts written off	35	—
Interest income	(33,857)	(168,074)
Interest expense	30,880	157,974
Operating loss before working capital changes	(8,603)	(8,343)
Decrease in receivables	27,432	9,232
Increase in payables	1,018	4,466
Cash flows generated from operations	19,847	5,355
Taxes paid	(2,407)	(1,941)
Interest paid	(7)	(17)
Net cash generated from operating activities	17,433	3,397
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	501	208
Purchase of investments	—	(115)
Proceeds from disposal of property, plant and equipment	1,719	156
Purchase of property, plant and equipment	(104)	(366)
Net cash generated from/(used in) investing activities	2,116	(117)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of hire purchase obligations	(39)	(68)
Redemption of bonds	—	(2,716)
Net cash used in financing activities	(39)	(2,784)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	19,510	496
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	2,808	2,312
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (NOTE 20)</b>	22,318	2,808

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

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2003

## I. CORPORATE INFORMATION

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

The principal activities of the subsidiaries are described in Note 36.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The Company is an "Affected Listed Issuer" pursuant to Practice Note 4/2001 ("PN4") of the Listing Requirements of Bursa Malaysia Securities Berhad. As an "Affected Listed Issuer", the Company is required to comply with the time schedule to regularise its financial position in compliance with PN4, failing which it may be regarded as a listed issuer whose financial conditions do not warrant continued trading and/or listing. On 19 February 2004, the Company submitted a debt restructuring scheme to regularise its financial position to the relevant authorities for approval.

The registered office of the Company is located at 20th Floor, Menara 2, Faber Towers, Jalan Desa Bahagia, Taman Desa, Off Jalan Klang Lama, 58100 Kuala Lumpur.

The number of employees in the Group and in the Company at the end of the financial year were 8,172 (2002: 8,191) and 42 (2002: 40) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2004.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of 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 of the Company have been prepared on a going concern basis which contemplates the realisation of assets and liquidation of liabilities in the normal course of business. As at 31 December 2003, the Group and Company have shareholders' deficit of RM434,244,000 and RM475,418,000 respectively. In addition, as disclosed in Note 27, the Group and the Company has redeemable convertible secured bonds outstanding amounting to RM1,186,062,000 of which RM229,000,000 was due for redemption in November 2003 and a further RM145,000,000 is due for redemption in November 2004. There exist inherent uncertainties with regard to the expected cash flows to be derived for the redemption of the bond. The applicability of the going concern basis is dependent on the successful approval and implementation of the restructuring scheme as elaborated in Note 38. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Preparation

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

- (i) **MASB 23, Impairment of Assets**  
This standard should be applied on a prospective basis. Apart from the inclusion of new policy, the adoption of this standard has not had an effect on the financial statements.
- (ii) **MASB 25, Income Taxes**  
This standard requires retrospective application. Apart from the inclusion of the new policy and extended disclosures as required by the standard, the effects of adopting this accounting policy are disclosed in Note 30.
- (iii) **MASB 29, Employee Benefits**  
This standard requires retrospective application. Apart from the inclusion of the new policy and extended disclosures as required by the standard, the adoption of this standard has not had a material effect on the financial statements presented, nor led to a restatement of prior year results.

### (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 36 for the financial year ended 31 December 2003, 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 using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year 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 a subsidiary 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 included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(b) Basis of Consolidation (cont'd)**

#### **(i) Subsidiaries (cont'd)**

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless losses cannot be recovered.

The gain or loss on disposal of a subsidiary company 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 recognised 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 acquiree.

#### **(ii) Associates**

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

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

### **(c) Goodwill**

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

### **(d) Investments in Subsidiaries and Associates**

The Company's investments in subsidiaries and associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

### **(e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Property, Plant and Equipment and Depreciation (cont'd)

#### (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 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 the open market value basis. 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.

During the year, in accordance with the Group's policy to undertake a valuation once in three years, the Group appointed Messrs Jones Lang Wootton and Messrs Knight Frank Malaysia to undertake a valuation exercise.

#### (ii) Other Property, Plant and Equipment

No depreciation is provided on capital work-in-progress and freehold land. Depreciation of other property, plant and equipment is provided on a straight-line basis to 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%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

### (f) 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 recognised as an expense. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense. During the year, in accordance with the Group's policy to undertake a valuation once in three years, the Group appointed Messrs Jones Lang Wootton to undertake a valuation exercise. The valuation gave rise to a value above the carrying amount. The revalued amount has not been incorporated in the financial statements.

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.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(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 of which significant work has been undertaken and are expected to be completed within the normal operating cycle. All other land are described as real properties.
- (iii) Development properties are stated at the lower of cost or net realisable 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 recognised 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.
- (v) Profit on land sales are recognised 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 capitalised 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 capitalised 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 realisable value. Cost is determined on the specific identification basis and include costs of land, constructions and appropriate development overheads.

#### **(ii) Food, Beverage and Consumables**

The above are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of inventories comprise cost of purchase of inventories.

Net realisable 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 and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(j) Leases**

A lease is recognised 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 and impairment losses. 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 charge 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(e).

#### **(ii) Operating leases**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

### **(k) Provision for Liabilities**

Provisions for liabilities are recognised 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.

### **(l) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(l) Income Tax (cont'd)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

### **(m) Employee Benefits**

#### **(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### **(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

Prior to the adoption of MASB 29 Employee Benefits on 1 January 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences.

### **(n) Revenue Recognition**

Revenue is recognised 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 measured reliably.

#### **(i) Development properties**

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 recognised on an accrual basis.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(n) Revenue Recognition (cont'd)**

#### **(iii) Interest income**

Interest is recognised on a time proportion basis that reflects the effective yield on the asset unless collectibility is in doubt.

#### **(iv) Dividend income**

Dividend income is recognised when the shareholder's right to receive payment is established.

#### **(v) Revenue from services**

Revenue from services rendered is recognised 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 recognised on an accrual basis.

#### **(vii) Land sales**

Land sales arising from joint venture project are calculated on a proportion of total contract value which sales considerations received to date bear to total sales consideration receivable for those contracts.

Land sales arising from outright sales are recognised upon the transfer of risks and rewards.

### **(o) 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 initially denominated in foreign currencies, 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.

#### **(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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Foreign Currencies (cont'd)

#### (ii) Foreign entities (cont'd)

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

	2003 RM	2002 RM
South Africa Rand	0.57	0.43
United States Dollars	3.80	3.80

### (p) Deferred Expenditure

Deferred expenditure relates to pre-commencement expenses incurred on the design and development of an operating system for the provision of hospital support services. These expenses are amortised in equal annual instalments over the concession period of fifteen years, commencing 28 October 1996, unless the directors consider that a continuing benefit will not accrue.

### (q) Affiliated Companies

An affiliated company represents companies within the United Engineers (Malaysia) Berhad Group, a corporate shareholder of Faber Group Berhad.

### (r) Impairment of Assets

The carrying amount of the Group's and the Company's assets are reviewed at each balance sheet reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset, with the excess of the impairment loss charged to the income statement.

All reversals of impairment losses are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Financial Instruments

Financial instruments are recognised 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 realise the asset and settle the liability simultaneously.

#### (i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and investment properties 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 recognised 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 realisable 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 capitalised 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 and irredeemable convertible unsecured loan stocks are classified as equity.

#### (vii) Irredeemable Convertible Preference Shares ("ICPS"), Redeemable Convertible Secured Bonds ("RCSB") and Non-Convertible Redeemable Secured Bonds ("NCRSB").

ICPS, RCSB and NCRSB are regarded as liabilities. The interest on these instruments are charged to the income statement as an expense in the period in which they are incurred.

### 3. REVENUE AND COST OF SALES

#### (a) Revenue

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000
Sales of goods				
- properties	32,307	35,497	—	—
- hotels	56,827	82,134	—	—
Services rendered				
- properties	6,807	13,616	—	—
- hotels	7,632	10,881	—	—
- healthcare	377,253	442,359	—	—
- others	—	—	1,750	5,800
Rental income				
- properties	12,389	14,880	—	—
- hotels	68,239	103,524	—	—
Dividend income	8	—	—	—
Interest income	—	—	33,356	167,866
	561,462	702,891	35,106	173,666

#### (b) Cost of Sales

Cost of sales of the Group consist of the following:

	Group	
	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000
Sales of goods		
- properties	28,416	28,131
- hotels	35,467	48,951
Services rendered		
- hotels	18,209	31,005
- healthcare	278,351	339,483
	360,443	447,570

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, profit/loss before taxation, assets and liabilities of the Group are analysed in Note 34.



#### 4. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting):

	<b>Group</b>		<b>Company</b>	
	<b>1.1.2003</b>	<b>1.7.2001</b>	<b>1.1.2003</b>	<b>1.7.2001</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2003</b>	<b>31.12.2002</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Staff costs (Note 5)	181,122	186,758	3,221	4,335
Audit fee				
- statutory	268	245	28	28
- other services	5	35	—	—
Allowance for doubtful debts				
- third parties	2,184	637	—	—
Bad debts written off	53	155	35	—
Goodwill written off	—	8	—	—
Provision for diminution in value				
- investment and marketable securities	—	2,690	—	—
- real properties	5,215	4,467	—	—
Write down in value of				
development properties	1,886	—	—	—
Provision for sinking fund (Note 22)	586	2,363	—	—
Real properties written off	—	1,537	—	—
Non-executive directors' remuneration (Note 6)	730	813	384	394
Property, plant and equipment written off	6,252	4,846	—	—
Inventory written down	6,820	29	—	—
Rent of land and buildings paid/payable to				
- third parties	661	890	—	—
- subsidiaries	—	—	404	596
Hire of equipment	649	1,116	—	—
Loss on dilution of interest in subsidiaries (Note 11)	2,195	—	—	—
Unquoted investment written off	54	—	—	—

#### 4. LOSS FROM OPERATIONS (CONT'D)

	Group		Company	
	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
Amortisation of deferred expenditure	819	1,228	—	—
Licence fees to hotel operator	517	781	—	—
Management fees to:				
- hotel operator	4,289	7,339	—	—
- affiliated company	184	252	105	158
Contracted cost paid and payable to an affiliated company	—	82,940	—	—
And crediting:				
Reversal of allowance for doubtful debts	(50)	(108)	—	—
Interest income	(1,963)	(3,487)	(501)	(208)
Reversal of provision for diminution in investment and marketable securities	(777)	—	—	—
Gain on disposal of property, plant and equipment	(343)	(311)	(398)	(103)
Gain on disposal of - associated company	(1,490)	—	—	—
- marketable securities	(14)	—	—	—
Property rental income from - subsidiaries	—	—	(18)	(329)
- third parties	(999)	(1,745)	—	(18)
Realised gain on foreign exchange	(90)	(144)	—	—
Reversal of provision for late delivery (Note 22)	—	(1,593)	—	—
Reversal of provision for defect liabilities (Note 22)	(800)	(1,700)	—	—

## 5. STAFF COSTS

	Group		Company	
	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000
Wages and salaries	142,102	135,130	2,628	3,716
Social security costs	1,765	2,064	12	17
Short term accumulating compensated absences	1,942	—	49	—
Contribution to Employees Provident Fund (EPF)	17,615	17,380	357	403
Other staff related expenses	17,698	32,184	175	199
	181,122	186,758	3,221	4,335

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,670,000 (2002: RM3,367,000) and RM431,000 (2002: RM548,000) respectively as further disclosed in Note 6.

## 6. DIRECTORS' REMUNERATION

	Group		Company	
	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000
<b>Directors of the Company</b>				
Executive				
Salaries and other emolument	313	786	313	456
Bonus	62	53	62	27
Contribution to EPF	56	65	56	65
Benefits-in-kind	39	12	39	12
	470	916	470	560
Non-Executive				
Fees	512	532	305	290
Meeting allowance	94	109	79	104
Benefits-in-kind	43	27	43	27
	649	668	427	421

## 6. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
<b>Other Directors</b>				
Executive				
Salaries and other emolument	1,774	2,067	—	—
Bonus	166	146	—	—
Contribution to EPF	299	250	—	—
Benefits-in-kind	105	81	—	—
	2,344	2,544	—	—
Non-Executive				
Fees	108	168	—	—
Meeting allowance	16	4	—	—
Benefits-in-kind	—	23	—	—
	124	195	—	—
<b>Total</b>	<b>3,587</b>	<b>4,323</b>	<b>897</b>	<b>981</b>
<b>Total excluding benefits-in-kind</b>	<b>3,400</b>	<b>4,180</b>	<b>815</b>	<b>942</b>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	2,670	3,367	431	548
Total non-executive directors' remuneration excluding benefits-in-kind (Note 4)	730	813	384	394
<b>Total directors' remuneration excluding benefits-in-kind</b>	<b>3,400</b>	<b>4,180</b>	<b>815</b>	<b>942</b>

## 6. DIRECTORS' REMUNERATION (CONT'D)

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

	Number of Directors	
	2003	2002
<b>Executive directors:</b>		
RM450,001 – RM500,000	1	—
RM800,001 – RM850,000	—	1
<b>Non-Executive directors:</b>		
Below RM50,000	4	7
RM50,001 – RM100,000	3	3
RM100,001 – RM150,000	3	3

## 7. INTEREST EXPENSE

	Group		Company	
	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
Interest expense on:				
- Non-Convertible Redeemable Secured Bonds	40,779	53,382	—	—
- Redeemable Convertible Secured Bonds	30,873	157,974	30,873	157,974
- Advances from corporate shareholder of subsidiaries	286	256	—	—
- Borrowings	638	39	7	—
	72,576	211,651	30,880	157,974

## 8. TAXATION

	Group		Company	
	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
Income tax expense:				
- current period	17,623	18,240	—	—
- (over)/underprovision in prior period	(10,488)	239	(10,413)	—
Deferred tax relating to origination and reversal of temporary differences (Note 28)	(7,165)	242	—	—
	(30)	18,721	(10,413)	—

## 8. TAXATION (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable loss for the period.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
<b>Group</b>		
Loss before taxation	(471,034)	(237,124)
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	(131,890)	(66,395)
Income not subject to tax	(1,039)	—
Expenses not deductible for tax purposes	91,392	31,478
Utilisation of previously unrecognised tax losses and capital allowances	(287)	(174)
Utilisation of current year's tax losses	(174)	(161)
Income tax (over)/under provided in prior years	(10,488)	239
Deferred tax assets not recognised during the period	52,456	53,734
Tax expense for the period	(30)	18,721
<b>Company</b>		
Loss before taxation	(522,297)	(351,950)
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	(146,243)	(98,546)
Income not subject to tax	(9,340)	(47,002)
Expenses not deductible for tax purposes	154,334	145,417
Utilisation of current year's tax losses	(145)	(146)
Deferred tax assets not recognised during the period	1,394	277
Income tax overprovided in prior years	(10,413)	—
Tax expense for the period	(10,413)	—

## 8. TAXATION (CONT'D)

Tax losses are analysed as follows:

	Group		Company	
	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000	1.1.2003 to 31.12.2003 RM'000	1.7.2001 to 31.12.2002 RM'000
Tax savings recognised during the period arising from:				
Utilisation of current year tax losses	174	161	145	146
Utilisation of unutilised tax losses brought forward from previous period	276	174	—	—
Unutilised tax losses carried forward	700,205	647,194	10,645	5,898
Tax savings recognised during the period arising from:				
Utilisation of unabsorbed capital allowances brought forward from previous period	11	—	—	—
Unabsorbed capital allowances carried forward	257,818	238,002	894	762

## 9. LOSS PER SHARE

- (a) Basic loss per share of the Group is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the financial period.

	Group	
	2003	2002
Net loss for the period (RM'000)	(468,772)	(265,609)
Weighted average number of ordinary shares in issue ('000)	203,706	183,338
Loss per share (sen)	230	145

- (b) The effects on the basic loss per share for the current financial year arising from the assumed conversion of the ICULS and the Redeemable Convertible Secured Bonds ("RCSB") as disclosed in Notes 25 and 27 respectively is anti-dilutive. Accordingly, the diluted loss per share for the current year has not been presented.



## 10. PROPERTY, PLANT AND EQUIPMENT

	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
<b>Group</b>						
<b>Cost/valuation</b>						
At 1 January 2003	612,531	296,166	326,863	23,881	396,281	1,655,722
Additions	32	2,406	18,841	—	18,581	39,860
Disposals	—	(1,278)	(2,218)	—	—	(3,496)
Transfer	—	—	5,358	—	(5,358)	—
Discount given by contractors	—	—	—	—	(19,687)	(19,687)
Written off	—	—	(378)	—	(6,172)	(6,550)
Impairment losses	(1,006)	(4,111)	—	—	—	(5,117)
At 31 December 2003	611,557	293,183	348,466	23,881	383,645	1,660,732
Representing:						
At cost	48	26,411	165,723	—	250,617	442,799
At valuation	611,509	266,772	182,743	23,881	133,028	1,217,933
	611,557	293,183	348,466	23,881	383,645	1,660,732
<b>Accumulated Depreciation and Impairment Losses</b>						
At 1 January 2003	1,170	37,231	175,825	13,724	—	227,950
Charge for the year	4,844	5,381	29,975	2,414	—	42,614
Disposals	—	—	(978)	—	—	(978)
Written off	—	—	(298)	—	—	(298)
Impairment losses	229,317	120,533	8,407	—	49,507	407,764
At 31 December 2003	235,331	163,145	212,931	16,138	49,507	677,052
<b>Net Book Value</b>						
At 31 December 2003	376,226	130,038	135,535	7,743	334,138	983,680
At 31 December 2002	611,361	258,935	151,038	10,157	396,281	1,427,772
<b>Depreciation charge for 2002</b>	820	6,121	48,163	3,464	—	58,568

\* The discount has arisen as part of a settlement arrangement reached with certain contractors undertaking the construction of Sheraton Hanoi

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold Land RM'000	Leasehold Land RM'000	Plant, Equipment, Furniture, Fittings and Motor Vehicles RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2003	5,450	1,278	4,026	10,754
Additions	—	—	104	104
Disposals	—	(1,278)	(232)	(1,510)
At 31 December 2003	5,450	—	3,898	9,348
<b>Accumulated Depreciation and Impairment Losses</b>				
At 1 January 2003	—	—	3,129	3,129
Charge for the year	—	—	326	326
Disposals	—	—	(189)	(189)
Impairment losses	2,201	—	—	2,201
At 31 December 2003	2,201	—	3,266	5,467
<b>Net Book Value</b>				
At 31 December 2003	3,249	—	632	3,881
At 31 December 2002	5,450	1,278	897	7,625
<b>Depreciation charge for 2002</b>	—	—	476	476

- (a) Details of the latest independent professional valuations of property, plant and equipment owned at 31 December 2003 are as follows:

Date of valuation	Description of Property	Valuation Amount RM'000	Basis of Valuation
18 November 2003	Sungai Petani land	3,250	Open market value
18 November 2003	Hotel Merlin Kuantan	35,000	Open market value
18 November 2003	Sheraton Penang	55,000	Open market value
18 November 2003	Mersing Merlin Inn	1,500	Open market value
18 November 2003	Sheraton Labuan	45,000	Open market value
18 November 2003	Sheraton Subang	170,000	Open market value
18 November 2003	Sheraton Perdana Resort Langkawi	75,000	Open market value
18 November 2003	Hotel Merlin Cameron Highlands	11,800	Open market value
18 November 2003	Merlin Inn Johor Bahru	15,000	Open market value
18 November 2003	Faber Centre	1,700	Open market value
18 November 2003	Sheraton Imperial	225,000	Open market value
		638,250	

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The valuation was performed by Messrs Jones Lang Wootton for all properties except for Sheraton Imperial which was performed by Messrs Knight Frank.

Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the net book values that would have been included in the financial statements of the Group are as follows:

	2003 RM'000	2002 RM'000
<b>Revaluation done in prior period:</b>		
Freehold land and buildings	—	124,335
Leasehold land and buildings	—	2,978
<b>Revaluation done in current period:</b>		
Freehold land and buildings	605,543	—
Leasehold land and buildings	250,571	—
Plant, equipment, furniture and fittings	143,942	—
Crockery, glassware, cutlery and linen	7,743	—
Capital work-in-progress	383,645	—

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

### 2003

	Cost RM'000	Valuation RM'000	Total RM'000
Freehold buildings	48	3,629	3,677
Hotel properties	—	607,880	607,880
	48	611,509	611,557

### 2002

	Cost RM'000	Valuation RM'000	Total RM'000
Freehold buildings	3,677	—	3,677
Hotel properties	538,759	70,095	608,854
	542,436	70,095	612,531

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

### 2003

	Cost RM'000	Valuation RM'000	Total RM'000
Long term lease			
Hotel properties	885	93,068	93,953
Short term lease			
Hotel properties	22,500	173,704	196,204
Leasehold land	3,026	—	3,026
	26,411	266,772	293,183

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) The Group's leasehold land and buildings comprise: (cont'd)

**2002**

	<b>Cost RM'000</b>	<b>Valuation RM'000</b>	<b>Total RM'000</b>
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	143,445	12,635	156,080
Leasehold land	620	—	620
	277,736	18,430	296,166

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

	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>Motor vehicles</b>		
<b>2003</b>	<b>198</b>	<b>138</b>
<b>2002</b>	<b>189</b>	<b>189</b>

(e) During the year, the Group and Company acquired property, plant and equipment with an aggregate cost of RM39,860,000 (2002: RM36,542,000) and RM104,000 (2002: RM466,000) of which RM61,000 (2002: RM100,000) and Nil (2002: RM100,000) respectively were acquired by means of hire purchase arrangement.

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

	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>2003</b>		
Bonds issued by the Company	413,291	3,249
Bonds issued by a subsidiary	221,770	—
Banking facilities granted to subsidiaries	340,121	—
	975,182	3,249

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Group RM'000	Company RM'000
<b>2002</b>		
Bonds issued by the Company	740,148	6,728
Bonds issued by a subsidiary	333,278	—
Banking facilities granted to a subsidiary	86,157	—
	<b>1,159,583</b>	<b>6,728</b>

- (g) Property, plant and equipment of the Group and of the Company amounting to RM30,748,000 (2002: RM26,151,000) and RM2,203,000 (2002: RM1,864,000) respectively have been fully depreciated and are still in use.
- (h) Included in capital work-in-progress of the Group is an amount of RM247,452,000 (2002: RM255,308,000) incurred for the construction of a hotel namely, Sheraton Hanoi.

The directors of the Company believes 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 2003, 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 of this asset, if any. Accordingly, no adjustments for the impairment of value of this asset has been incorporated in the financial statements.

## 11. INVESTMENTS IN SUBSIDIARIES

	Company 2003	Company 2002
Unquoted shares at cost	261,587	261,587
Less: Accumulated impairment losses	(205,068)	(14,488)
	<b>56,519</b>	<b>247,099</b>

Unquoted shares with a carrying value of RM56,519,000 (2002: RM247,099,000) have been pledged as securities for the bonds issued by the Company.

Details of the subsidiaries are listed in Note 36.

Pursuant to the Shareholders' Agreements entered into by a subsidiary, Faber Medi-Serve Sdn. Bhd. in prior year in relation to its subsidiaries, Healthtronics (M) Sdn. Bhd. ("HSB") and Cermin Kenyalang Sdn. Bhd. ("CKSB"), HSB and CKSB issued 199,998 and 699,998 new ordinary shares on 21 May 2003 and 18 August 2003, respectively. As a result, the effective equity interest of the Group in these subsidiaries have been diluted to 34% and 31% respectively.

## II. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The fair value of the assets and liabilities from the dilution of the interests in the subsidiaries is as follows:

	<b>HSB 21.5.2003 RM'000</b>	<b>CKSB 18.8.2003 RM'000</b>	<b>Total RM'000</b>
Fair value of net assets diluted:			
Property, plant and equipment	1,048	20	1,068
Cash and bank balance	1	30	31
Receivables	13,087	3,146	16,233
Payables	(11,934)	(2,121)	(14,055)
Fair value of net assets	2,202	1,075	3,277
Net assets diluted	1,453	742	2,195

In prior year, 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:

	<b>RM'000</b>
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:

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

## 11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	RM'000
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. INVESTMENTS IN ASSOCIATES

	2003 RM'000	Group 2002 RM'000
Unquoted shares at cost	—	10,000
Share of post acquisition reserves	—	8,588
	—	18,588
Represented by:		
Share of net tangible assets	—	18,588

The details of the associates incorporated in Malaysia are as follows:

Name of Associates	Equity Interest Held (%)		Principal Activities
	2003	2002	
MISC Haulage Services Sdn Bhd <sup>+</sup> (112038-H)	—	25	Haulage and transportation

<sup>+</sup> Associates not audited by Ernst & Young

MISC Haulage Services Sdn Bhd had been disposed off during the year.

### 13. OTHER INVESTMENTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted shares at cost	15,788	16,341	398	898
Less: Provision for diminution in value	(12,089)	(12,959)	—	(500)
	3,699	3,382	398	398

### 14. INVESTMENT PROPERTIES

	Group	
	2003 RM'000	2002 RM'000
At valuation:		
Freehold land	12,696	12,696
Building	9,404	9,404
	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 capitalised in revaluation reserve.

The freehold land and building were last revalued in November 2003 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 security for the bonds issued by the Company.



## 15. DEFERRED EXPENDITURE

	Group	
	2003 RM'000	2002 RM'000
Pre-commencement expenses	12,161	12,161
Less: Accumulated amortisation	(5,701)	(4,882)
	6,460	7,279

## 16. LAND AND DEVELOPMENT EXPENDITURE

	Group	
	2003 RM'000	2002 RM'000
<b>Development properties:</b>		
Freehold land at cost	8,501	16,727
Leasehold land at cost	9,895	12,072
Development expenditure	105,024	222,789
Attributable profits	2,845	17,286
	126,265	268,874
Less: Progress payments received and receivable	(83,908)	(219,263)
	42,357	49,611
<b>Real properties:</b>		
Freehold land at cost	6,256	7,142
Leasehold land at cost	725	746
Development expenditure	14,118	14,487
	21,099	22,375
Less: Write down in value at valuation in 1993 (Note a)	(1,605)	(1,605)
Provision for diminution in value (Note b)	(9,682)	(4,467)
	9,812	16,303
At cost	7,321	8,597
At net realisable value (Note b)	—	5,215
At valuation - 1993 (Note a)	2,491	2,491
	9,812	16,303

## 16. LAND AND DEVELOPMENT EXPENDITURE (CONT'D)

- (a) The leasehold land and development expenditure costing RM4,096,000 (2002: RM4,096,000) were revalued by the directors of a subsidiary in 1993 based on its open market value.
- (b) A wholly owned subsidiary, Mont Hill Sdn. Bhd. entered into a joint-venture agreement with a third party on 31 March 1993 to develop approximately 147 acres of land in Sepang, Selangor Darul Ehsan into residential and commercial properties. In view of the right to develop will lapse next year, whilst the demand for new residential properties is not expected to improve, the directors are of the opinion that this project has no realisable value. Hence, the freehold land and development expenditure incurred for this project costing RM9,682,000 (2002: RM9,682,000) was fully provided for in the current year.
- (c) The real properties of the Group amounting to RM299,000 (2002: RM1,516,000) have been charged to financial institutions as security for the bonds issued by the Company.

## 17. INVENTORIES

	Group	
	2003 RM'000	2002 RM'000
At cost:		
Properties held for resale	—	105,121
Food and beverage	733	796
Consumables	10,312	5,403
	11,045	111,320
At net realisable value:		
Properties held for resale	98,499	199
	109,544	111,519

Properties held for resale amounting to RM98,301,000 (2002: RM105,121,000) have been charged as security for the bonds issued by the Company.

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM17,805,000 (2002: RM25,503,000).

## 18. RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables (Note a & b)	132,213	108,745	—	—
Less: Provision for doubtful debts	(2,384)	(2,738)	—	—
	129,829	106,007	—	—
Due from subsidiaries (Note c)	—	—	1,783,086	1,777,725
Due from affiliated companies (Note c)	749	1,212	664	675
Third party advances (Note d)	1,785	1,785	—	—
Deposits	2,094	2,487	—	—
Prepayments	12,487	11,598	276	—
Tax recoverable	970	2,848	156	2,438
Sundry receivables	10,471	7,573	3,804	3,548
Amount rechargeable to an affiliated company, Propel- Johnson Controls (M) Sdn. Bhd. (Note c)	—	5,863	—	—
	28,556	33,366	1,787,986	1,784,386
Less: Allowance for doubtful debts	(2,116)	(131)	(963,439)	(639,568)
	26,440	33,235	824,547	1,144,818
Total	156,269	139,242	824,547	1,144,818

The Group's normal trade credit term ranges from 30 to 45 (2002: 30 to 45) days. Other credit terms are assessed and approved on a case-by-case basis.

As at 31 December 2003, 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 70% (2002: 73%) of the total trade receivables.

- Included in trade receivables are rental and service charges receivable from affiliated companies amounting to RM6,754,000 (2002: RM5,451,000). The normal credit term granted to the affiliated companies is 30 (2002: 30) days.
- Included in trade receivables are RM1,553,000 (2002: RM4,267,000) being sums retained by stakeholders in relation to a completed development project of a subsidiary.
- 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 which attracted interest rate of 10% per annum in the prior year. Effective from 10 April 2003, all amounts due are interest-free.

## 18. RECEIVABLES (CONT'D)

- (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 RM1,785,000 in previous years 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 had fully provided for this debt during the year.

The movement in allowance for doubtful debts is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At the beginning of period	2,869	5,436	639,568	286,234
Transfer from income statement				
- Allowance for doubtful debts	2,184	637	323,878	353,334
- Reversal of allowance for doubtful debts	(50)	(108)	—	—
Doubtful debts written off	(503)	(3,096)	(7)	—
At the end of period	4,500	2,869	963,439	639,568

## 19. MARKETABLE SECURITIES

	Group	
	2003 RM'000	2002 RM'000
Shares quoted in Malaysia, at cost	816	875
Less: Provision for diminution in value	(109)	(516)
	707	359
Market value of quoted shares	707	359

## 20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash on hand and at banks	72,571	74,821	4,420	1,068
Deposits with:				
- licensed banks	65,518	46,511	17,696	1,500
- licensed discount house	3,552	1,690	202	240
Cash and bank balances	141,641	123,022	22,318	2,808
Less: Bank overdrafts (Note 21)	(799)	(799)	—	—
Cash and cash equivalents	140,842	122,223	22,318	2,808

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

- (i) RM22,282,000 (2002: RM39,355,000) maintained under the Housing Development Account pursuant to the Housing Developers (Housing Development Account) Regulations 1991.
- (ii) Placement of funds of the Group in a Debt Reserve Account amounted to RM8,835,000 (2002: RM5,168,000). The monies in the Debt Reserve Account is held to meet coupon payments and redemption of bonds issued by a subsidiary, Inter Heritage (M) Sdn. Bhd. pursuant to its debt restructuring exercise.
- (iii) RM659,000 (2002: RM789,000) placed in a sinking fund account for the purpose of expenditure incurred on repair and maintenance on properties managed by certain subsidiaries.

Fixed deposits of the Group amounting to RM2,935,000 (2002: RM2,886,000) have been pledged for banking facilities utilised by certain subsidiaries.

Included in the deposits of the Group are the following:

- (i) RM2,529,000 (2002: RM3,028,000) maintained under the Housing Development Account pursuant to the Housing Developers (Housing Development Account) Regulations 1991.
- (ii) RM3,149,000 (2002: RM3,852,000) placed in a sinking fund account. The sinking funds are maintained for the purposes of expenditure to be incurred on repair and maintenance on properties managed by certain subsidiaries.

## 20. CASH AND CASH EQUIVALENTS (CONT'D)

The weighted average interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2003	2002	2003	2002
	%	%	%	%
Licensed banks	2.80	2.94	2.70	3.20
Licensed discount house	2.72	2.73	2.70	2.75

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2003	2002	2003	2002
	Days	Days	Days	Days
Licensed banks	33	32	9	30
Licensed discount house	7	10	1	1

## 21. SHORT TERM BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Secured:				
Bank overdrafts (Note 20)	500	504	—	—
Hire purchase payables (Note 27)	61	42	43	42
	561	546	43	42
Unsecured:				
Bank overdrafts (Note 20)	299	295	—	—
	860	841	43	42

The weighted average interest rate of bank overdrafts at the balance sheet date of the Group was 7.9% (2002: 9.3%) per annum.

## 22. PAYABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables (Note a)	65,915	70,141	—	—
Due to subsidiaries (Note g)	—	—	175,303	176,841
Due to affiliated companies (Note g)	289	533	211	53
Accruals	57,079	34,926	5,970	4,327
Amount payable for acquisition of assets (Note b)	—	3,663	—	—
Due to hotel operators	2,856	2,333	—	—
Sundry payables	19,163	13,245	1,869	1,065
Deferred income (Note c)	—	17,242	—	—
Provision for sinking fund (Note d)	6,259	6,280	—	—
Provision for late delivery (Note e)	622	689	—	—
Provision for defect liabilities (Note f)	—	800	—	—
Amount payable to hotel creditors for construction of hotels	20,100	64,669	1,832	1,832
Deposits refundable	9,388	7,339	—	—
Accrued interest payable	7,584	5,056	—	—
Due to corporate shareholder of subsidiaries (Note h)	9,490	4,000	—	—
	132,830	160,775	185,185	184,118
Total	198,745	230,916	185,185	184,118

The normal trade credit terms granted to the Group ranges from 30 to 90 days (2002: 30 to 90 days).

- Included in trade payables of the Group is an amount of RM17,088,000 (2002: RM10,654,000) due to an affiliated company, Propel Johnson Controls (M) Sdn. Bhd.
- The amount payable for acquisition of assets of the Group in prior year 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. which has been fully settled during the year.
- The deferred income in prior year relates to amount received from the Ministry of Health for variation works but not recognised as revenue in accordance with MASB 9 as the costs incurred for the variation work cannot be measured reliably. The amount payable to the sub-contractors for the variation work has been finalised during the year; hence, the deferred income has been fully recognised as revenue.

## 22. PAYABLES (CONT'D)

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

	Group	
	2003 RM'000	2002 RM'000
At the beginning of period	6,280	4,663
Additional provision	586	2,363
Amount utilised	(607)	(746)
At the end of period	6,259	6,280

(e) The movement in provision for late delivery is as follows:

	Group	
	2003 RM'000	2002 RM'000
At the beginning of period	689	2,282
Reversal of provision for late delivery	—	(1,593)
Amount paid	(67)	—
At the end of period	622	689

(f) The movement in provision for defect liabilities is as follows:

	Group	
	2003 RM'000	2002 RM'000
At the beginning of period	800	2,500
Reversal of provision for defect liabilities	(800)	(1,700)
At the end of period	—	800

(g) The amounts due to subsidiaries and affiliated companies are unsecured, interest-free and have no fixed terms of repayment.

(h) The amounts due to corporate shareholders of subsidiaries are unsecured, have no fixed terms of repayment and interest-free except for an amount of RM4,000,000 (2002: RM4,000,000) which attracts interest of 4% (2002: 4%) per annum.



## 23. TAX PAYABLE

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax payable	16,187	48,217	11,775	26,877

Included in the above for the Group:

- (i) and the Company in prior year is an additional assessment of RM26,822,000 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 and IRB had agreed on reducing the amount owing to RM10,996,000 for those years. The overprovision of tax amounting to RM15,826,000 resulting from the initial additional assessment had been reversed in the current year.
- (ii) and the Company is an additional assessment of RM1,702,000 in 2003 raised for the year of assessment of 1999 as a result of disallowance of interest expense in the tax computation. There was also an additional tax penalty of RM1,429,000 imposed for the late payment of outstanding tax payable for years of assessment 1986 to 1990.
- (iii) in the prior year was an additional assessment for Real Property Gains Tax of 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. During the year, the additional assessment had been fully paid. The Group has appealed against the additional assessment raised and the outcome of the appeal is pending.

## 24. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares of RM1 Each		Amount	
	2003 '000	2002 '000	2003 RM'000	2002 RM'000
(a) Authorised:				
At beginning/end of period	3,000,000	3,000,000	3,000,000	3,000,000
(b) Issued and fully paid:				
At the beginning of period	201,556	162,016	201,556	162,016
Conversion of ICULS at the rate of RM2.00 nominal value of ICULS for one (1) ordinary share of RM1.00 each (Note 25)	6,443	39,540	6,443	39,540
At the end of period	207,999	201,556	207,999	201,556

## 25. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Group and Company 2003 RM'000	2002 RM'000
ICULS	152,890	231,970
Amount converted to ordinary shares (Note 24)	(12,886)	(79,080)
	140,004	152,890

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.

## 26. MINORITY INTERESTS

	Group 2003 RM'000	2002 RM'000
At the beginning of period	81,002	76,292
Addition during the period	3,050	—
Transfer (from)/to income statement	(2,232)	9,764
Dividend paid and declared	(8,424)	(5,054)
At the end of period	73,396	81,002

## 27. LONG TERM LIABILITIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(a) Hire purchase obligations				
Minimum lease payments:				
Not later than 1 year	63	42	43	42
Later than 1 year and not later than 2 years	55	42	20	42
Later than 2 years and not later than 5 years	—	21	—	21
	118	105	63	105
Less: Future finance charges	(9)	(7)	(4)	(7)
Present value of hire purchase liabilities	109	98	59	98

## 27. LONG TERM LIABILITIES (CONT'D)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(a) Hire purchase obligations (cont'd) Present value of hire purchase liabilities:				
Not later than 1 year	61	42	43	42
Later than 1 year and not later than 2 years	48	42	16	42
Later than 2 years and not later than 5 years	—	14	—	14
	109	98	59	98
Representing hire purchase liabilities:				
Due within 12 months (Note 21)	61	42	43	42
Due after 12 months	48	56	16	56
	109	98	59	98
(b) Non-Convertible Redeemable Secured Bonds ("NCRSB") Add: Accrued interest payable	252,784 107,978	252,784 74,589	— —	— —
	360,762	327,373	—	—
(c) Redeemable Convertible Secured Bonds ("RCSB") Amount redeemed Interest in suspense	1,561,652 (24,718) (350,872)	1,561,652 (24,718) (381,745)	1,561,652 (24,718) (350,872)	1,561,652 (24,718) (381,745)
	11,186,062	1,155,189	1,186,062	1,155,189
(d) Secured loan	43,632	—	—	—
(e) Amount payable to hotel creditors for construction of hotels	13,209	14,407	—	—
(f) Due to corporate shareholder of a subsidiary	2,126	—	—	—
Total long term liabilities	1,605,839	1,497,025	1,186,078	1,155,245

## 27. LONG TERM LIABILITIES (CONT'D)

- (a) The hire purchase facility attracted interest during the year of between 4.5% to 6.6% (2002: 4.50% to 5.90%) per annum.
- (b) The secured loan which is from the Bank for Foreign Trade of Vietnam is repayable via seventeen (17) semi-annual installments commencing from 30 September 2005 and bear interest at the higher of 4% per annum or Sibor 6 months plus 2.5%, which in 2003, average at 3.68%.

The loan is guaranteed by an equity pledge agreement dated 12 September 2003 between Faber Labuan Sdn. Bhd. and Ho Tay Corporation (the "Owners"), as the pledgors, and Bank for Foreign Trade of Vietnam, as the pledgee.

The loan from the Bank for Foreign Trade of Vietnam is also guaranteed by a mortgage agreement dated 12 September 2003 between a subsidiary, Vimas Joint Venture Company Limited ("Vimas"), as the mortgagor, and the Bank for Foreign Trade of Vietnam, as the mortgagee. According to this agreement, Vimas mortgaged the land use right and the right, title and interest of Vimas in and to its property, plant and equipment.

- (c) The amount due to corporate shareholder of a subsidiary is unsecured, has no fixed terms of repayment and bears interest of 1% above base lending rate which in 2003, averaged at 7%.

- (d) **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.

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.

- (e) **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.

## 27. LONG TERM LIABILITIES (CONT'D)

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:

- (I) 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 year 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.
- (II) If for any reason, the values referred to in (a)(i) and (ii) are not achievable, the disposal shall be deferred to the subsequent year subject to the consent of the bondholders.

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.

As disclosed in Note 38, the Group is proposing a restructuring scheme to restructure the RCSB. As such the RCSB due for redemption and 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 the above-mentioned date resulting in interest savings amounting to RM337,359,000 for the years 2003 to 2005. Subsequently, on 15 December 2003, the bondholders approved the proposed restructuring scheme as elaborated in Note 38.

## 28. DEFERRED TAX

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At beginning of period, as previously stated	16,502	16,260	—	—
Prior year adjustments	6,232	6,232	—	—
At beginning of period, as restated	22,734	22,492	—	—
Recognised in the income statement (Note 8)	(7,165)	242	—	—
Reversal to equity	(1,203)	—	—	—
At end of period	14,366	22,734	—	—

## 28. DEFERRED TAX (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial period prior to offsetting are as follows:

### Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowance RM'000	Revaluation Surplus RM'000	Prepayment of Linen RM'000	Deferred Expenditure RM'000	Total RM'000
At beginning of period, as previously stated	51,993	—	2,884	2,038	56,915
Prior year adjustments	—	6,232	—	—	6,232
At beginning of period, as restated	51,993	6,232	2,884	2,038	63,147
Recognised in the income statement	(6,834)	(4,166)	(821)	(229)	(12,050)
Reversal from equity	—	(1,203)	—	—	(1,203)
At end of period	45,159	863	2,063	1,809	49,894

### Deferred Tax Assets of the Group:

	Tax Losses and Unabsorbed Capital Allowance RM'000	Accruals for Direct Cost RM'000	Other Payables RM'000	Total RM'000
At beginning of period	(36,599)	(3,811)	(3)	(40,413)
Recognised in the income statement	3,168	2,083	(366)	4,885
At end of period	(33,431)	(1,728)	(369)	(35,528)

### Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowance RM'000
At beginning of period	73
Recognised in the income statement	(28)
At end of period	45

## 28. DEFERRED TAX (CONT'D)

### Deferred Tax Assets of the Company:

	Tax Losses and Unabsorbed Capital Allowance RM'000
At beginning of period	(73)
Recognised in the income statement	28
At end of period	(45)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unused tax losses	580,809	516,483	10,484	5,637
Unabsorbed capital allowance	257,818	238,002	894	762
Unused investment tax allowance	299,690	299,690	—	—
Unutilised pioneer losses	1,988	1,988	—	—
Provisions	1,642	2,580	—	—
Provision for impairment losses	103,111	—	—	—
Accelerated depreciation	39	36	—	—
	1,245,097	1,058,779	11,378	6,399

The unused tax losses, unabsorbed capital allowances, unused investment tax allowance and other timing differences are available indefinitely for offset against future taxable profits of the Group and Company in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of the Group as they have arisen in subsidiaries that have a recent history of losses.

## 29. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

	Group			
	Number of Shares		Amount	
	2003 000	2002 000	2003 RM'000	2002 RM'000
ICPS of RM0.50 each:				
At beginning of period	—	—	—	—
Issued and paid-up during the period	2,240	—	1,120	—
At end of period	2,240	—	1,120	—

The ICPS were issued by a subsidiary, Healthtronics Sdn Bhd to its minority shareholder. The ICPS carry a net dividend of RM0.80 per ICPS payable on a cumulative basis until full conversion. The ICPS has a tenure of 6 years maturing on 30 June 2007. Upon maturity, the ICPS shall be converted on the basis of two ICPS for one new ordinary share.

### 30. CHANGES IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

#### (a) Changes in Accounting Policies

During the year, the Group and the Company applied three new MASB Standards, which became effective during the year, and accordingly modified certain accounting policies. The changes in the accounting policy for income tax has resulted in prior year adjustments as discussed below:

##### MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

#### (b) Prior Year Adjustments

The changes in accounting policies have been applied retrospectively and comparatives have been restated. The effects of changes in accounting policies are as follows:

	<b>Group</b>	
	<b>2003 RM'000</b>	<b>2002 RM'000</b>
<b>Effects on accumulated losses:</b>		
At beginning of period, as previously stated	(385,684)	(120,075)
Effects of adopting MASB 25	(5,013)	(5,013)
At beginning of period, as restated	(390,697)	(125,088)
<b>Effects on revaluation reserves:</b>		
At beginning of period, as previously stated	5,447	5,447
Effects of adopting MASB 25	(1,219)	(1,219)
At beginning of period, as restated	4,228	4,228

Comparative amounts as at 31 December 2002 have been restated as follows:

	<b>Previously Stated RM'000</b>	<b>Adjustments RM'000</b>	<b>Restated RM'000</b>
<b>Group</b>			
Deferred tax liabilities	16,502	6,232	22,734



### 31. CAPITAL COMMITMENTS

	Group	
	2003 RM'000	2002 RM'000
(a) Approved and contracted for:		
Purchase of property, plant and equipment	1,654	5,480
Others	1,125	—
	2,779	5,480
Approved but not contracted for:		
Purchase of property, plant and equipment	11,529	10,080
Construction of a hotel	16,141	57,000
	27,670	67,080
(b) Obligations on:		
Rental of premises:		
Not later than 1 year	654	541
Later than 1 year and not later than 2 years	226	426
Later than 2 years and not later than 5 years	146	278
	1,026	1,245
Rental of equipment:		
Not later than 1 year	591	535
Later than 1 year and not later than 2 years	569	531
Later than 2 years and not later than 5 years	496	860
	1,656	1,926
Total	33,131	75,731

### 32. CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 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	2,338	2,232	2,338	2,232
Claim for alleged non payment of debts	885	898	—	—
	29,424	29,331	2,360	2,254

The directors are of the opinion that the likelihood of the crystallisation 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 RM1,170,000 and interest on advances of RM2,024,000 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.

### 32. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

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 the Company's appeal against the Senior Assistant Registrar's decision in allowing amendments to the petition to include 2 more defendants. The Company's application against the order of amending the petition has been fixed for hearing on 7 May 2003. In light of the dismissal of the above 2 defendants application, the Company withdrew its appeal and the petition was fixed for case management on 2 December 2003 wherein the Judge directed the Company and other respondent to file their affidavit in reply by the next mention date on 8 March 2004 wherein was adjourned to 10 June 2004.

The directors have sought legal advice and based on the legal advice, the directors are of the opinion that it is difficult to ascertain the limit of the suit liability at this stage. In the interim, the parties have entered into a settlement deed on 17 November 2003 to resolve the dispute between the parties, provided that all obligations set out therein are complied by all parties on or before 8 April 2004. Therefore, MOG's solicitors have written to the Court on 12 April 2004 to bring forward the mention date from 10 June 2004 earlier in order for all parties to file in their respective consent order and for MOG to file in their notice of withdrawal wherein the Court has reverted with a new mention date on 29 April 2004 for the above purpose.

- (ii) 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 realise 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 realise 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) SOMC shall not sell any part of the management fee ICULS until its due date on 31 August 2003 and shall retain it for the purposes of settling the remaining outstanding amount of RM5.22 million.

The expected shortfall based on the current market value of the ICULS has been fully provided for in the financial statements. As at to date, SOMC has yet to dispose of the ICULS and as a result, the Company has yet to settle the difference between the ICULS proceeds and the RM5.22 million.

### 32. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

- (iii) In prior year, a subsidiary, Inter Heritage (M) Sdn. Bhd. ("IH") 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"). In 2002, ASA terminated the tenancy agreement and ceased the business and operations of the club claiming that IH 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.

The essence of ASA's defence relates to the certificate of occupation with respect to the premises. The writ was filed on 28 June 2001 and pleadings was closed on or about 25 September 2001. Thereafter, the Court held and extended hearing of preliminary issues of which was in favour of the Defendants on 10 February 2003 and ordered that an assessment of damages take place to determine the precise quantum of the Plaintiff's liability. The Company has now lodged a Notice of Appeal on 8 December 2003 of which the assessment exercise has been stayed by the Court of Appeal pending the determination of the appeal on its merits. Till to date no Notes of Proceeding/Notes of Evidence has been issued by the High Court.

The Company's solicitors are of the opinion that there is a fair prospect of success on the appeal. Based on legal advice, the directors are of the opinion that there is low probability of the crystallisation of the claim.

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	1.1.2003	1.7.2001	1.1.2003	1.7.2001
	to	to	to	to
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
	RM'000	RM'000	RM'000	RM'000
Management fee expense/ (income) from affiliated companies				
- UEM Group Management Sdn Bhd	184	252	105	158
- Vista Jati Holdings Sdn Bhd	(288)	(423)	—	—
Office and car park rental income from affiliated companies				
- Rangkaian Segar Sdn Bhd	(744)	(1,089)	—	—
- Pengurusan Lebuhraya Sdn Bhd	(1,728)	(3,463)	—	—
- Setia Haruman Sdn Bhd	(36)	(343)	—	—
- Crest Petroleum Berhad	(64)	(148)	—	—
- TL Geohydrographics Sdn Bhd	(48)	(146)	—	—
- Petcon (M) Sdn Bhd	(69)	(315)	—	—
- Probadi Sdn Bhd	(116)	(541)	—	—
- Teknik Lengkap Sdn Bhd	(135)	(614)	—	—
- TL Offshore Sdn Bhd	(257)	(1,190)	—	—
- Projek Lebuhraya Utara-Selatan Berhad	(2,535)	(3,997)	—	—
- Projek Penyelenggaraan Lebuhraya Bhd	(816)	(1,215)	—	—

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000	I.1.2003 to 31.12.2003 RM'000	I.7.2001 to 31.12.2002 RM'000
- Renong Overseas Corporation	—	(47)	—	—
- Prolink Development Sdn Bhd	(311)	(439)	—	—
- UEM Genisys (M) Sdn Bhd	(192)	(310)	—	—
- UEM Construction Sdn Bhd (formerly known as UE Construction Sdn Bhd)	(818)	(663)	—	—
- UEM Builders Berhad	(184)	—	—	—
- Vistajati Holdings Sdn Bhd	(179)	(267)	—	—
- UEM Environment Sdn Bhd (formerly known as Kualiti Alam Sdn Bhd)	(212)	(313)	—	—
- Time Telecommunications Sdn Bhd	(43)	(74)	—	—
- Kuari Pati Sdn Bhd	(64)	—	—	—
Contracted cost paid and payable to an affiliated company, Propel Johnson Controls (M) Sdn Bhd	—	82,940	—	—
Purchase of property, plant and equipment from an affiliated company, Propel Johnson Controls (M) Sdn Bhd	—	3,663	—	—
Inventories purchased from an affiliated company, Propel Johnson Controls (M) Sdn Bhd	—	2,901	—	—
Technical fees paid to MOG	375	—	—	—
Settlement fees payable to MOG	3,500	—	—	—
Interest paid/payable to corporate shareholders	286	256	—	—
Interest income from subsidiaries	—	—	(33,356)	(167,866)
Property rental income from subsidiaries	—	—	(18)	(329)
Management fees from subsidiaries	—	—	(1,750)	(5,800)
Professional fees from a subsidiary	—	—	(316)	—
Office and car park rental payable to subsidiaries	—	—	407	641
Proceeds from disposal of land to a subsidiary	—	—	1,650	—

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.

### 34. SEGMENT REPORTING

#### (a) Business Segments:

The Group is organised 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-segment 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.

### 34. SEGMENT REPORTING (CONT'D)

	Properties		Hotel		Transport		Healthcare		Others		Elimination		Group	
	RM'000 2003	RM'000 2002	RM'000 2003	RM'000 2002	RM'000 2003	RM'000 2002	RM'000 2003	RM'000 2002	RM'000 2003	RM'000 2002	RM'000 2003	RM'000 2002	RM'000 2003	RM'000 2002
<b>REVENUE</b>														
External sales	51,503	63,993	132,697	196,539	—	—	377,253	442,359	9	—	—	—	561,462	702,891
Inter-segment sales	—	—	—	—	—	—	—	—	33,356	167,866	(33,356)	(167,866)	—	—
- Interest income	1,113	1,636	—	—	—	—	—	—	17,050	14,980	(18,163)	(16,616)	—	—
- Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total revenue	52,616	65,629	132,697	196,539	—	—	377,253	442,359	50,415	182,846	(51,519)	(184,482)	561,462	702,891
<b>RESULTS</b>														
Segment results	(9,860)	8,570	(425,028)	(59,370)	1,301	(79)	45,390	43,318	(475,351)	(194,836)	465,668	179,178	(397,880)	(23,219)
Interest expense	—	—	(41,589)	(53,677)	—	—	(107)	—	(30,880)	(157,974)	—	—	(72,576)	(211,651)
- Others	—	—	(33,356)	(167,866)	—	—	—	—	—	—	33,356	167,866	—	—
- Intercompany	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share of net loss of an associate	(9,860)	8,570	(499,973)	(280,913)	1,301	(79)	45,283	43,318	(506,231)	(352,810)	499,024	347,044	(470,456)	(234,870)
Profit/(loss) before taxation	(9,860)	8,570	(499,973)	(280,913)	723	(2,333)	45,283	43,318	(506,231)	(352,810)	499,024	347,044	(471,034)	(237,124)
Taxation	(892)	(4,021)	4,166	(362)	(4)	—	(13,100)	(14,338)	5,576	—	4,284	—	30	(18,721)
Profit/(loss) after taxation	(10,752)	4,549	(495,807)	(281,275)	719	(2,333)	32,183	28,980	(500,655)	(352,810)	503,308	347,044	(471,004)	(255,845)
Minority interests	217	—	17,196	(364)	—	—	(1,369)	—	—	—	(13,812)	(9,400)	2,232	(9,764)
Net profit/(loss)	(10,535)	4,549	(478,611)	(281,639)	719	(2,333)	30,814	28,980	(500,655)	(352,810)	489,496	337,644	(468,772)	(265,609)
<b>OTHER INFORMATION</b>														
Segment assets	277,063	312,705	1,006,322	1,402,053	799	831	238,852	228,001	1,295,720	1,220,584	(1,342,487)	(1,263,585)	1,476,269	1,900,589
Investments in associates	—	—	—	—	—	18,588	—	—	—	—	—	—	—	18,588
Consolidated total assets	277,063	312,705	1,006,322	1,402,053	799	19,419	238,852	228,001	1,295,720	1,220,584	—	—	1,476,269	1,919,177
Segment liabilities/ Consolidated total liabilities	36,603	112,016	483,712	1,989,055	16,337	27,181	105,272	110,141	1,375,695	1,346,420	(180,502)	(1,785,080)	1,837,117	1,799,733
Capital expenditure	138	1,237	22,997	3,756	—	—	16,965	25,753	104	2,700	(344)	—	39,860	33,446
Depreciation and amortisation	560	719	29,697	40,592	—	6	12,850	18,003	326	476	—	—	43,433	59,796
Impairment losses	1,549	—	404,014	—	—	—	—	—	2,201	—	—	—	407,764	—
Non cash expenses other than depreciation, amortisation, impairment losses and interest	16,671	(3,091)	8,897	49,222	(912)	2,261	1,277	(43)	(811)	2,587	825	—	25,947	50,936

## 35. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity, credit risks and market risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

### (b) Interest Rate Risk

The Group primary interest rate risk relates to interest-bearing debt. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank and pledged for banking facilities.

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 capitalise 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 2003 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>				
Fixed rate	—	—	—	864,365
Floating rate	69,070	48,201	17,898	1,740
Interest free	232,276	214,956	829,201	279,481
<b>Total</b>	<b>301,346</b>	<b>263,157</b>	<b>847,107</b>	<b>1,145,586</b>
<b>Financial Liabilities</b>				
Fixed rate	1,558,517	1,491,716	1,186,121	1,155,287
Floating rate	46,557	799	—	—
Interest free	200,370	236,267	185,185	184,118
<b>Total</b>	<b>1,805,444</b>	<b>1,728,782</b>	<b>1,371,306</b>	<b>1,339,405</b>

The weighted average interest rates on the financial assets and liabilities as at 31 December 2003 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Financial Assets</b>				
Floating rate	2.80	2.93	2.70	3.14
<b>Financial Liabilities</b>				
Fixed rate	10.46	10.43	10.00	10.00
Floating rate	3.58	9.30	—	—

### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Interest Rate Risk (cont'd)

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

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Secured loan	3.68	—	—	—
Bank overdraft	7.90	9.30	—	—
Hire purchase	5.80	5.20	5.10	5.20
Due to corporate shareholders of subsidiaries	5.04	4.00	—	—
RCSB	10.00	10.00	10.00	10.00
NCRSB	12.00	12.00	—	—

#### (c) Foreign Currency Risk

The Group foreign currency risk is mainly due to exposure to United States Dollar arising from a foreign subsidiary in Vietnam.

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.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	South African Rand RM'000	US Dollar RM'000
<b>At 31 December 2003:</b>		
<b>Receivables</b>		
Ringgit Malaysia	1,230	35,997
<b>At 31 December 2002:</b>		
<b>Receivables</b>		
Ringgit Malaysia	1,230	34,062

#### (d) Liquidity 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.



### 35. FINANCIAL INSTRUMENT (CONT'D)

#### (d) Liquidity Risk (cont'd)

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

##### (i) Maturity of bonds and borrowings

	Group	
	2003 RM'000	2002 RM'000
More than five years		
Secured loan	25,665	—
Between two and five years		
RCSB	—	781,189
NCRSB	—	252,784
Secured loan	15,400	—
Hire purchase	—	14
Between one and two years		
RCSB	812,062	145,000
NCRSB	252,784	—
Secured loan	2,567	—
Hire purchase	48	42
Within one year		
RCSB	374,000	229,000
Hire purchase	61	42
Bank overdraft	799	799
	<b>1,483,386</b>	<b>1,408,870</b>
Represented by:		
RCSB	1,186,062	1,155,189
NCRSB	252,784	252,784
Secured loan	43,632	—
Hire purchase	109	98
Bank overdraft	799	799
	<b>1,483,386</b>	<b>1,408,870</b>

#### (e) Credit Risk

Credit risk, or the risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

As at 31 December 2003, 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 70% (2002: 73%) of the total trade receivables.

### 35. FINANCIAL INSTRUMENT (CONT'D)

#### (f) 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.

#### (g) Fair Values

##### (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

##### (ii) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

### 36. SUBSIDIARIES

Details of the subsidiaries are as follows:

Incorporated in Malaysia	Issued and Paid-up Share Capital RM	Equity Interest Held (%) 2003	Equity Interest Held (%) 2002	Principal Activities
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 which completed on 13 January 2004
TC Parking Sdn Bhd (43231-U)	20,002	100	100	Investment holding
Shaybon Sdn Bhd (214582-P)	5,000,000	100	100	In liquidation which completed on 19 March 2004
Faber Healthcare Management Sdn Bhd (365178-M)	2	100	100	Investment holding
Faber Medi-Serve Sdn Bhd (109818-H)	43,170,010	57	57	Provision of hospital support services
Merlin Inn (Melaka) Sdn Bhd (109825-K)	2	100	100	In liquidation which completed on 13 January 2004
Merlin Inn Muar Sdn Bhd (108663-D)	2	100	100	In liquidation which completed on 19 March 2004
Merlin Travel & Tours Sdn Bhd (34627-V)	50,000	100	100	In liquidation which completed on 13 January 2004
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

### 36. SUBSIDIARIES (CONT'D)

Incorporated in Malaysia	Issued and Paid-up Share Capital RM	Interest 2003	Equity Held (%) 2002	Principal Activities
FM Management Services Sdn Bhd (113888-K)	2	100	100	In liquidation which completed on 13 January 2004
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
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 which completed on 13 January 2004
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 development and hotel proprietor
Merlin Highway Inns Sdn Bhd (333748-P)	2	100	100	In liquidation which completed on 13 January 2004

### 36. SUBSIDIARIES (CONT'D)

Incorporated in Malaysia	Issued and Paid-up Share Capital RM	Equity Interest Held (%) 2003	Equity Interest Held (%) 2002	Principal Activities
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 which completed on 13 January 2004
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
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	100	Provision of cleaning services
Healthtronics Sdn Bhd (formerly known as Cermin Dunia Sdn Bhd) (415187-M)	200,000	34	100	Provision of hospital support services
Cermin Kenyalang Sdn Bhd (582764-H)	700,000	31	100	Provision of laundry services
Sehat Technologies Sdn Bhd (593202-T)	500,000	51	—	Manufacturing and assembly of healthcare equipment

### 36. SUBSIDIARIES (CONT'D)

Incorporated Outside Malaysia	Issued and Paid-up Share Capital RM	Equity Interest Held (%) 2003	Equity Interest Held (%) 2002	Principal Activities	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 Ernst & Young

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

### 37. SIGNIFICANT EVENTS

- (i) During the year, the Company proposed to acquire 63% equity interest in Intensive Quest Sdn Bhd ("IQSB"), an investment holding company comprising 315,000 ordinary shares of RM1.00 each in IQSB for a total cash consideration of RM10,925,258. The proposed acquisition had been completed subsequent to year end.
- (ii) During the year, the Group proposed to settle the litigations as disclosed in Note 32(c)(i) with MOG. The proposed settlement involves the payment of RM3,500,000 by the Company to MOG as settlement of all legal costs whatsoever incurred by MOG in relation to the litigations. The proposed settlement has been approved by the shareholders of the holding company subsequent to year-end.

A subsidiary, Faber Medi-Serve Sdn Bhd ("FMS"), also entered into a technical assistance agreement with MOG for the provision of technical assistance to FMS in relation to hospital support services for a period of 2 years commencing from 17 November 2003 for RM1,500,000.

### 38. RESTRUCTURING SCHEME

- (a) During the financial year, the Company announced that it is an “Affected Listed Issuer” pursuant to Practice Note 4/2001 (“PN4”) of the Listing Requirements of Bursa Malaysia Securities Berhad. As an “Affected Listed Issuer”, the Company is required to comply with the time schedule to regularise its financial position in compliance with PN4. In view of this issue, the Company announced a proposed restructuring scheme. The integral part of the scheme involves the restructuring of the Company’s obligations under its RCSB as disclosed in Note 27.

Pursuant to the proposed restructuring scheme, the Company, the Company’s Affected Subsidiaries (as defined below), Jeram Bintang Sdn Bhd (“JBSB”) and the Trustee will enter into an agreement to restructure the RCSB (“Restructuring Deed”).

JBSB is a special purpose vehicle that will be established pursuant to the proposed restructuring scheme.

The Company’s Affected Subsidiaries comprise Subang Jaya Hotel Development Sdn Bhd, Langkawi Island Resort Sdn Bhd, Faber Kompleks Sdn Bhd, Merlin Labuan Sdn Bhd, Hotel Merlin Cameron Highlands Bhd., Merlin Inn Johor Bahru Sdn Bhd, Faber Plaza Sdn Bhd, Faber Centre Sdn Bhd, Faber Union Sdn Bhd, Faber Healthcare Management Sdn Bhd, Country View Development Sdn Bhd and Faber Grandview Development (Sabah) Sdn Bhd.

The details of the proposed restructuring scheme is as follows:

- (i) Proposed transfer of the following subsidiaries and assets of the Group to JBSB;

#### **Subsidiaries**

Hotel Merlin Kuantan Sdn Bhd  
Mersing Merlin Inn Sdn Bhd  
Faber Kompleks Sdn Bhd  
Merlin Labuan Sdn Bhd  
Subang Jaya Hotel Development Sdn Bhd  
Langkawi Island Resort Sdn Bhd  
Hotel Merlin Cameron Highlands Bhd.  
Merlin Inn Johor Bahru Sdn Bhd  
Faber Plaza Sdn Bhd  
Faber Centre Sdn Bhd

#### **Assets**

Sungai Petani Land  
Tower Block Land  
Faber Towers

A sale and purchase agreement will be entered into for the proposed transfer of assets.

- (ii) Proposed waiver of the accreted yield of the RCSB from the date of issuance to 10 April 2003 amounting to RM250,894,000;

### 38. RESTRUCTURING SCHEME (CONT'D)

- (iii) Proposed novation of liability under the RCSB to JBSB as at the implementation date and proposed issuance of bonds by JBSB in settlement of such novated liability;

	<b>RM'000</b>
Amount outstanding as at 31 December 2003	1,186,062
Less: Waiver of accreted yield from date of issuance to 10 April 2003	(250,894)
	935,168
Less: Redemption from disposal proceeds of certain assets	(5,708)
The amount to be novated to JBSB and restructured	929,460

- (iv) after the novation of the RCSB to JBSB, there will be a debt owing by the Company to JBSB. The debt owing would be set off against the net amount due to the Group from the subsidiaries to be disposed. The resulting amount still payable by the Company to JBSB will be settled in part by:
- proposed issuance of up to 200,000,000 redeemable convertible preference shares ("RCPS") at RM1 each by the Company to JBSB;
  - proposed issuance of up to nominal value of RM135,564,000 redeemable secured loan stocks ("RSLs") by the Company to JBSB with a coupon of 4% per annum compounded annually to JBSB.
- (v) after (iii) and (iv) above, the remaining balance sum still payable to JBSB is RM51,442,000. The balance sum will be secured by:
- assignment of 63% of dividends on 315,000 ordinary shares representing 21% equity interest now held by Intensive Quest Sdn Bhd ("IQSB") in FMS receivable from FMS amounting to RM24,000,000.
  - assignment of net profits from the development of Casa Palma land amounting to RM15.332 million;
  - assignment of a share of the Group's portion of net profits from the joint venture in respect of the development of Taman Sri Desa land amounting to RM3.207 million;
  - assignment of net profits from the development of Country View land amounting to RM7.093 million; and
  - assignment of net profits from the development of Faber Grandview land amounting to RM1.810 million.
- (vi) Proposed management and maintenance arrangements between JBSB and its proposed subsidiaries with the Company for the management of JBSB and the assets transferred over to JBSB.
- (vii) Proposed settlement by JBSB of JBSB Bonds.

The proposed restructuring scheme is conditional upon the following:

- RCSB bondholders' approval (which has been obtained on 15 December 2003);
- Relevant authorities which includes Securities Commission, FIC and Bank Negara Malaysia (if required);
- Bursa Malaysia Securities Berhad for the issuance and listing of the Company's shares to be issued pursuant to the conversion of the RCPS;

### 38. RESTRUCTURING SCHEME (CONT'D)

- (iv) shareholders of the Company;
- (v) consent from Sheraton Overseas Management Corporation, being the operator of certain hotels to be transferred to JBSB (this condition may be waived with a majority of 60% votes from the bondholders); and
- (vi) any other relevant authorities.

Subsequent to year end, the Company has submitted the restructuring scheme to the relevant authorities for approval.

### 39. COMPARATIVES

The following balance sheet comparative figures have been reclassified to conform with current year's presentation:

	As Reclassified RM'000	As Previously Reported RM'000
<b>Group</b>		
Bank overdrafts	—	799
Short term borrowings	841	—
Payables	230,916	319,954
Long term liabilities	1,497,025	1,424,531
Deferred tax liabilities	16,502	—

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

The comparatives covered an 18-month period from 1 July 2001 to 31 December 2002. Accordingly, the figures in the financial statements for 2003 and 2002 are not comparable.



# ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholders as per the Record of Depositors as at 17 May 2004

Authorized Share Capital : RM3,000,000,000.00  
 Issued and fully paid : RM210,569,622  
 Class of shares : Ordinary shares of RM1.00 each  
 No. of shareholders : 32,965  
 Voting rights : 1 vote per ordinary share

No. of Holders	Holdings	Total Holdings	Percentage
1,028	1 – 99	47,011	0.02
24,471	100 – 1,000	9,735,290	4.62
6,301	1,001 – 10,000	21,919,481	10.41
1,011	10,001 – 100,000	30,454,444	14.46
153	100,001 – to less than 5% of issued shares	51,171,128	24.30
1	5% and above of issued shares	97,242,268	46.18
32,965	Total	210,569,622	100.00

Category of Shareholders as per the Record of Depositors as at 17 May 2004

Size of Holdings	No. of Holders		Percentage		No. of Shares		Percentage	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual	23,475	911	71.21	2.76	67,481,051	6,085,729	32.05	2.89
Body Corporate								
Banks/Finance								
Companies	70	1	0.21	*	1,163,075	881	0.55	*
Investment Trust/ Foundation/Charities	4	—	0.01	—	5,862	—	*	—
Industrial and Commercial Companies	239	23	0.72	0.06	102,088,096	224,187	48.48	0.11
Government	6	—	0.01	—	475,412	—	0.23	—
Agencies/Institutions								
Nominees	2,336	5,900	0.77	17.89	12,485,181	20,560,148	5.93	9.76
Total	26,130	6,835	79.26	20.73	183,698,677	26,870,945	87.24	12.76

Note: \* Insignificant

30 Largest Shareholders as per the Record of Depositors as at 17 May 2004

No. Shareholders	No. of Shares	Percentage
1. United Engineers (Malaysia) Berhad	97,242,268	46.18
2. HDM Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for Tan Ju Hong</i>	2,785,100	1.32
3. Zulkeflee Bin Mohamad Nor	2,000,000	0.95
4. Nor Azuwa Binti Mohamed Ali	1,197,000	0.57
5. Lim Seng Chee	1,189,700	0.56
6. Syarikat Letrik Winlite Sdn Bhd	1,148,131	0.55
7. Aminuddin Yusof Lana	1,000,000	0.47
8. Ricky Kok Choong Kong	1,000,000	0.47
9. EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Ooi Chin Hock</i>	924,200	0.44
10. Eric Kung Chiew Thai	837,000	0.40
11. PB Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yoong Fui Kien (C)</i>	825,500	0.39
12. UOBM Nominees (Asing) Sdn Bhd <i>DMG &amp; Partners Securities Pte Ltd for Ngan Tang Joo</i>	809,200	0.38
13. Batkom Bena Sdn Bhd	790,000	0.38
14. Zalaraz Sdn Bhd	760,000	0.36
15. Southern Investment Bank Berhad <i>Kumpulan Wang Simpanan Pekerja for Loh Siew Choh (EP0012)</i>	700,000	0.33
16. Aminah Bt Shariff	695,000	0.33
17. Chai Khee Fui	688,000	0.33
18. Hamdan Bin Rasid	671,000	0.32
19. Mrs Lee Ming Fang@Nee Seow Ming Fang	665,166	0.32
20. Chong Chin Fook	638,200	0.30
21. Yeoh Seok Boon	636,500	0.30
22. Abdul Samad Bin Omar	621,000	0.29
23. Shah Mohd Bin Mehardin	600,000	0.28
24. Mayban Securities Nominees (Asing) Sdn Bhd <i>OCBC Securities Private Limited for Tan Ju Hong</i>	589,900	0.28
25. Chua Ching Geh	540,000	0.26
26. Wong Yook Phooi	535,600	0.25
27. Yeo Koon Lian	510,500	0.24
28. Nurhanim Binti Abdul Rahim	499,500	0.24
29. Tan Mei Phing	496,000	0.24
30. Tan Tiang Jok	491,000	0.23
<b>Total</b>	<b>122,085,465</b>	<b>57.98</b>

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 17 May 2004

	No. of Ordinary Shares of RM1.00 each			
	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 Kantilai	—	—	—	—
Azmanuddin Haq bin Ahmad	—	—	—	—
Noorizah binti Hj. Abd Hamid	—	—	—	—
Puasa bin Osman	—	—	—	—

As at 17 May 2004, none of the Directors of Faber has any direct and/or indirect interest in any related corporation of Faber.

Note:

\* Insignificant

Substantial Shareholders as per the Register of Substantial Shareholders as at 17 May 2004

	No. of Ordinary Shares of RM1.00 each			
	Direct	Percentage	Indirect	Percentage
United Engineers (Malaysia) Berhad	97,242,268	46.18	—	—
Syarikat Danasaham Sdn Bhd (a)	—	—	97,242,268	46.18
Khazanah Nasional Berhad (b)	—	—	97,242,268	46.18

(a) Deemed interested by virtue of its substantial interest in United Engineers (Malaysia) Berhad

(b) 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 17 May 2004

Issued : RM134,862,903  
No. of ICULS holders : 407  
Voting rights : None

No. of Holders	Size of Holdings	No. of Holdings	Percentage
10	1 – 99	564	*
20	100 – 1,000	16,256	0.01
155	1,001 – 10,000	958,103	0.71
146	10,001 – 100,000	6,370,633	4.72
72	100,001 – to less than 5% of ICULS issued	59,630,490	44.22
4	5% and above of ICULS issued	67,886,857	50.34
407	Total	134,862,903	100.00

Note: \* Insignificant

30 Largest ICULS holders as at 17 May 2004

No. ICULS Holders	No. of ICULS held	Percentage
1. PAB Nominee (Tempatan) Sdn Bhd <i>Affin Bank Berhad (Loan Recovery)</i>	23,456,388	17.39
2. CIMSEC Nominees (Tempatan) Sdn Bhd <i>Danaharta Urus Sdn Bhd</i>	18,520,242	13.73
3. RHB Nominees (Asing) Sdn Bhd <i>Sheraton Overseas Management Corporation</i>	16,391,315	12.15
4. PAB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Federal Furniture Industries Sdn Bhd (Corp Banking)</i>	9,518,912	7.06
5. Kasugi Prima Sdn Bhd	6,150,250	4.56
6. GDP Architects Sdn Bhd	5,440,248	4.03
7. Taisei Corporation	4,770,000	3.54
8. Ekovest Berhad	3,981,716	2.95
9. Renong Berhad	3,621,000	2.68
10. Intria Bina Sdn Bhd	3,569,155	2.65
11. Bumiputra-Commerce Bank Berhad	3,251,927	2.41
12. Road Builder (M) Sdn Bhd	2,981,850	2.21
13. Seloga Jaya Sdn Bhd	2,519,396	1.87
14. Syarikat Pemasaran Sejati Sdn Bhd	2,455,903	1.82
15. KCA International Designers Sdn Bhd	1,402,400	1.04
16. Jurutera Budiman Sdn Bhd	1,072,821	0.80
17. Universal Trustee (Malaysia) Berhad	770,280	0.57
18. Juaraconsult Sdn Bhd	694,000	0.51
19. Pembinaan Duta Idaman Sdn Bhd	681,089	0.51
20. T Y Lin (SEA) Sdn Bhd	676,647	0.50
21. Seng Hup Corporation Bhd <i>(Special Administrators Appointed)</i>	672,052	0.50
22. Chan Kam Tong	620,000	0.46
23. HDM Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for Tan Ju Hong</i>	600,000	0.44
24. Jalex Sdn Bhd	590,143	0.44
25. Light Style Sdn Bhd	582,346	0.43
26. Syarikat Pembinaan Ng Malaysia Sdn Bhd	572,595	0.42
27. CIMB Nominees (Tempatan) Sdn Bhd <i>Commerce International Merchant Bankers Berhad</i>	543,233	0.40
28. Mohd Ali Bin Abd Karim	484,231	0.36
29. Pakatan Reka Arkitek Sdn Bhd	482,693	0.36
30. United Tradewind Trading Sdn Bhd	468,000	0.35
<b>Total</b>	<b>117,540,832</b>	<b>87.16</b>

# 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 31.12.2003 (RM'000)	Last Date of Revaluation or if none; date of acquisition
<b>Faber Group Berhad</b> PT 23538 Sungai Petani, Kedah	Vacant land	3.74 acres	–	Vacant land	Freehold	–	3,250	18.11.2003
<b>Hotels Division</b>								
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	23	169,631	18.11.2003
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	21	9,969	18.11.2003
	A 6-storey 50-room hotel known as Merlin Inn Johor Bahru (North Wing)	26,703 sq. ft.	43,830	Hotel Building	Freehold	17	5,136	18.11.2003
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	24	1,321	18.11.2003
	Vacant land for development	317,552 sq. ft.	–	Vacant land	Freehold	–	172	18.11.2003
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	31	34,929	18.11.2003
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	41	11,800	18.11.2003
Faber Kompleks Sdn Bhd Jalan Larut, Penang	A 279-room hotel known as Sheraton Penang	39,365 sq. ft.	350,000	Hotel Building	Freehold	18	55,340	18.11.2003
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	32	73,342	18.11.2003

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 31.12.2003 (RM'000)	Last Date of Revaluation or if none; date of acquisition
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	12	44,447	18.11.2003
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	8	221,770	18.11.2003
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	9	251,604	18.11.2003
<b>Property Division</b>								
<b>Faber Union Sdn Bhd</b> Lot 51566 Taman Desa Kuala Lumpur	3 storey office and shopping podium and 21 storey tower blocks known as Faber Tower	2.63 acres	868,518 sq. ft.	Office	Freehold use-rental	13	<b>98,300</b>	2003
Lot 35283 Taman Desa, Kuala Lumpur	Vacant land for development	5.91 acres	868,518	Vacant land	Freehold	–	<b>7,009</b>	1971
Overseas Union Garden Off Jalan Kelang Lama Kuala Lumpur	Vacant land	0.48 acres	–	Vacant land	Freehold	–	<b>650</b>	1983
Taman Sri Desa Ipoh, Perak	Vacant land for mixed development	0.86 acres	–	Vacant land	Leasehold 99 years expiring 13.9.2090	–	<b>1,741</b>	1982
PT4343 Desa Business Park Taman Desa, Kuala Lumpur	Vacant land for commercial use	0.34 acres	–	Vacant land	Freehold	–	<b>1,311</b>	2003
<b>Faber Centre Sdn Bhd</b> Taman Desa Kuala Lumpur	Commercial space at Taman Desa Kuala Lumpur	0.48 acres	21,087	Rental	Freehold	17	<b>1,687</b>	2003
<b>Country View Development Sdn Bhd</b> 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)	–	<b>2,281</b>	1982

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 31.12.2003 (RM'000)	Last Date of Revaluation or if none; date of acquisition
<b>Faber Grandview Development (Sabah) Sdn Bhd</b> Taman Grandview Off Mile 1.5, Jalan Utara Sandakan, Sabah	Vacant land for development	5.8 acres	–	Vacant Land	Leasehold 999 years (4.9.2881)	–	<b>2,553</b>	1981
<b>Faber Plaza Sdn Bhd</b> 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 sq. ft.	Office use-rental	Freehold	17	<b>22,100</b>	1983
<b>Faber Medi-Serve Sdn Bhd</b> Lot No. 65 Kamunting Perak	Incinerator Plant	5.87 acres	–	Incinerator for hospitals clinical waste	Leasehold	–	<b>1,615.62</b>	14.11.2002
Lot No. 37 Kuala Ketil Industrial Estate Mukim of Tawar District of Baling, Kedah	Laundry Plant	2.24 acres	–	–	Leasehold (26/3/2056) 60 years	–	<b>1,085.99</b>	19.5.2003
Lot No. 131 (CL215359890) & Lot No. 132 (CL215359907) SEDCO Industrial Estate Lok Kawi, Sabah	Incinerator and Laundry Plant	2066.3 sq. metres	–	Incinerator and Laundry Plant for Hospital Support Services	Leasehold (13.12.2042)	–	<b>582.54</b>	10.4.2000



# OTHER INFORMATION

## **Utilization of Proceeds**

There were no proceeds raised by FGB from any corporate proposals during the financial year ended 31 December 2003.

## **Shares Buy-Backs**

There were no share buy-backs during the financial year ended 31 December 2003.

## **Options, Warrants or Convertible Securities Exercised**

FGB has not issued any options, warrants or convertible securities in respect of the financial year ended 31 December 2003.

## **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**

FGB has not sponsored any ADR or GDR programme for the financial year ended 31 December 2003.

## **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 year ended 31 December 2003 was RM609,030 in respect of tax related consultancy fees and services rendered for corporate exercises undertaken by the FGB Group.

## **Variation in Results**

There is no material variance between the audited results and the previously announced unaudited results for the financial year ended 31 December 2003.

## **Profit Guarantee**

FGB did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2003.

## **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 year ended 31 December 2003 or entered into since the end of the previous financial year.

Managed Network Service Agreement dated 21 November 2003 between Faber Medi-Serve Sdn Bhd ("FMS") and Telekom Malaysia Berhad ("Telekom") in relation to the provision, installation, testing and commissioning of an internet protocol-virtual private network to provide internet protocol data connectivity to all locations specified by FMS via a wide area network for a period of five (5) years at a total contract sum of RM6,371,133.

FMS is a subsidiary company of FGB. Khazanah Nasional Berhad ("Khazanah") is a substantial shareholder of FGB through its wholly-owned subsidiary, Syarikat Danasaham Sdn Bhd, which in turn holds approximately 100% of United Engineers (M) Berhad ("UEM"). UEM in turn holds 97,242,268 ordinary shares of RM1.00 each in FGB representing 47.28% of the issued and paid-up share capital of FGB as at 31 October 2003.

Khazanah is also a substantial shareholder of Telekom by virtue of its holding of 1.080 billion ordinary shares of RM1.00 each in Telekom, representing 34.04% of the issued and paid-up share capital of Telekom as at 15 October 2003.

# RECURRENT RELATED PARTY TRANSACTIONS

The shareholders of Faber Group Berhad ("FGB") had at the Fortieth Annual General Meeting held on 18 June 2003 granted their approval for FGB and its subsidiary companies ("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 27 May 2003.

For the financial year ended 31 December 2003, 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 27.5.2003	Aggregate Value of Transactions (RM)
1.	FGB Group	Staff training and development	UEM Group Management Sdn Bhd ("UEMG") (formerly known as HBN Management Sdn Bhd)	UEMG is a wholly-owned subsidiary company of United Engineers (Malaysia) Berhad ("UEM") <sup>##</sup> .  Ahmad Pardas Senin, a past Director of FGB is also a past director of UEMG. He is also a director of TimedotCom Berhad ("TIMEdotCom") and past director of TIME Engineering Berhad ("TIME"), Rangkaian Segar Sdn Bhd ("Rangkaian Segar") and Setia Haruman Sdn Bhd ("Setia Haruman").	176,000
2.	Faber Medi-Serve Sdn Bhd ("FMS")	Audit services	UEMG		134,000
3.	FGB Group	Administrative services	UEMG		67,500
4.	Faber Union Sdn Bhd ("FUSB")	Rental of bus	Park May Berhad ("PMB")	PMB is a 43% owned associate company of Renong Berhad ("RB") <sup>**</sup> .	126,500
5.	FGB Group	Insurance premiums (including brokerage)	Bradstock Insurance Brokers Sdn Bhd ("Bradstock")	Bradstock is a 30% owned associate company of Hatibudi Nominees (Tempatan) Sdn Bhd, a wholly-owned subsidiary company of RB <sup>**</sup> .	1,951,000

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 27.5.2003	Aggregate Value of Transactions (RM)
6.	FMS	Provision of ash disposal services	Kualiti Alam ("Kualiti Alam")	<p>Kualiti Alam is a wholly-owned subsidiary company of Kualiti Alam Holdings Sdn Bhd, which in turn is wholly-owned by UE Construction Sdn Bhd, which in turn is wholly-owned by UEM##.</p> <p>Azmanuddin Haq bin Ahmad, a Director of FGB is an alternate director of Kualiti Alam. He is also a director of United Services and Automotive Industries Sdn Bhd ("USAI").</p>	100,000
7.	FGB Group	Purchase of airline tickets and payment of airport tax to Malaysia Airport Holdings Berhad ("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 of Ikral Management Services Sdn Bhd, a wholly-owned subsidiary company of Ikral Capital Sdn Bhd.	703,000
8.	FGB Group	Repair and maintenance of vehicles	USAI	<p>USAI is a wholly-owned subsidiary company of UEM##.</p> <p>Azmanuddin Haq bin Ahmad, a Director of FGB is a director of USAI. He is also an alternate director of Kualiti Alam.</p>	24,000
9.	FGB Hotel Companies	Rental of counters at airports managed	MAHB	<p>MAHB is a 23.48% owned associate company of Khazanah Nasional Berhad ("Khazanah").</p> <p>Khazanah also indirectly holds a 31% equity interest in RB via Syarikat Danasaham Sdn Bhd ("Danasaham"), a wholly-owned subsidiary company of Khazanah who eventually holds 100% equity interest in UEM##.</p>	51,000

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 27.5.2003	Aggregate Value of Transactions (RM)
10.	FUSB	Rental of office space in Faber Towers and ancillary facilities from FUSB	Rangkaian Segar	UEM##, RB** and PMB each holds 20% in Rangkaian Segar.  Ahmad Pardas Senin, a past Director of FGB is a past director of Rangkaian Segar. He is also a director of TIMEdotCom and past director of UEMG, TIME and Setia Haruman.	345,500
			Projek Penyelenggaraan Lebuhraya Berhad ("Propel")	Propel is a 56.2% owned subsidiary company of UEM##.	398,500
			Prolink Development Sdn Bhd ("Prolink")	Prolink is a 80% owned subsidiary company of Amra Resources Sdn Bhd ("Amra"), which in turn is a 80% owned subsidiary company of RB**.  Dato' Anwar bin Haji @ Aji, the Chairman and a Director of FGB, is also a director of UEM, Prolink and Danasaham.  Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is the managing director of Prolink and is also a director of Mahisa Sdn Bhd ("Mahisa"), Vistajati Holdings Sdn Bhd ("Vistajati") and Setia Haruman.	154,500
			Setia Haruman	Setia Haruman is a 25% owned associate company of RB**.  Ahmad Pardas Senin, a past Director of FGB is a past director of Setia Haruman. He is also a director of TIMEdotCom and past director of UEMG, TIME and Rangkaian Segar.	105,000

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 27.5.2003	Aggregate Value of Transactions (RM)
			Projek Lebuhraya Utara-Selatan Berhad ("PLUS")	Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is a director of Setia Haruman, Mahisa and Vistajadi and the managing director of Prolink.  PLUS is a wholly-owned subsidiary company of PLUS Expressways Berhad ("PLUS Expressways") which in turn is a 46.4% owned associate company of UEM##.	1,528,000
			Mahisa	Mahisa is a wholly-owned subsidiary company of RB*.*.  Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is a director of Mahisa and is also the managing director of Prolink and a director of Vistajadi and Setia Haruman.	2,500
			Kinta Kellas ("KK") and its subsidiary companies ("KK Group")	KK is a 62.4% owned subsidiary company of UEM##.	896,000
			UEM and its subsidiary companies ("UEM Group")	UEM is a major shareholder of RB, holding a 31% direct and indirect interest. Danasaham in turn is the sole shareholder of UEM##.	276,000
			Telekom Malaysia Berhad and its subsidiary companies ("Telekom Group")	Telekom is a 34.68% owned associate company of Khazanah.  Khazanah also indirectly holds a 31% equity interest in RB via Danasaham a wholly-owned subsidiary company of Khazanah who eventually holds 100% equity interest in UEM##.	96,000

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 27.5.2003	Aggregate Value of Transactions (RM)
11.	FUSB	Rental of basement and rooftop space of Faber Towers	TTdotCom Sdn Bhd ("TTdC")	<p>TTdC is a wholly-owned subsidiary company of TIMEdotCom, which in turn is a 44.7% owned associate company of TIME, which in turn is a 46.8% owned associated company of RB**.</p> <p>Ahmad Pardas Senin, a past Director of FGB is also a director of TIMEdotCom. He is also a past director of UEMG, TIME, Rangkaian Segar and Setia Haruman.</p> <p>Elakumari a/p Kantilal, a Director of FGB, is also a director of TIME and TIMEdotCom.</p> <p>TIMEdotCom is also a 30% owned associate company of Khazanah.</p>	21,500
12.	FUSB	Administration of shuttle bus services	<p>Rangkaian Segar</p> <p>Propel</p>	<p>UEM##, RB** and PMB each holds 20% in Rangkaian Segar.</p> <p>Ahmad Pardas Senin, a past Director of FGB, is a past director of Rangkaian Segar. He is also a director of TIMEdotCom and past director of UEMG, TIME and Setia Haruman.</p> <p>Propel is a 56.2% owned subsidiary company of UEM##.</p>	<p>7,500</p> <p>5,500</p>

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 27.5.2003	Aggregate Value of Transactions (RM)
			Prolink	Prolink is a 80% owned subsidiary company of Amra, which in turn is a 80% owned subsidiary company of RB**.  Dato' Anwar bin Haji @ Aji, the Chairman and a Director of FGB, is also a director of UEM, Prolink and Danasaham.  Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is the managing director of Prolink and is also a director of Mahisa, Vistajati and Setia Haruman.	3,000
			PLUS	PLUS is a wholly-owned subsidiary company of PLUS Expressways which in turn is a 46.4% owned associate company of UEM##.	21,000
			KK Group	KK is a 62.4% owned subsidiary company of UEM##.	12,000
			UEM Group	UEM is a major shareholder of RB, holding a 31% direct and indirect interest. Danasaham in turn is the sole shareholder of UEM##.	7,500
13.	FM Property Management Sdn Bhd ("FMPM")	Provision of property management services, including reimbursable expenses	Vistajati	Vistajati is a wholly-owned subsidiary company of UEM##.  Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is a Director of Vistajati. He is also the managing director of Prolink and a director of Mahisa & Setia Haruman.	420,000

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 27.5.2003	Aggregate Value of Transactions (RM)
14.	FMS	Supply of consumables	Pharmaniaga Logistics Sdn Bhd ("PLSB")	<p>PLSB is a 70% owned subsidiary company of Pharmaniaga Berhad ("Pharmaniaga"), which in turn is a 31% owned associated company of UEM##.</p> <p>Dato' Ir. (Dr.) Mohammad Noor bin Hj. Salleh, a past Director of FGB (resigned with effect from 17 March 2003), is also a director of Pharmaniaga.</p>	500,000
15.	FMPM	Fees receivable from management of car park	Setia Haruman	<p>Setia Haruman is a 25% owned associate company of RB**.</p> <p>Ahmad Pardas Senin, a past Director of FGB, is a past director of Setia Haruman. He is also a director of TIMEdotCom and past director of UEMG, TIME and Rangkaian Segar.</p> <p>Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is a director of Setia Haruman, Mahisa and Vistajadi and the managing director of Prolink.</p>	281,000
16.	FGB Group	Provision of satellite network services to FGB Group	Measat Broadcast Network Systems Sdn Bhd ("Measat")	<p>Measat is a wholly-owned subsidiary company of Astro All Asia Networks Limited ("AAN"). Khazanah holds 15.94% of the equity interest in AAN.</p> <p>Khazanah also indirectly holds a 31% equity interest in RB via Danasaham, a wholly-owned subsidiary company of Khazanah who eventually holds 100% equity interest in UEM##.</p>	339,000



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 27.5.2003	Aggregate Value of Transactions (RM)
17.	FGB Group	Legal services to FGB Group	Abu Talib, Shahrom and Zahari ("ATSZ")	Abu Talib bin Abdul Rahman, a director of UEM## is a partner in the law firm of ATSZ.	100,500
18.	FGB Group's property development companies	Sale of property units by FGB Group's property development companies	Any Related Party who may wish to purchase properties developed by FGB Group's property development companies	—	—

Notes:

\*\* FGB is a 47.91% owned associated company of Cantuman Bahagian Sdn Bhd as at 30 April 2003, which in turn is a wholly-owned subsidiary of Fleet Group Sdn Bhd, which is in turn wholly-owned by RB.

Ahmad Pardas Senin, a past Director of FGB is a director of TIMEdotCom, the past group managing director of RB and is also a past director of UEMG, TIME, Rangkaian Segar and Setia Haruman.

Dato' Ikmal Hijaz bin Hashim, a Director of FGB, is the managing director of RB and Prolink, and is also a director of Mahisa, Vistajati and Setia Haruman.

## UEM is a major shareholder of RB, holding a 48.7% direct and indirect interest. Danasaham in turn is substantial shareholder of UEM. Dato' Anwar bin Haji @ Aji, the Chairman and a Director of FGB, is also a director of UEM, Prolink and Danasaham.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 41st Annual General Meeting of the Company will be held at Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 28 June 2004 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 financial year ended 31 December 2003 together with the Directors' and Auditors' reports therein. **Ordinary Resolution 1**
2. To approve the fees payable to Directors for the financial year ended 31 December 2003. **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, they have offered themselves for re-election:-
  - Dato' Ikmal Hijaz bin Hashim **Ordinary Resolution 3**
  - Encik Azmanuddin Haq bin Ahmad **Ordinary Resolution 4**
  - Puan Noorizah binti Hj Abd Hamid **Ordinary Resolution 5**
4. To re-elect the following Director who is retiring in accordance with Article 70 of the Company's Articles of Association and being eligible, he has offered himself for re-election:-
  - Encik Puasa bin Osman **Ordinary Resolution 6**
5. To re-appoint Messrs Ernst & 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 7**

### As Special Business

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

6. **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 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 Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Ordinary Resolution 8**
7. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Mandate for Additional Recurrent Related Party Transactions ("the Proposal")**  
"THAT the mandate granted by the shareholders of the Company on 18 June 2003 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authorising 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 section 2.4 (A) of the Circular ("the Circular") to Shareholders dated 4 June 2004 with the related parties mentioned therein, be and is hereby renewed AND THAT a mandate be and is hereby granted by the shareholders of the Company for the FGB Group to enter into the additional recurrent transactions of a revenue or trading nature as set out in section 2.4 (B) of the Circular provided that:-
  - 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

- 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:-
  - the type of the Recurrent Transactions made,
  - 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 renewed and granted mandate shall continue to be in force until:-

- the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the mandate is given, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;
- 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
- revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposal. **Ordinary Resolution 9**

8. 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  
4 June 2004

#### **Note 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.

Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

An instrument appointing a proxy, in the 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.

#### **Note 2**

##### **Resolution pursuant to Section 132D of the Companies Act, 1965**

The proposed Resolution 8, if passed, would enable the Directors to issue up to a maximum of 10% of the issued and paid up 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 Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Mandate for Additional Recurrent Related Party Transactions**

The detailed information on the Recurrent Party Transactions is set out in the Circular to Shareholders of the Company dated 4 June 2004 in relation to the Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Mandate for Additional Recurrent Related Party Transactions which was dispatched together with the Company's Annual Report 2003.

## Statement Accompanying the Notice of the 41st Annual General Meeting

Pursuant to Paragraph 8.28 (2) of the Bursa Malaysia Securities Berhad 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' Ikmal Hijaz bin Hashim
- Encik Azmanuddin Haq bin Ahmad
- Noorizah binti Hj Abd Hamid

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

- Encik Puasa bin Osman

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 8 Board of Directors' Meeting were held in the financial year ended 31 December 2003 as follows:-

	<b>Date</b>
Board of Directors' Meeting	19 February 2003
Board of Directors' Meeting	27 February 2003
Board of Directors' Meeting	17 March 2003
Board of Directors' Meeting	29 April 2003
Board of Directors' Meeting	23 May 2003
Board of Directors' Meeting	25 August 2003
Board of Directors' Meeting	18 November 2003
Board of Directors' Meeting	23 December 2003

3. Details of attendances of Directors at the Board of Directors' Meetings held in the financial year ended 31 December 2003 are as follows:-

<b>Name of Director</b>	<b>No. of Meetings Attended</b> (A total of 8 Board Meetings were held)
Dato' Anwar bin Haji @ Aji	8/8
Datuk Zainal Abidin bin Alias	8/8
Dato' Mohamed Zain bin Mohamed Yusuf	8/8
Dato' Ikmal Hijaz bin Hashim	8/8
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	7/8
Elakumari a/p Kantilal	6/8

**Name of Director****No. of Meetings Attended**  
(A total of 8 Board Meetings were held)

Azmanuddin Haq bin Ahmad *	8/8
Noorizah binti Hj. Abd. Hamid **	5/8
Puasa bin Osman ***	3/8
Dato' Prof. Ir. Dr. Mohammad Noor bin Haji Salleh+	2/8
Ahmad Pardas Senin ++	0/8

\* Appointed on 18 February 2003

\*\* Appointed on 17 March 2003

\*\*\* Appointed on 19 June 2003

+ Resigned on 17 March 2003

++ Resigned on 18 February 2003

**4. Date, Time and Place of the 41st Annual General Meeting**

Date : Monday, 28 June 2004

Time : 10.00 a.m.

Place : Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur

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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 Forty-First (41st) Annual General Meeting of the Company to be held at Nusantara Ballroom, 2nd Floor, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Monday, 28 June 2004 at 10.00 am and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
<b>Ordinary Resolution 1</b> Receipt of Reports and Accounts		
<b>Ordinary Resolution 2</b> Approval of Fees Payable to Directors		
<b>Ordinary Resolution 3</b> Re-election of Director		
<b>Ordinary Resolution 4</b> Re-election of Director		
<b>Ordinary Resolution 5</b> Re-election of Director		
<b>Ordinary Resolution 6</b> Re-election of Director		
<b>Ordinary Resolution 7</b> Re-appointment of Auditors		
<b>Ordinary Resolution 8</b> Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		
<b>Ordinary Resolution 9</b> Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Mandate for Additional Recurrent Related Party Transactions		

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 \_\_\_\_\_ 2004

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.

Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

An instrument appointing a proxy, in the 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.

PROXY  
FORM

「 「  
STAMP  
」 」

The Company Secretary  
**FABER GROUP BERHAD**

20th Floor, Menara 2, Faber Towers  
Jalan Desa Bahagia,  
Taman Desa, Off Jalan Kelang Lama  
58100 Kuala Lumpur



