

Corporate Review

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MISSION STATEMENT

OUR MISSION IS TO BE THE LEADING PROVIDER OF VALUED SERVICES AND PRODUCTS IN THE HOSPITALITY, HEALTHCARE AND PROPERTY INDUSTRIES.

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message from the chairman

DATO' ANWAR BIN AJI

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of Faber Group Berhad ("Faber") for the financial year ended 30 June 2001.

Year 2000 saw the economy grow at a strong 8.3 % compared to 6.1% in 1999. However, for the first half of 2001, in tandem with the global economic slowdown, the Malaysian economy grew at a much slower pace at 2.0%. The Government has recently revised its economy growth forecast for 2001 from 1% to 2%.

Financial Review

The past financial year was another challenging year for the Group. Nevertheless, I am pleased to report that the Group's results have registered positive growth for the 4th consecutive year in turnover and reduction in pre-tax loss.

During the year under review, the Group's turnover has risen by 6.2% to RM499.3 million, from RM470.2 million in the previous year. The Group has also reduced its pre-tax loss to RM103.3 million, which is an improvement of 10% when compared to a pre-tax loss of RM114.9 million recorded last year. At the profit before interest, depreciation and amortization and exceptional items level, the Group has reported an impressive growth of RM32.2 million or 107% increase from RM29.9 million in the last financial year to RM62.1 million in the current year. This is attributed mainly to higher gross operating profit from the Hotels Division as they have shown marked improvement in the average room occupancy rate and average room rate over last year's performance.

The Property Division recorded a 3.2% increase in turnover, from RM83.6 million to RM86.3 million, while the Division's pre-tax profit grew by 4.4% from RM11.4 million to RM11.9 million. The improvement in the Division's results was due to the higher progress billings from the property development activities and gain from the disposal of two parcels of land – Changkat Minden located in Penang and OUG land in Kuala Lumpur.



The Hotels Division has recorded the highest growth in turnover for the current financial year contributing 27% to the Group's turnover. The Division's turnover has improved by 17.1%, from RM115.1 million to RM134.8 million. The Group's hotel properties have registered higher average room occupancy, that is, from 55% to 59%, and also an increase in the average rate from RM184.00 last year to RM206.00 for the current financial year. These factors when combined, contributed to the impressive growth in turnover for the Division. However, the high interest expense of RM123.3 million (2000 : RM117.1 million) arising from borrowings to finance the construction and upgrading of the Group's hotel properties in the previous years attributed to the Division's pre-tax loss of RM123.9 million (2000 : RM137.4 million).

The Healthcare Division has achieved RM275.3 million in turnover, contributing to 55.1% of the Group's total turnover. This represents a 2.0% increase compared to RM269.8 million in the previous year. The Division also registered a pre-tax profit of RM12.3 million, which is a decline of RM5.4 million compared to the last financial year's profit of RM17.7 million. The decline was largely attributable to the increase in the direct cost incurred in the provision of the Hospital Support Services due to the indexation of the turnkey contractors' contract rates.

Debt Restructuring

During the year under review, Faber has successfully completed its Debt Restructuring exercise involving a Composite Scheme of Arrangement including its proposed Capital Reduction on 22 December 2000.

Overall, the successful implementation of the Debt Restructuring exercise allows the Group to continue to focus its resources in re-building value in its core businesses.

ISO Certification

In recognition of the Group's mission to be the leading provider of valued services and products in the hospitality, healthcare and property industries, the Group is embarking on the ISO 9001 : 2000 – Quality Management System Programmes. The Group has embraced a Quality Policy with a clear-cut commitment to satisfy the expectations of our customers by providing quality and value-added services through continuous service improvements, teamwork, dedication and professionalism. The Group shall endeavour to continually improve the effectiveness of our quality management system in our pursuit of quality excellence. Emphasis has been directed to introduce effective systems and procedures through enhanced performance standards in all its operations. The Group is targeting to obtain the ISO 9001 : 2000 Certification by November 2001.

During the year under review, the Sibul Clinical Waste Incineration Plant has received its ISO 9002 Certification from SGS Yarsley International Certification Services Limited on 3 November 2000.



Operations Review

The three core Divisions remain active in their operations during the past financial year, and are constantly looking to embrace new perspectives, to innovate and to continually strive for greater insight, growth and renewal of our businesses.

As the Group's mission is to be the leading provider of valued services and products to its customers, it is critical for the Group to focus on the need to better understand the customer's desires for the highest quality services, so as to ensure their loyalty to our services and products.

During the year under review, the Property Division has successfully completed and handed over two residential projects i.e. Tiara Faber Condominium and Taratak Muhibbah, both located in Taman Desa, Kuala Lumpur. These newly completed properties will be contributing additional revenue to the Group when FM Property Management Sdn Bhd ("FMPM") takes over the facilities management of both properties. The Property Division's efforts in sourcing new businesses was also realized when FMPM was appointed as facility and property manager of Vista Komanwel Condominium, Bukit Jalil in December 2000.

Other up-coming projects planned for the next financial year include the launching and development of the following projects which are all located in Taman Desa : 500 units medium-cost Danau Murni Condominium, 266 units low-cost condominium, 68 units of four-storey terrace shop offices and 220 units of luxury condominium.

In addition to the above, the Property Division is also re-negotiating the terms and conditions with the Government to revive the privatization project to construct the Federal Reserve Unit ("FRU") Complex through Faber Development Holdings Sdn Bhd's subsidiary, Rimbunan Melati Sdn Bhd ("RMSB"). The above privatization project was previously signed in 1996, but put on hold due to the economic slowdown.

The Group's Hotels Division has also managed to attain its targeted average room occupancy of 59% during the financial year. This was the result of the concerted efforts of aggressive marketing strategies formulated with the aim of raising the standards of hospitality and service to all discerning customers. On 16 June 2001, the Hotels Division won the following Malaysian Tourism Awards – Sheraton Imperial Kuala Lumpur as runner-up for "Malaysia's Leading Luxury Hotel"; and Sheraton Hotels & Resorts as runner-up in the "Outstanding Contribution to Tourism Award". I am also pleased to announce that our flagship hotel, Sheraton Imperial Kuala Lumpur has been acknowledged for its product excellence and outstanding service standards to business travellers when it was awarded the "Best Business Hotel in Malaysia" on 25 September 2001 in an event organized by Business Asia Magazine and Bloomberg Television, Hong Kong. I am confident these awards will further reinforce our Sheraton chain of hotels' position in the hospitality industry in Malaysia as well as in the Asia Pacific region.

As for the Group's Healthcare Division, in its efforts to further improve the quality of hospital support services, Faber Medi-Serve Sdn Bhd ("FMS") has successfully taken over the management and provision of Linen and Laundry services from one of its turnkey contractors for hospitals in the Northern Zone and in East Malaysia on 1 July 2000 and 1 October 2000 respectively. To further enhance its crisis management procedures, FMS has also launched an Emergency hotline at its head office, all zone offices and its incinerator plants in Kamunting and Sibul which is manned by Executives On-Call on a 24-hour, seven days-a-week basis all throughout the year.

The Healthcare Division has also set up an Integration Task Force Team to ensure no disruption of the Hospital Support Services to all 71 Government hospitals under its concession, and to oversee the smooth taking-over of all the provision of hospital support services from its turnkey contractors upon the expiry of their contracts at the end of this year.

Outlook for 2002

The outlook for the Group in the next financial year will very much depend on the world and regional economies. This is especially so after the events of September 11, 2001 which had badly affected the Airline Industry worldwide, and thus, the Hotel and Tourism Industry as well. We foresee a general slow down in tourist arrivals which may adversely affect the hotels' performance. In response, new marketing and promotions strategies are being carried out to woo local businesses as well as tourists from other Asian countries in order to mitigate the anticipated shortfall in tourist arrivals. The increase in the Tourism Fund from RM200 million to RM400 million in the Malaysia Budget 2002 will act as a catalyst to revive the tourism industry. Nevertheless, barring any unforeseen circumstances, we foresee the Property and Healthcare Divisions to grow in tandem with the country's economy.

Human Resource Development

The Group has always placed high priority in its commitment in manpower development. All manpower training and development programmes at every operating levels are geared towards meeting both corporate goals and personal development. Our ongoing efforts to achieve ISO Certification at all operating levels are a clear indication of the Group's aspirations to develop and maintain a pool of competent staff who will continually embrace innovative skills and raise performance standards so as to better meet the challenges faced in the industry today. In the year under review, the Group's manpower strength grew by 13.4% to 3,313 as compared to the previous year of 2,922.

Acknowledgement

I wish to extend my appreciation to my fellow Board of Directors for their contribution and support. On behalf of the Board of Directors, I would like to acknowledge the commitment and dedication shown by the Management and staff and to commend them for their loyal service.

My appreciation and gratitude goes out, as well, to our shareholders, bankers, customers, suppliers, business partners, contractors, consultants and the Government agencies for their unwavering support and confidence in the Group.

Thank you.



Dato' Anwar bin Aji

CHAIRMAN

26 October 2000

corporate information

Board of Directors

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

Mr. Christopher Lawrence Bachran
Managing Director

Y. Bhg. Datuk Zainal Abidin bin Alias
Independent Non-Executive

Y. Bhg. Dato' Mohamed Zain bin
Mohamed Yusuf
Independent Non-Executive

Y. Bhg. Dato' Ikmal Hijaz bin Hashim
Non-Independent Non-Executive

Y. Bhg. Dato' (Dr) Mohamed Ishak bin
Haji Mohamed Ariff
Non-Independent Non-Executive

Ms. Elakumari a/p Kantilal
Non-Independent Non-Executive

En. Ahmad Pardas Senin
Non-Independent Non-Executive

Company Secretary

Ms. Gwee Ooi Teng (MAICSA 0794701)

Group Management

Faber Group Berhad
Mr. Christopher Lawrence Bachran
Managing Director

Pn. Noorizah Haji Abd Hamid
Chief Operating Officer

Faber Development Holdings Sdn Bhd
Mr. Wong Weng Peng
Managing Director

Faber Hotels Holdings Sdn Bhd
Mr. Christopher Lawrence Bachran
Managing Director

Faber Medi-Serve Sdn Bhd
En. Tajul Azwa Bani Hashim
Director/Chief Operating Officer

Registered Office

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

Audit Committee

Y. Bhg. Datuk Zainal Abidin bin Alias
Chairman
Independent Non-Executive

Y. Bhg. Dato' Mohamed Zain bin
Mohamed Yusuf
Independent Non-Executive

Ms. Elakumari a/p Kantilal *
Non-Independent Non-Executive

* Member of Malaysian Institute of Accountants

Auditors

Arthur Anderson & Co.
Level 23A Menara Milenium,
Jalan Damanlela, Damansara Heights,
50490 Kuala Lumpur.
Tel (03) 257 7000
Fax (03) 255 5332

Share Registrar

Signet Share Registration Services
Sdn Bhd
11th Floor, Tower Block,
Kompleks Antarabangsa,
Jalan Sultan Ismail,
50250 Kuala Lumpur.
Tel (03) 2142 1341
Fax (03) 2142 1353

Principal Bankers

Bumiputra Commerce Bank Berhad
Commerce International Merchant
Bankers Berhad

Principal Solicitors

Rashid & Lee
Abu Talib Shahrom & Zahari
Adnan Sundra & Low
Shearn Delamore & Co.

Stock Exchange Listing

Main Board of the
Kuala Lumpur Stock Exchange

Faber Development Holdings Sdn Bhd 100%

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

Faber Hotels Holdings Sdn Bhd 100%

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

Faber Healthcare Management Sdn Bhd 100%

Faber Medi-Serve Sdn Bhd 57%

A BRIEF HISTORY

On 31 May 1963, when Merlin Hotels Malaysia Berhad was first incorporated, it set the stage for the birth of Faber Group Berhad. At the time, Merlin Hotels Malaysia Berhad was focused on the hospitality industry, and was the holding company for only two subsidiaries, Hotel Merlin Kuala Lumpur Sdn Bhd and Hotel Merlin Cameron Highlands Berhad.

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

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 hospital support services for Government hospitals in the northern region and in East Malaysia.



FABER GROUP TODAY

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

Properties

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

Hotels

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

Healthcare

The 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 71 Government hospitals in the country is further testimony to the respect and the reputation of the Group.

There can be no doubt that after 38 years, Faber Group Berhad has evolved into an extraordinary group of companies. In the words of the late John F Kennedy, "Change is the law of life. And those who only look to the past or the present are certain to miss the future."

Now, more than ever, the Group is poised to fulfill its mission of becoming the leading provider of valued products and services in the Hospitality, Property and Healthcare industries.

[Left] Ipoh Hospital, one of the hospitals in which FMS provides support services of uncompromised quality **[Center]** Danau Permai – a residential property developed by FDH and managed by FMPM **[Right]** Sheraton Perdana Resort, Langkawi, another mark of excellence achieved by the Faber Group