

contents



CORPORATE REVIEW

AN OVERVIEW OF FABER GROUP

- 02 MESSAGE FROM THE CHAIRMAN
- 07 5-YEAR GROUP FINANCIAL HIGHLIGHTS
- 08 GROUP FINANCIAL SUMMARY
- 09 GROUP QUARTERLY PERFORMANCE
- 10 CORPORATE INFORMATION
- 11 CORPORATE STRUCTURE
- 12 CORPORATE PROFILE

CORPORATE INFORMATION

- 14 BOARD OF DIRECTORS
- 16 BOARD OF DIRECTORS' PROFILE
- 21 SENIOR MANAGEMENT'S PROFILE

OPERATIONS REVIEW

- 22 FACILITIES MANAGEMENT HEALTHCARE
- 26 FACILITIES MANAGEMENT NON-HEALTHCARE
- 27 PROPERTY DEVELOPMENT
- 30 PEOPLE AND ORGANISATIONAL DEVELOPMENT
- 32 EMPLOYEE CARE
- 33 QUEST FOR QUALITY
- 34 GROUP CORPORATE CALENDAR
- 36 GROUP FINANCIAL CALENDAR
- 37 FABER IN THE NEWS
- 38 STATEMENT ON CORPORATE GOVERNANCE
- 46 STATEMENT ON INTERNAL CONTROL
- 50 AUDIT COMMITTEE REPORT
- 55 STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF AUDITED FINANCIAL STATEMENTS

FINANCIAL REVIEW

FINANCIAL STATEMENTS

- 57 DIRECTORS' REPORT
- 60 STATEMENT BY DIRECTORS
- 60 STATUTORY DECLARATION
- 61 REPORT OF THE AUDITORS
- 62 CONSOLIDATED INCOME STATEMENT
- 63 CONSOLIDATED BALANCE SHEET
- 64 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 65 CONSOLIDATED CASH FLOW STATEMENT
- 66 INCOME STATEMENT
- 67 BALANCE SHEET
- 68 STATEMENT OF CHANGES IN EQUITY
- 69 CASH FLOW STATEMENT
- 70 NOTES TO THE FINANCIAL STATEMENTS
- 125 SHARE PRICE MOVEMENT
- 125 ANALYSIS OF SHAREHOLDINGS
- 128 PROPERTIES HELD BY GROUP
- 129 OTHER INFORMATION
- 130 RECURRENT RELATED PARTY TRANSACTIONS
- 135 NOTICE OF THE 43RD ANNUAL GENERAL MEETING

PROXY FORM

GROUP DIRECTORY

message from the chairman



DATO' ANWAR BIN AJI
Chairman

Dear Shareholders,

WE ARE CONFIDENT ABOUT THE PRESENT AND WHAT THE FUTURE HOLDS FOR US AFTER THE SUCCESSFUL COMPLETION OF OUR DEBT RESTRUCTURING AND HAVING BOUNCED BACK WITH POSITIVE FINANCIAL RESULTS. OUR FOCUS NOW IS TO ACCELERATE OUR PACE OF GROWTH IN THE FACILITIES MANAGEMENT AND PROPERTY DEVELOPMENT SECTORS. AND IN MOVING AHEAD, WE SEE NO BOUNDARIES, ONLY OPPORTUNITIES.

A NEW BEGINNING

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Audited Financial Statements of Faber Group Berhad ("the Group") for the financial year ended 31 December 2005.

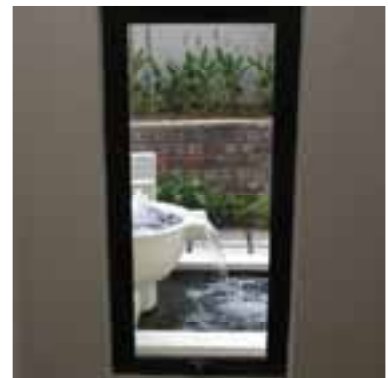
As you may recall, I reported last year that our debts were successfully resolved in September 2004 following which Bursa Malaysia Securities Berhad uplifted the Group's PN4 status on 8 November 2004. Indeed, our re-listing under the Trading/Services sector marks a new beginning for the Group for year 2005. Today, the Group is more focus in our existing core businesses and aggressively pursuing new business opportunities, both locally and regionally. We have also realigned our vision to be a leading regional integrated facilities solutions provider. In short, we are ready to pursue growth in the areas where we have strength in.

Aside from focusing on the strategic growth of our core businesses, we continue to seek avenues to improve earnings including reinforcing operational efficiencies, optimising asset-utilisation and maximising human capital development. To ensure the smooth implementation and emphasis on the achievement of the Group's performance targets at all levels, the Group has implemented the Key Performance Indicators ("KPIs") using the Balance Scorecard methodology. As a member of UEM Group and a Government Linked Company, the Group has also adopted the Transformation Programme to ensure better corporate governance and performance.

FINANCIAL PERFORMANCE

The financial year ("FY") 2005 was a significant year for the Group where we saw the true financial performance of the Group, post restructuring.

During FY2005, the Group achieved RM64.6 million in Profit Before Taxation ("PBT") as compared to RM469.3 million in FY2004. With the exclusion of RM449.3 million exceptional gain arising from the debt restructuring exercise in 2004, I am pleased to highlight that the Group's PBT excluding exceptional items has increased by more than two fold to RM53.8 million in FY2005. We also saw a significant cost savings especially in financial costs where it has reduced by RM24.7 million or 68.2% in FY2005. But more importantly, we have successfully attained profits after many years of reporting losses.



Total revenue achieved by the Group was RM502.2 million (FY2004: RM609.4 million) while Earnings Before Interest, Taxation, Depreciation and Amortization ("EBITDA") excluding exceptional items amounted to RM99.4 million for FY2005 (FY2004: RM102.9 million). The lower revenue and EBITDA in FY2005 was due to the Group's exit from the hotel business with the exception of Sheraton Hanoi and substantial write back in FY2004 arising from the debt restructuring exercise mentioned above. The Facilities Management Healthcare Division spearheaded by Faber Medi-Serve Sdn Bhd ("FMS") was the major contributor to the Group's financial performance.

The Group's shareholders' fund has also increased by RM31.5 million (15.8%) to RM231.4 million in FY2005 (FY2004: RM199.9 million).

message from the chairman

OPERATIONAL HIGHLIGHTS

The year 2005 saw the Group's business expansion efforts pursued by the respective divisions beginning to bear fruits. Our Facilities Management Healthcare Division through Faber Medi-Serve Sdn Bhd has secured additional concession-based contracts to provide hospital support services to two new hospitals in Sabah, thus further increasing the number of hospitals serviced to 75.

Under the Group's Property Development Division, the most notable milestone achieved was the successful completion of the Police Federal Reserve Unit ("FRU") Complex in Cheras by our subsidiary, Rimbunan Melati Sdn Bhd. The RM83.7 million design and construct turnkey project is expected to be handed over to the Government in April 2006, three months ahead of schedule. This bears ample testimony of the Group's capability in undertaking turnkey projects which will help the Group in opening doors to secure more projects.



Our new launches by the Property Development Division have also received good response from the public. The take up rate for Danau Villa has improved to 97%, while Rimbunan Avenue (commercial) and Rimbunan Melati 1 (residential) registered take up rates of 90% and 78%, respectively. Based on the encouraging response, the Property Development Division is ready to roll out more launches comprising mixed residential and commercial development based on market sentiment.

During 2005 the Group made inroads into new international markets. The Facilities Management Healthcare Division is strategically positioned to grow its business in the Philippines' healthcare market with the establishment of a branch office in Manila and contracts to provide biomedical engineering services to 14 private hospitals in the Philippines. In addition, this Division has also made inroads in the United Arab Emirates ("UAE") when it secured contracts to provide facilities engineering services and biomedical engineering services to selected government hospitals in the UAE. This Division has also secured another contract for equipment installation, testing, commissioning and warranty maintenance for selected equipment to four government hospitals in Vietnam.

The Group's Facilities Management Non-Healthcare Division via Faber Facilities Sdn Bhd ("FFSB") has also pursued overseas ventures to tap the overseas facilities management markets and in particular, India where negotiations with prospective partners are currently at an advanced stage.

The award of the above mentioned contracts and our joint alliances with our business partners have placed us in a better position to realise further opportunities regionally.

BUSINESS DEVELOPMENT

Moving forward, the Group's growth will not be limited by boundaries thanks to globalisation and increasing trade liberalisation that have helped create level playing fields throughout markets. Rest assured, we are a pro-active Group that is focused on growth. Hence, we will go the distance in seizing opportunities related to the Group's core businesses.



The last few years have indeed been trying ones for us, especially for our shareholders and our single most important asset - our employees - who have been with us through thick and thin. We are more committed in creating value for all stakeholders. The Group has thus put in place several strategies in growing our two core businesses – facilities management and property development. These include:

1. Tapping new domestic and international healthcare markets and seeking significant non-concession business growth.
2. Establishing strategic alliances with local partners in host countries where the Group is bidding for facilities management projects
3. Ensuring customer satisfaction through the timely delivery of properties that come with quality finishing.
4. New projects to complement our existing business to sustain growth momentum.

message from the chairman

OUTLOOK AND PROSPECTS

The outlook for the Group both in the middle to long term is promising following the realisation of some of our efforts both locally and overseas. The challenge before us is to raise the bar in our performance, something that I believe that we are capable of, given our wealth of experience and expertise in our core activities.

As a Group that believes in meritocracy, the timely implementation of KPIs for senior management that essentially peg remuneration to performance is seen as a positive move especially since it has enabled those who have contributed to the Group's growth to be rewarded accordingly.



ACKNOWLEDGMENT

The past few years have seen tough decisions being taken and even tougher measures implemented. But they were all done with only one thing in mind and that is to ensure that the Group has a future. To the many parties who have helped us to bounce back, on behalf of the Board, I would like to place on record my sincere thanks. I believe the road ahead is a brighter one for us all.

I would also like to acknowledge and thank all our stakeholders – shareholders, bankers, advisers, customers, suppliers, business partners, regulatory bodies and government agencies. To my fellow Board members, thank you for your wise counsel and continued support. To the management and staff of the Group, I truly value your contributions. Well done on a great performance!

Thank you.



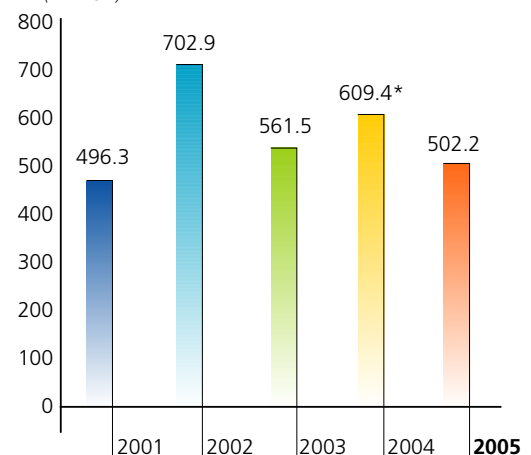
DATO' ANWAR BIN AJI
Chairman

20 March 2006

5-year group financial highlights

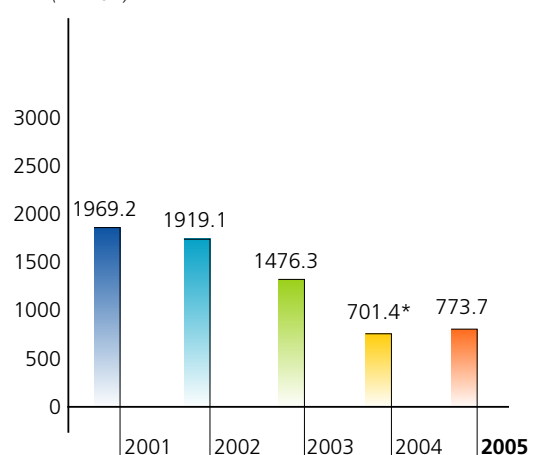
TURNOVER

RM (MILLION)



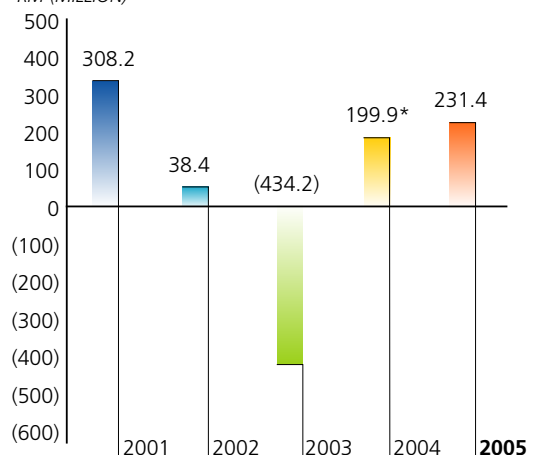
TOTAL ASSETS

RM (MILLION)



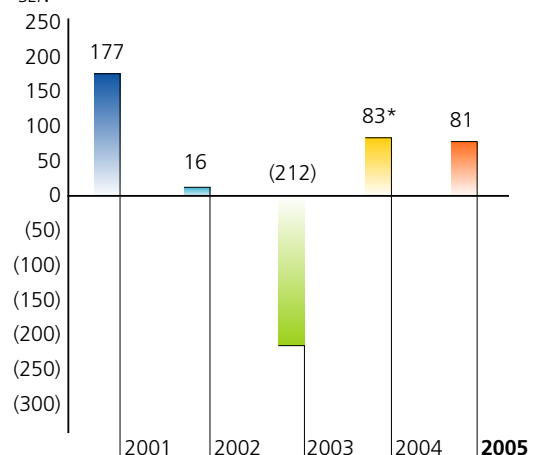
SHAREHOLDERS' FUNDS

RM (MILLION)



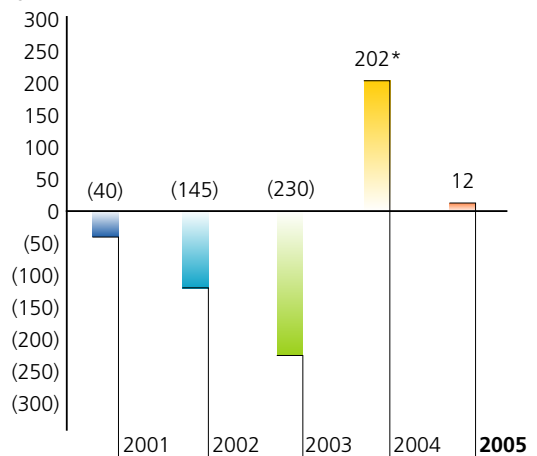
NET TANGIBLE ASSETS/(LIABILITIES) PER SHARE

SEN



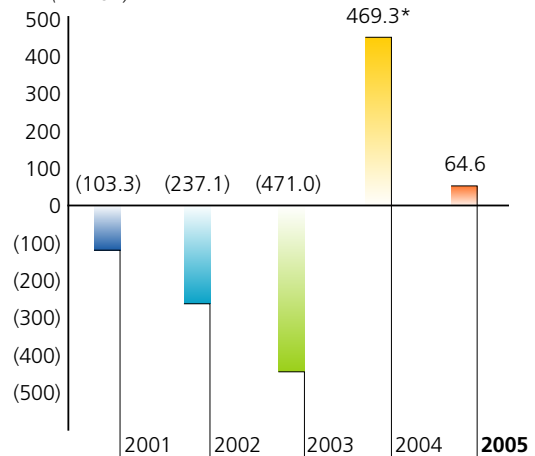
EARNINGS/(LOSS) PER SHARE

SEN



PROFIT/(LOSS) BEFORE TAXATION

RM (MILLION)



* Restated

group financial summary

CONSOLIDATED BALANCE SHEET

IN RM MILLION	AS AT 30 JUNE 2001	AS AT 31 DEC			
		2002	2003	2004 (Restated)	2005
Fixed assets	1,483.30	1,427.77	983.68	363.33	345.94
Other assets	90.00	67.65	42.07	30.71	67.75
Current assets	395.80	423.75	450.52	307.35	359.98
Total assets	1,969.10	1,919.18	1,476.27	701.39	773.66
Current liabilities	(315.60)	(279.97)	(215.79)	(160.74)	(182.33)
	1,653.50	1,639.20	1,260.48	540.65	591.33
Represented by:					
Share capital	162.00	201.56	208.00	234.85	278.00
Non-distributable reserves	34.30	74.69	77.22	103.75	148.34
Retained loss	(120.10)	(390.70)	(859.47)	(424.98)	(394.94)
ICULS	232.00	152.89	140.00	86.31	—
Preference shares	—	—	—	200.00	200.00
Shareholders' funds	308.20	38.44	(434.24)	199.93	231.39
Minority interests	76.30	81.00	73.40	65.19	65.81
Long term liabilities	1,269.00	1,519.76	1,621.33	275.53	294.13
	1,653.50	1,639.20	1,260.48	540.65	591.33
Net tangible asset/(liabilities) per share (sen)	177.00	15.46	(211.88)	82.73	81.21
Current ratio (times)	1.25	1.51	2.09	1.91	1.97
Liquidity ratio (times)	0.35	0.44	0.65	0.75	0.71
Gearing ratio (times)	4.06	38.94	(3.70)	1.31	1.21

CONSOLIDATED PROFIT & LOSS ACCOUNT

IN RM MILLION	AS AT 30 JUNE 2001	AS AT 31 DEC			
		2002*	2003	2004 (Restated)	2005
Revenue	496.30	702.89	561.46	609.40	502.24
Earnings/(loss) before interest, taxation, depreciation and amortization	54.10	36.60	(355.84)	553.97	110.09
Profit/(loss) before taxation	(103.30)	(237.12)	(471.03)	469.28	64.57
Taxation	(9.00)	(18.72)	0.03	(28.32)	(22.24)
Profit/(loss) after taxation	(112.30)	(255.85)	(471.00)	440.96	42.34
Minority interests	48.00	(9.76)	2.23	(8.03)	(12.30)
Profit/(loss) attributable to shareholders	(64.30)	(265.61)	(468.77)	432.93	30.03
Retained profit/(loss) for the year	(64.30)	(265.61)	(468.77)	432.93	30.03
Earnings/(loss) per share	(39.7)	(144.9)	(230.0)	202.2	12.0
Earnings/(loss) before interest, taxation, depreciation and amortization as a percentage of revenue (%)	11	5	(63)	91	22
Pre-tax profit/(loss) as a percentage of revenue (%)	(23)	(34)	(84)	77	13
Pre-tax profit/(loss) as a percentage of shareholders' funds at year end (%)	(34)	(617)	108	235	28

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

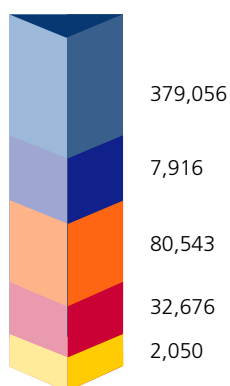
group quarterly performance

FOR THE YEAR ENDED 31 DECEMBER 2005

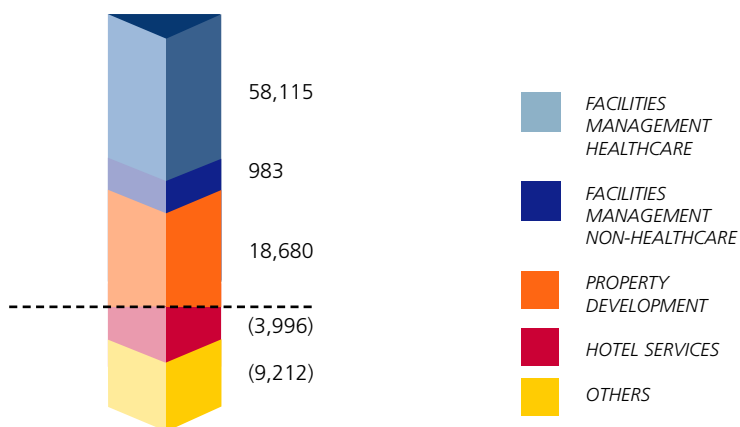
	1ST	2ND	QUARTER RM'000 3RD	4TH	TOTAL
Revenue	114,652	123,549	118,494	145,546	502,241
Operating expenses	(93,243)	(103,936)	(100,279)	(110,467)	(407,925)
Earnings before interest, taxation, depreciation and amortization and exceptional items	22,899	20,577	19,516	36,368	99,360
Profit/(loss) before taxation	14,644	9,223	20,013	20,690	64,570
Profit/(loss) attributable to shareholders	6,676	770	15,330	7,257	30,033
Earnings per share (sen)	2.8	0.3	6.2	2.7	12.0

BY SEGMENT

	1ST	2ND	QUARTER RM'000 3RD	4TH	TOTAL
Revenue					
Facilities Management Healthcare	85,727	91,008	88,252	114,069	379,056
Facilities Management Non-Healthcare	1,710	2,425	1,916	1,865	7,916
Property Development	20,332	22,685	20,369	17,157	80,543
Hotel Services	6,826	6,377	7,493	11,980	32,676
Others	57	1,054	464	475	2,050
Total	114,652	123,549	118,494	145,546	502,241
Profit Before Taxation					
Facilities Management Healthcare	15,737	9,761	9,952	22,665	58,115
Facilities Management Non-Healthcare	376	596	157	(146)	983
Property Development	4,235	5,026	3,876	5,543	18,680
Hotel Services	(3,394)	(4,162)	6,989	(3,429)	(3,996)
Other	(2,310)	(1,998)	(961)	(3,943)	(9,212)
Total	14,644	9,223	20,013	20,690	64,570



REVENUE BY SEGMENT RM'000



PROFIT BEFORE TAXATION
BY SEGMENT RM'000

corporate information

BOARD OF DIRECTORS

DATO' ANWAR BIN HAJI @ AJI	<i>Chairman/Non-Independent Non-Executive</i>
NOORIZAH BINTI HJ ABD HAMID	<i>Managing Director</i>
DATUK ZAINAL ABIDIN BIN ALIAS	<i>Senior Independent Non-Executive</i>
DATO' MOHAMED ZAIN BIN MOHAMED YUSUF	<i>Independent Non-Executive</i>
DATO' IKMAL HIJAZ BIN HASHIM	<i>Non-Independent Non-Executive</i>
DATO' (DR.) MOHAMED ISHAK @ ISHAK BIN HAJI MOHAMED ARIFF	<i>Independent Non-Executive</i>
ELAKUMARI A/P KANTILAL	<i>Non-Independent Non-Executive</i>
AZMANUDDIN HAQ BIN AHMAD	<i>Non-Independent Non-Executive</i>
PUASA BIN OSMAN	<i>Independent Non-Executive</i>

COMPANY SECRETARY

GWEE OOI TENG
(MA/CSA 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
Tel +6 03 7628 2888
Fax +6 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

REMUNERATION COMMITTEE

DATO' MOHAMED ZAIN BIN MOHAMED YUSUF
Chairman/Independent Non-Executive

DATUK ZAINAL ABIDIN BIN ALIAS
Senior Independent Non-Executive

DATO' (DR.) MOHAMED ISHAK @ ISHAK BIN HAJI MOHAMED ARIFF
Independent Non-Executive

NOMINATION COMMITTEE

DATUK ZAINAL ABIDIN BIN ALIAS
Chairman/Senior Independent Non-Executive

DATO' (DR.) MOHAMED ISHAK @ ISHAK BIN HAJI MOHAMED ARIFF
Independent Non-Executive

AZMANUDDIN HAQ BIN AHMAD
Non-Independent Non-Executive

AUDITORS

ERNST AND YOUNG
CHARTERED ACCOUNTANTS
Level 23A Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, 50490 Kuala Lumpur
Tel +6 03 7495 8000
Fax +6 03 2095 5332

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD
Level 26, Menara Multi Purpose, Capital Square
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel +6 03 2721 2222
Fax +6 03 2721 2530 / 2721 2531

PRINCIPAL BANKER

BUMIPUTRA-COMMERCE BANK BERHAD

PRINCIPAL SOLICITORS

SHAHRIZAT RASHID & LEE
ABU TALIB SHAHROM
SHEARN DELAMORE & CO

STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD

* Member of the Malaysian Institute of Accountants

corporate structure

key operating companies in faber group berhad

Facilities Management Division

HEALTHCARE

FABER HEALTHCARE MANAGEMENT SDN BHD 100%

- **FABER MEDI-SERVE SDN BHD** 57%*
- **HEALTHTRONICS (M) SDN BHD** 60%
- **CERMIN CAHAYA SDN BHD** 100%
- **CERMIN KENYALANG SDN BHD** 55%
- **SEHAT TECHNOLOGIES SDN BHD** 51%

* Faber Group Berhad also holds 13.3% of Faber Medi-Serve Sdn Bhd.

NON-HEALTHCARE

FABER FACILITIES SDN BHD 100%

- **FABER FACILITIES MANAGEMENT SDN BHD** 100%
- **FABER FACILITIES SOLUTION SDN BHD** 100%

Property Development Division

FABER DEVELOPMENT HOLDINGS SDN BHD 100%

- **COUNTRY VIEW DEVELOPMENT SDN BHD** 100%
- **FABER GRANDVIEW DEVELOPMENT (SABAH) SDN BHD** 100%
- **FABER UNION SDN BHD** 100%
- **RIMBUNAN MELATI SDN BHD** 55%

Hotel Division

FABER HOTELS HOLDINGS SDN BHD 100%

- **FABER LABUAN SDN BHD** 100%
- **VIMAS JOINT VENTURE COMPANY LIMITED** 70%

corporate profile



Faber Group Berhad, a member of the UEM Group, is listed on the Main Board of Bursa Malaysia Securities Berhad. From a Malaysian hospitality concern established 43 years ago, Faber Group Berhad has, following its successful restructuring exercise and strategic initiatives, grown into a key player in the Facilities Management and Property Development sectors with its sights set on taking the Group to the next level of growth as a leading Integrated Facilities Solutions provider in regional markets

FACILITIES MANAGEMENT HEALTHCARE DIVISION **Creating next generation environments for wellness**

Faber Medi-Serve Sdn Bhd ("FMS"), a 70% owned subsidiary of Faber Group Berhad, was awarded a 15-year concession in 1996 by the Ministry of Health to provide integrated healthcare support services comprising Bio-medical Engineering Maintenance, Cleansing, Clinical Waste Management, Facility Engineering Maintenance and Linen and Laundry services to Government hospitals throughout the states of Perlis, Kedah, Penang, Perak in Peninsular Malaysia, and Sabah and Sarawak in East Malaysia.

Over the years, FMS has evolved as one of Malaysia's largest healthcare support services providers. FMS specialises in the provision of quality housekeeping and engineering services to more than 100 government and private hospitals and over 400 healthcare institutions.

Leveraging on FMS's experience in the concession sector and proven track record, the Company has expanded its operations to overseas markets. FMS is today realigning its focus to provide integrated solutions to healthcare institutions and non-concession sectors given its aspiration to be a role model in the healthcare facility management sector within the next 5 years.



FACILITIES MANAGEMENT NON-HEALTHCARE DIVISION **Building value together**

Faber Facilities Sdn Bhd ("FFSB"), a wholly owned subsidiary of Faber Group Berhad specialises in the provision of comprehensive, integrated facilities management services for all properties that have been developed by the Group for more than 20 years. However as part of the Group's growth strategy, FFSB was in 2005 restructured to provide Integrated Facilities Management Solutions to property owners in both the public and private sectors.

FFSB is in the business of enhancing the quality of life of both residents and commercial tenants as well as safeguarding the interests of property owners. FFSB's one-stop solutions include Building Management and Maintenance, Facilities Maintenance, Safety, Health & Security services, car park operations, Financial & Insurance Management and Tenancy Management

PROPERTY DEVELOPMENT DIVISION **Prime location. Quality finishing.**

Faber Development Holdings Sdn Bhd ("FDH"), a wholly owned subsidiary of Faber Group Berhad, oversees all aspects of the popular and rapidly growing Taman Desa development in Kuala Lumpur and many other highly sought-after residential and commercial developments in prime locations that are renowned for their quality finishing.

The Group's 55% owned subsidiary, Rimbunan Melati Sdn Bhd ("RMSB") successfully completed a Federal Government project, the Federal Reserve Unit ("FRU") Complex in Cheras. RMSB is also currently undertaking a 100.8-acre mixed residential and commercial development in Kepong, Kuala Lumpur.

With more development projects in the pipeline, property development will continue to remain an integral part of the Group's core activities given FDH's focus to move to the forefront of the growing property development industry.

HOTEL DIVISION **Ensuring a memorable guest experience**

Post debt restructuring, Faber Group still has a 70% interest in its remaining hotel, Sheraton Hanoi Hotel in Vietnam. The 5-star hotel situated along the picturesque shores of Hanoi's largest lake has 299 luxury rooms, all of which offer a spectacular view of the West Lake.

board



FROM LEFT TO RIGHT

**DATO' ANWAR BIN HAJI @ AJI
NOORIZAH BINTI HJ ABD HAMID**

FROM LEFT TO RIGHT

**DATUK ZAINAL ABIDIN BIN ALIAS
DATO' MOHAMED ZAIN BIN
MOHAMED YUSUF**



of directors



FROM LEFT TO RIGHT

DATO' IKMAL HIJAZ BIN HASHIM
DATO' (DR.) MOHAMED ISHAK @
ISHAK BIN HAJI MOHAMED ARIFF

FROM LEFT TO RIGHT
ELAKUMARI A/P KANTILAL
AZMANUDDIN HAQ BIN AHMAD
PUASA BIN OSMAN



board of directors' profile



DATO' ANWAR BIN HAJI @ AJI

Aged 55, 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 graduated from University of Malaya with Honours in Economics in 1973 and obtained his Masters in International Studies from Ohio University, United States of America in 1982. He started his career with the Government and had held various posts in the Ministry of Trade and Industry, the Prime Minister's Department and the Ministry of Finance. He joined Khazanah Nasional Berhad in 1994 and left in May 2004. His directorship in other public companies includes Bumiputra-Commerce Holdings Berhad (formerly known as Commerce Asset-Holding Berhad), Commerce Tijari Bank Berhad and Edaran Otomobil Nasional Bhd.

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 7 of the Board of Directors' Meetings held during the financial year.



NOORIZAH BINTI HJ ABD HAMID

Aged 46, Malaysian
Managing Director

Puan 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 Bhd as a Manager of Group Corporate Affairs in September 1991, she was attached to various positions in finance and corporate advisory with Syarikat Pengurusan Kayu Kayan Terengganu Sdn Bhd, a subsidiary of the Terengganu State 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 from Renong Bhd to Projek Lebuhraya Utara-Selatan Berhad ("PLUS") as a Senior Manager in the Treasury Department in January 1994. In January 1996, she was transferred back to HBN Management Sdn Bhd and appointed to the post of Senior Manager of Group Corporate Affairs. In 1997, she was 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 7 of the Board of Directors' Meetings held during the financial year.



DATUK ZAINAL ABIDIN BIN ALIAS

Aged 62, 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 of FGB 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 6 out of the 7 Board of Directors' Meetings held during the financial year.

board of directors' profile



DATO' MOHAMED ZAIN BIN MOHAMED YUSUF

Aged 66, 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 of FGB 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 there, had attended various Senior Management Courses overseas as well as the Harvard Senior Management Programme in the mid-80s. From 1986 to 1988, he was the Marketing Consultant to Shell International based in London, United Kingdom. He was the first person of Malaysian nationality to be appointed as Marketing Director of Shell Marketing Companies in Malaysia at the end of 1998. He was subsequently elevated to the Board of Directors of the Shell Group as Executive Director, both in the upstream and downstream companies as well as 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 and Malacca Securities Sdn Bhd. He is also currently the Chairman of Malaysia Australia Business Council. His directorship in other public company includes PJBumi 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 7 of the Board of Directors' Meetings held during the financial year.



DATO' IKMAL HIJAZ BIN HASHIM

Aged 53, 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 (Malaysia) 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 while concurrently held the position of 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 was appointed as the Chief Executive Officer. 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, and was subsequently redesignated as Group Managing Director/Chief Executive Officer on 13 April 2004. Besides FGB, Pos Malaysia Berhad and Pos Malaysia Holdings & 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 5 out of the 7 Board of Directors' Meetings held during the financial year.



**DATO' (DR.) MOHAMED ISHAK @
ISHAK BIN HAJI MOHAMED ARIFF**

Aged 70, Malaysian
Independent Non-Executive Director

Dato' (Dr) Mohamed Ishak was appointed to the Board of Directors of FGB on 31 December 1993. He is a Member of the Remuneration Committee of FGB since 12 December 2001 and was appointed as a Member of the Nomination Committee of FGB on 17 March 2003. He is a qualified Professional Chartered Town Planner and a Professional Landscape Architect from the University of Newcastle-upon-Tyne, England. He was honoured by the University of Newcastle-upon-Tyne, England with the Honorary Degree of Doctor in Civil Law in May 1993. He is also the Honorary Life President of the University of Newcastle-upon-Tyne Alumni Association in Malaysia from 2004. He had served in various State and Federal Governments before retiring in 1993. He was a member of the Advisory Board of the City of Kuala Lumpur (Dewan Bandaraya Kuala Lumpur) until December 2004. Over the years and through his involvement as a director of several public listed companies, he has accumulated vast experience in various sectors namely banking, property and housing development, hotel management, food manufacturing and expressway management. His directorships in other public companies include as Chairman of Yee Lee Corporation Berhad and Director of Public Bank Berhad, Public Merchant Bank Berhad and Public Mutual Berhad.

Dato' (Dr.) Mohamed Ishak has no family relationship with any Director and/or major shareholder of FGB, no conflict of interest with FGB and 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 all 7 of the Board of Directors' Meetings held during the financial year.



ELAKUMARI A/P KANTILAL

Aged 49, 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 of FGB on 26 October 2001. She holds a Master 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 ("Khazanah") as a Senior Manager in 1994 and was promoted to General Manager in 2000. In 2004, she assumed the position of Director of Investments (Monitoring and Management) of Khazanah. 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 7 Board of Directors' Meetings held during the financial year.

board of directors' profile



AZMANUDDIN HAQ BIN AHMAD

Aged 36, 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. He is presently the Managing Director of UEM Environment Sdn Bhd and Kualiti Alam Sdn Bhd. He is also a Director of E-Idaman Sdn Bhd, Environment Idaman Sdn Bhd and other private companies within UEM Group. 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 and never been charged for any offence within the past 10 years. He holds 50,000 ordinary shares of RM1.00 each in FGB but does not hold any shares in the subsidiary companies of FGB. He attended 6 out of the 7 Board of Directors' Meetings held during the financial year.



PUASA BIN OSMAN

Aged 61, 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 6 out of the 7 Board of Directors' Meetings held during the financial year.

senior management's profile

FROM LEFT TO RIGHT

WONG WENG PENG
TAJUL AZWA BANI HASHIM
S. SUNTHARA MOORTHY
MOHD NADZIR BIN CHE OMAR



WONG WENG PENG

Managing Director – Faber Development Holdings Sdn Bhd

Wong Weng Peng, aged 49, is the Managing Director of Faber Development Holdings Sdn Bhd (“FDH”). 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 – Faber Medi-Serve Sdn Bhd

Tajul Azwa, aged 49, is the Managing Director of Faber Medi-Serve Sdn Bhd (“FMS”). 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 Malaysia Mining Corporation Bhd, Automated Technology Sdn Bhd and Progressive Insurance Sdn Bhd until he joined PLUS in 1989 as Senior Systems Analyst. In PLUS, his career underwent a transposition from information technology to management of operations when he was appointed as 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.

S. SUNTHARA MOORTHY A/L S. SUBRAMANIAM

Chief Financial Officer and Head of Business Development - FGB

Sunthara Moorthy, aged 43, is the Chief Financial Officer and Head of Business Development of FGB. He is a fellow member of the Association of Chartered Certified Accountants, and also a registered member of the Malaysian Institute of Accountants. He started his career in accounting and audit practice in various firms in London, United Kingdom prior to joining FGB in August 1995 as Group Accountant. In December 1996, he was appointed as Head of Finance of FMS. Subsequently, he took the position as Head of UEM-Renong Property and Environmental Division in August 2000 while concurrently holding the position of the Chief Financial Officer of FMS. In May 2004, he was appointed as the Head of Business Development of FGB and subsequently as the Chief Financial Officer of FGB in January 2005.

MOHD NADZIR BIN CHE OMAR

General Manager, Faber Facilities Sdn Bhd

Mohd Nadzir, aged 39, is the General Manager of Faber Facilities Sdn Bhd. He holds a Bachelor of Estate Management (Honours) from MARA University of Technology. He started his career in 1989 with Jones Lang Wootton Kuala Lumpur. He is a registered valuer and estate agent with the Board of Valuers, Appraisers and Estate Agents Malaysia and also a registered member of the Institution of Surveyors Malaysia. In March 1994, he joined Yap Burgess Rawson International Kuala Lumpur and held various positions which include Executive Director prior to joining FGB in April 2001 as General Manager, Facilities and Property Management.

operations review

facilities management
healthcare



CREATING NEXT GENERATION ENVIRONMENTS FOR WELLNESS

FABER MEDI-SERVE SDN BHD ("FMS") PROVIDES FACILITY ENGINEERING MAINTENANCE, BIO-MEDICAL ENGINEERING MAINTENANCE, CLINICAL WASTE MANAGEMENT, LINEN AND LAUNDRY AS WELL AS CLEANSING AND JANITORIAL SERVICES. TODAY, THESE FIVE CORE SERVICES HELP ENSURE THAT OVER 100,000 FACILITY ENGINEERING ASSETS AND 47,000 BIO-MEDICAL EQUIPMENT ARE CONTINUOUSLY IN GOOD WORKING ORDER, A TOTAL AREA OF 2 MILLION SQUARE METERS ARE KEPT CLEAN, 8 TONNES OF CLINICAL WASTE ARE COLLECTED AND DISPOSED OF IN A PROPER MANNER, AND 40 TONNES OF LINEN ARE LAUNDERED AND DELIVERED ON A DAILY BASIS.



FINANCIAL REVIEW

2005 marks FMS's ninth year as an integrated healthcare facilities management services provider since the company was first established in 1996 to provide integrated hospital support and facility management services to 71 Ministry of Health ("MOH") hospitals in Perlis, Kedah, Penang, Perak, Sarawak and Sabah. Since then, FMS has grown from strength to strength, leveraging on its experience, strength and expertise to enhance its performance whilst contributing to the continued development of the nation's healthcare sector.

On 1 January, 2006 FMS commenced the provision of integrated healthcare services to Kuala Penyu Hospital and Pitas Hospital in the state of Sabah. With the addition of 2 other hospitals, awarded in 2003 and 2004, the total number of MOH hospitals serviced has increased to 75.

For FY2005, the FMS Group of Companies recorded revenue of RM379.1 million. This represents approximately, a 6% increase from the previous financial year's revenue; and an overall profit before tax of RM58.1 million

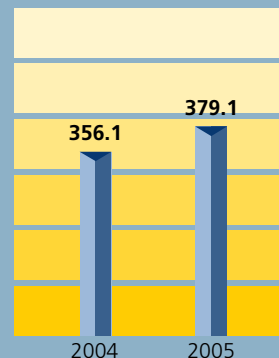
In an intensely competitive marketplace, our financial performance will invariably be affected by various factors, both anticipated as well as unforeseen. These include the timing of potential non-concession businesses, delays in approval for variation orders, the frequency and magnitude of deduction in fees, and the hedging of variable costs such as fuel prices and other overheads. Nevertheless, we remain optimistic about growing our business. With sufficient financial-control mechanisms and counter-measures in place, we believe that the company is well positioned to overcome any challenges in moving ahead.

OPERATIONS REVIEW

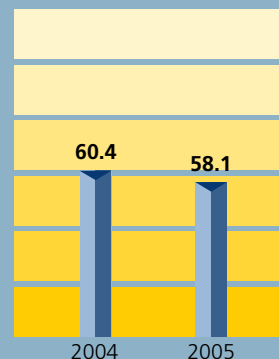
Continued investment in human capital development and efficient plant and machinery are critical to FMS's operations, given that the company's operational sites are spread across 6 states. During the year under review, FMS received a Certificate of Fitness for its Laundry Plant in Kamunting, Perak. The Plant commenced operations in February 2005 and processes linen for selected hospitals in Perak. To enhance our Linen & Laundry Services in Sarawak, a new Laundry Plant in Bintulu commenced operations in May 2005 with another plant in Kuching scheduled to be operational in the second quarter of 2006. These latest additions to FMS's stable of world-class facilities bear testimony to the company's commitment in providing long-term quality services to its customers.

One of FMS's wholly-owned subsidiaries, Cermin Cahaya Sdn Bhd ("CCSB"), which specialises in cleansing and janitorial services successfully grew its business in providing services to new building owners with multi-sites. These include Bank Bumiputra-Commerce, Siemens Malaysia corporate headquarters, the Malaysian Historical Society's headquarters, Faber Towers, and a few luxury condominiums in Taman Desa, Kuala Lumpur. CCSB has more than 3,600 personnel, all of whom have been trained to conform to international standards recommended by the British Institute of Cleaning Science ("BICS").

Revenue
RM(MILLION)



Profit before tax
RM(MILLION)





operations review

facilities management
healthcare

FMS, through its other subsidiary, Healthtronics Malaysia Sdn Bhd ("HMSB"), continues to make inroads in international markets, namely those in South-East Asia, and the Middle East. In early 2005, HMSB's decision to establish a Branch Office in Manila to expand the company's presence in The Philippines has been reaffirmed with the award of contracts from 14 private hospitals in the Philippines, to date. In addition, this Division has also made inroads in the United Arab Emirates ("UAE") when it secured contracts to provide facilities engineering services and biomedical engineering services to selected government hospitals in UAE. This Division has also secured another contract for equipment installation, testing, commissioning and warranty maintenance for selected equipment to four government hospitals in Vietnam.

FMS continues to enhance both its market presence and brand name by contributing actively and playing prominent roles, both as exhibitor and speaker at several local and international events. The Company was the platinum sponsor of the 1st International Conference on Computers, Communications and Signal Processing with Special Track on Bio-Medical Engineering. In July, HMSB participated in the Private Hospital Association of the Philippines ("PHAP") Convention in Bacolod, Philippines.

FMS also participated in the Association of Private Hospitals Malaysia ("APHM") International Conference & Exhibition in June 2005 and, was the Official Awards Sponsor of the 3rd Hospital Management Asia ("HMA") Conference, held in Kuala Lumpur in September 2005. 520 delegates throughout the Asia Pacific region and Middle East attended the Conference, which was the largest held thus far, as compared to those held in Manila and Bangkok in previous years. In addition, HMSB organised the Company's inaugural seminars on Effective Management of Healthcare Technology. Several internationally renowned speakers from the industry played key roles in the seminars held in Kuala Lumpur and Bangkok in March 2005.

QUEST FOR QUALITY

In line with our passion for excellence in all that we do, various quality-centric and continual improvement programmes were undertaken by FMS with a view to raise the company's standards in all aspects of its operations.

PEOPLE AND ORGANISATIONAL DEVELOPMENT & CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Our priceless gem is and continues to remain our employees - 6,700 skilled and semi-skilled personnel. Their contributions drive our growth and success. To help equip them with the right skills set, the Company is committed to investing in ongoing training and staff development as evidenced by a RM2.4 million expenditure during the year under review. As in previous years, FMS maintained its strategic alliances with accredited institutions such as the Sultan Haji Ahmad Shah Training Institute (ILSAS), IKRAM and the Malaysia-France Institute in facilitating knowledge transfer to its human capital and placing equal emphasis on imparting technical and soft skills.



The 7 Habits of Highly Effective People Programme developed by the Franklin Covey Company and customised by FMS as part of the Company's long-term employee development strategy was implemented at supervisory level throughout the FMS Group of Companies, with the introduction of qualified, in-house facilitators, through a Licensing Agreement with the Franklin Covey company's representative for Malaysia and Brunei. The response from participants has been most encouraging.

FMS believes that good work ethics are integral to a company's continued growth and success. Thus the Company launched the Kempen FMS MESRA in April 2005, at Slim River Hospital, Perak. The acronym 'MESRA' is an apt reinforcement of the core values that FMS wishes to instill amongst its workforce in providing customer service M: *Menghormati* (Respect); E: *Efisien* (Efficiency); S: *Senyum* (Smile); R: *Rapi* (Tidiness); and A: *Amanah* (Integrity).

Our CSR programme is a clear reflection of our sincerity to reciprocate the support of society. Thus, FMS staff responded to the plight of victims of the 26 December, 2004 South Asian Tsunami Disaster, by contributing a small portion of their salaries (deducted over a 11-month period). Their contribution amounting to RM83,000, was presented to Mercy Malaysia on 6 June, 2005.

Other significant CSR projects include Annual Blood Donation Campaigns, and a RM50,000 sponsorship for a pair of twins, who are FMS staff, to undergo spinal surgery, locally. In addition, FMS was also one of the main sponsors for the inaugural Roasters Chicken Run 2005, organised by the Bukit Jalil Golf & Country Resort on 3 July, 2005 to raise funds for Hospital Universiti Kebangsaan Malaysia ("HUKM") cancer patients.

FORGING AHEAD

FMS has realigned its corporate vision and mission, in motivating staff toward attaining even greater heights in terms of achievement and performance. In conjunction with the issuance of newly designed uniforms in December 2005, FMS restated and communicated its Corporate Vision and Mission to its staff:

Vision: To become the international role model in healthcare facility management before 2011.

Mission: To provide integrated support services systems that play a leading role in raising the standards of healthcare infrastructure.

Also introduced was the "I CARE" acronym that embodies our core values – Integrity, Commitment, Accountability, Respect and Ethics – as we strive to grow our business in local and international markets.

The healthcare industry, both locally and overseas continues to offer infinite opportunities for us. Thus, this industry shall remain the main thrust for all the Company's activities in sourcing for new channels of revenue. However, in an era of rapid globalisation, FMS will continue to implement risk management measures, in managing and mitigating the inherent risks invariably posed by evolving business environments in line with our belief that the trust and confidence of our key stakeholders must always be upheld.





operations review

facilities management non-healthcare

BUILDING VALUE TOGETHER

Faber Facilities Sdn Bhd ("FFSB"), a wholly owned subsidiary of FGB has been providing comprehensive, integrated facilities-management solutions to all properties developed and owned by the Group over the past two decades. Having acquired the experience and expertise to provide the highest level of facility management services possible, FFSB now aspires to expand its services to the public and private sectors, locally and overseas.

FINANCIAL REVIEW

For FY2005, FFSB's revenue increased by 39% to RM7.9 million, from RM5.7 million in 2004. The increase in revenue was due to higher facilities management and car park management fees for Faber Towers and the management of new properties, namely the Danau Murni condominiums and Taratak Muhibbah's new block of apartments. However, Earning before interest, taxation, depreciation and amortisation before exceptional items ("EBITDA") declined by 16% to RM1 million, from RM1.2 million the previous year. The decline was due to higher provision for doubtful debts as required by the new Financial Reporting Standards.

OPERATIONS REVIEW

The Integrated Facilities Management Solutions ("IFMS") provided by FFSB encompass Building Management & Maintenance; Preventive & Corrective Maintenance; Housekeeping Management; Safety, Health & Security; Financial and Tenancy Management; and Estate Management. FFSB also provides tailor-made solutions, specifically designed to cater for individual requirements.

FFSB's current portfolio comprise the following:

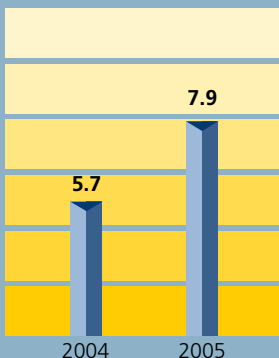
- Facilities management of 3,500 units of condominiums/apartments developed by Faber Union Sdn Bhd, located in Taman Desa and Taman Danau Desa, Kuala Lumpur (namely Danau Permai, Danau Impian, Danau Idaman, Danau Murni, Tiara Faber and Taratak Muhibbah 1 & 2).
- Facilities management of 1,567 units of condominiums in Vista Komanwel (Parcels A, B & C), located in Bukit Jalil, Kuala Lumpur that were developed by Vistajati Holdings Sdn Bhd.
- Facilities management of two commercial properties with a total net lettable area of approximately 600,000 sq.ft.– Faber Towers in Taman Desa, Kuala Lumpur and Penang Plaza in the heart of Penang's commercial area – that are owned by subsidiaries of Jeram Bintang Sdn Bhd.
- Car park management of more than 2,000 car-park bays in Faber Towers and Century Square 1, Cyberjaya.

FORGING AHEAD

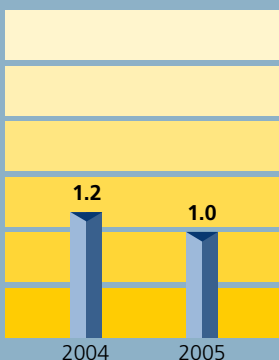
2005 was a hectic year for FFSB, with the Company submitting numerous proposals to private property owners, bidding for tenders to secure facilities management contracts for government-owned properties and exploring the possibilities of forging strategic alliances with local business partners in securing facilities management contracts.

To increase its source of revenue, FFSB is also actively pursuing facilities management business opportunities in overseas markets, particularly in India. Thus far, the Company has made considerable progress in the northern states of India. FFSB is confident that its overseas marketing efforts will bear fruits in the near future and ensure the Group's long-term sustainability through positive contributions to revenue.

Revenue
RM(MILLION)



EBITDA
RM(MILLION)



PRIME LOCATION. QUALITY FINISHING

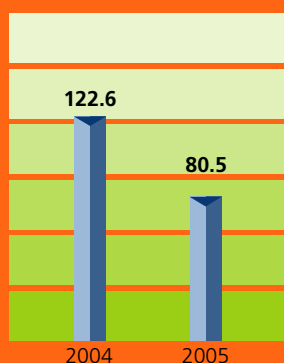
"PRIME LOCATION. QUALITY FINISHING" IS AN APT SLOGAN THAT REFLECTS FABER DEVELOPMENT HOLDINGS SDN BHD'S ("FDH") QUEST TOWARDS PROVIDING QUALITY YET COMPETITIVELY PRICED PROPERTIES IN PRIME LOCATIONS. DURING THE YEAR UNDER REVIEW, FDH'S WHOLLY-OWNED SUBSIDIARY, FABER UNION SDN BHD ("FUSB") UNDERTOOK THE DEVELOPMENT OF TWO PRIME PROJECTS WITHIN THE POPULAR TAMAN DESA RESIDENTIAL ENCLAVE, BOTH OF WHICH ARE PROGRESSING SMOOTHLY.



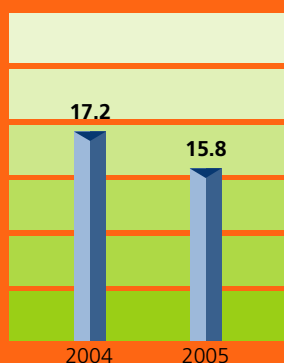
operations review

property development

Revenue
RM(MILLION)



EBITDA
RM(MILLION)



FINANCIAL REVIEW

For FY2005, the Property Development Division recorded a RM80.5 million turnover as compared to RM122.6 million achieved in FY2004. Earnings before interest, taxation, depreciation and amortisation before exceptional item ("EBITDA") amounted to RM15.8 million as compared to RM17.2 million in FY2004. The reduced turnover was mainly due to lower progress billings for newly launched projects in 2005 as compared to projects that were completed and handed over in FY2004, and disposal of Faber Towers and Penang Plaza as part of FGB debt restructuring scheme. As such, it had a cumulative effect on the EBITDA.

OPERATIONS REVIEW

Nestled in the quiet vicinity of Taman Desa and scheduled for completion in 2006, Danau Villa residential properties comprise of triple-storey semi-detached link. The project, which has a sales value of RM54.6 million, offers 2 types of villas – Type 1: 31 units, each with 5+1 bedrooms, 4 bathrooms with a 3,662 sq ft built-up area and Type 2: 33 units, each with 4+1 bedrooms, 4 bathrooms with a 3,014 sq ft built-up area. Luxuriously spread over 5.65 acres and targeted at discerning, high-income purchasers, the 64 units are priced between RM0.7 million to RM1.1 million depending on the unit's built-up area and land size. To support the Company's marketing and promotion efforts, 2 different show units were duly completed for public viewing in December 2005. The re-launch in early 2006 was well received by the public with a take-up rate of 97%.

Launched in December 2004, FDH's Casa Desa project is expected to meet the expectations of discerning homeowners looking for the right combination of price, locality and design. The project with a potential sales value of RM130.8 million, when completed, will house 410 condominium units on 5.9 acres of freehold land. The main building works commenced in June 2005, and is scheduled for completion by December 2007. The price of the units range from RM210,000 to RM690,000.

Aside from the Danau Villa and Casa Desa projects, FDH will continue to explore and seize new opportunities in the property market as evidenced by the undertaking of a development project located by the lakeside of Tasik Desa in Taman Desa, Kuala Lumpur. The project will house 500 units of medium-high cost condominiums with a launch date targeted in the third quarter of 2006. Other projects include the Lucky Heights Condominium project in Kota Kinabalu, Sabah comprising 32 units of walk-up apartments and 34 units of semi-detached houses and bungalows in Taman Hill Top, Kota Kinabalu, Sabah with launch dates scheduled in the third quarter of 2006; and before the end of 2006, respectively.

In September 2005, FDH was accorded the ISO 9001:2000 certification, an internationally recognised quality award that speaks volumes of FDH's passion for quality and resolve to continuously strive for excellence through the timely delivery of quality products and services. As a quality-driven company, FDH is confident of soaring to even greater heights in the property-development industry.



The Group's 55% owned subsidiary, Rimbunan Melati Sdn Bhd ("RMSB") completed 98% of its turnkey project involving the design and construction of the Police Federal Reserve Unit ("FRU") Complex in Cheras in December 2005. The RM83.7 million project with approved variation orders is expected to be handed over to the Government in April 2006, three months ahead of the approved extended completion date in June 2006 as agreed by the Government due to changes to its original approved layout plan. This bears ample testimony of the Group's capability in undertaking turnkey projects which will help the Group in opening doors to secure more projects.

During the year under review, RMSB successfully resolved the issue of relocating squatters residing on 100.8 acres of land in Kepong. Valued at RM48.3 million, the said land was given to RMSB by the Government as part of settlement for undertaking the FRU complex project, with the balance to be paid in cash.

The mixed development in Kepong has since been renamed as Laman Rimbunan and earmarked for the development of mixed commercial and residential properties over the next five years. The following launches were held in 2005:

Rimbunan Avenue, is a commercial development comprising 50 units of 3-storey shop offices, each measuring 22' x 80' with a built-up area from 5,070 sq. ft. Launched on 13 September 2005, the project is situated along the Jalan Kepong main road. It is envisaged that Rimbunan Avenue will be a viable commercial centre as it is ideal for the establishment of offices and retail outlets given its strategic location. Priced from RM888,888 per unit onwards, Rimbunan Avenue is expected to attract both local residents and those from nearby neighbourhoods as all units are spacious with a practical layout that is suitable to conduct any business.

Rimbunan Melati 1, is a residential development comprising 243 units of 3-storey terrace houses, each measuring 20' x 70' with a built up area of 2,571 sq.ft. RMSB launched 164 units on 17 December 2005, the design places emphasis on spaciousness and elegance, thus making every unit a comfortable haven to reside. Located in the heart of the thriving Kepong township that is well supported by a network of expressways, it will be a highly sought-after residential address and a prized investment due to the ready availability of numerous amenities and facilities that are within walking distance and, its easy accessibility to any major destination in the Klang Valley.

Due to the good public response, RMSB has scheduled the following launches in 2006 to cater for market demand:

Pangsapuri Rimbunan Melati comprising 360 units of 19-storey low cost apartments and 14 units of low cost shops that are specifically allocated for squatters

Rimbunan Melati 2 comprising 148 units of 3-storey terrace houses and 8 units of 2-storey shop offices

MOVING FORWARD

The Property Development Division will continue to look at increasing its land bank for development with strategic joint venture partners – private and public. The Division will also be focusing on the construction of its on-going projects and strategic marketing of its new launches as well bid for new turnkey projects that can contribute positively to Group revenue.



people and organisational development



WITH OVER 7,000 EMPLOYEES SPREAD ACROSS THE VARIOUS SUBSIDIARIES, WE REMAIN COMMITTED TO OUR PHILOSOPHY OF CONTINUAL DEVELOPMENT OF OUR HUMAN CAPITAL WITH A VIEW TO ACHIEVE ORGANISATIONAL EXCELLENCE.



The Group invested RM2.5 million on training and development of our people, specifically in the enhancement of their technical and soft skills. Our Facilities Management Healthcare Division, Faber Medi-Serve Sdn Bhd, accounted for 92% of the total expenditure to train more than 6,700 skilled and semi-skilled employees to enhance their competency and performance levels.

The Group has also implemented the following 5-point focus in our Value Creation strategy for 2005:

- i) Productivity of Resources
- ii) Business Growth & Expansion
- iii) People & Organisational Development
- iv) Improvement of Systems and Processes
- v) Perception Improvement

Various structured leadership programmes were systematically introduced for all senior and top management personnel to enable them to drive the strategy for organisational success amidst stiff market competition and challenges.

The 5-point focus was communicated to all levels of employees throughout the Group by the top management to ensure that were understood and well received, as their support and commitment are crucial for strategies to be effectively implemented.

Quarterly Briefing Sessions were organised for the top management to brief all employees on the financial performance and any other key initiatives of the Group and its subsidiaries. This is because we believe that an informed workforce will perform more productively than a less-informed one.

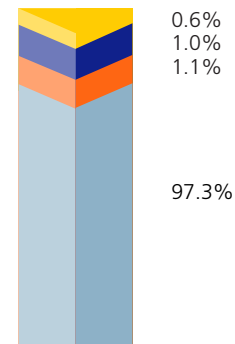


In conjunction with the Quarterly Briefing Sessions, the quarterly Employee Recognition Award is also held at the same function. Employees who meet a set of criteria receive an award for being Best Employee for the Quarter as well as a token of appreciation.

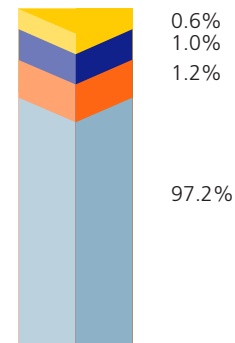
This year, we decided to do things differently for our staff. In order to spice things up, the entire workforce was divided into four groups in accordance with each employee's month of birth. The four groups were then given the names of precious stones: *Emerald, Sapphire, Ruby and Topaz*, and led by a top management staff. Each group then forms various teams to compete in both indoor and outdoor sporting activities. These sports events not only help stimulate the mind of our employees, but also serve as an excellent channel for fostering *esprit-de-corps*.



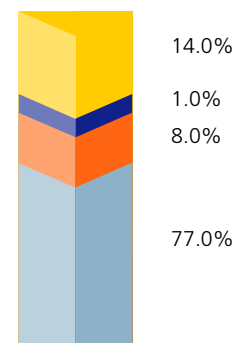
MANAGEMENT STATUS
BY SEGMENT 2005



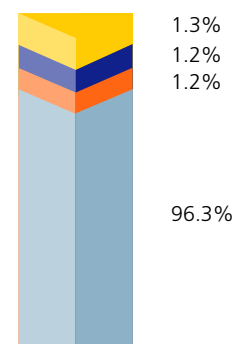
MANAGEMENT STATUS
BY SEGMENT 2004



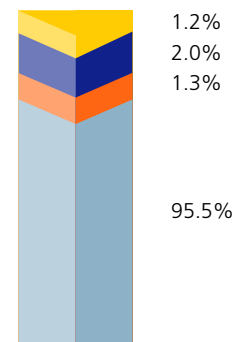
TRAINING EXPENDITURE
DISTRIBUTION 2005
MANAGEMENT STAFF



EXECUTIVE STAFF



NON-EXECUTIVE STAFF



employee care



13 APRIL 2005

Employees' Briefing & Presentation of Awards in recognition of employees for first quarter 2005 and roll-out of staff activities for 2005.



14 MAY 2005

Bowling-Tajul Azwa Challenge Trophy held at KL Mega Lane, Endah Parade, Kuala Lumpur.



18 JUNE 2005

Faber Mini Sports Carnival held at Stadium Titiwangsa, Kuala Lumpur. Three outdoor games were held consecutively ie Netball-Noorizah Hj Abd Hamid Challenge Trophy; Badminton-Sunthara Moorthy Challenge Trophy and Table-Tennis Challenge Trophy.



30 APRIL 2005

Futsal – Wong Weng Peng Challenge Trophy 2005 held at Score Arena, Jalan Kuchai Lama.



18 & 19 MAY 2005

Congkak & Carom Competition held at Faber Towers.



24 SEPTEMBER 2005

"Larian Faber", Chess and Scrabble competition organised by the Faber Sports Club



7 MAY 2005

Faber Group of companies participated in the "Perhimpunan Hari Pekerja 2005" in conjunction with the Labour Day Celebrations at Stadium Putra, Bukit Jalil, Kuala Lumpur.



21 MAY 2005

Volleyball – Ahmad Zamri Said Challenge Trophy held at Kompleks Sukan Kampung Pandan, Kuala Lumpur.



28 SEPTEMBER 2005

Faber Sports Club organised the "Dikir Barat " competition

quest for quality

With all the major operating units in the Group having already achieved the internationally recognised ISO 9001:2000 quality management system certification, emphasis was placed on Continual Improvement and the implementation of various Quality Improvement Projects (QIP) with a view to raising the bar in the Group's Quest for Quality, during the year under review

The ISO certification is but one of the many standards used by the Group as a quality benchmark to strengthen its core competencies. In addition, all operating units have launched their own respective programmes and initiatives to inculcate a quality work culture. This has been reinforced by the use of quality concepts and principles in the daily operations, the benefits of which will ultimately result in quality products and services and, increased customer satisfaction.

FMS held its 3rd Annual Gemilang Convention – a Continuous Improvement Award Programme – at a leading hotel in Shah Alam, in August 2005. This annual convention serves as a platform for the Company's Continual Improvement Teams to showcase their projects. This year, the winning entry was on cost-savings and efficiency increments with the team from the Kamunting Clinical Waste Disposal Plant emerging triumphant as their "Lorry Tail lift Damage Reduction" project accounted for up to 92% reduction in frequency of damage to the tail-lifts of clinical waste disposal lorries. In 2005, a total of 51 Continual Improvement Projects were registered, and if replicated at all operational sites, the projects could yield a potential savings of approximately RM1 million. These savings can be re-allocated to areas that can further enhance service performance such as staff training, research and development, as well as improving our products and services. Apart from reducing cost and improving productivity, the programme also serves to boost staff morale and improve communications between staff and management.

Introduced in 2004, the Six-Sigma programme, has been successfully implemented in enhancing the Business Development process. Following this success, FMS intends to extend the Six-Sigma process to other operational areas as one of its strategies to improve customer satisfaction and enhance shareholder value.

In December 2005, FMS Ipoh was awarded the 5S certification by The National Productivity Corporation of Malaysia for successfully implementing the 5S programme (*Sort, Set, Shine, Standardise and Sustain*) at its workplace.

Continual improvements in quality cannot be achieved without enhancing knowledge and upgrading skills in tandem with changes in the business environment and technology. To ensure that the Group keeps abreast of these changes, we have allocated a substantial training budget in building a competent and effective workforce in East and West Malaysia to achieve a common vision and mission, guided by our corporate values. Towards this end, various workshops and training programmes are held to enhance the quality of our employees' management, technical and supervisory skills.

At Group level as well as for Faber Development, Quality Improvements Projects were also implemented to further enhance the existing Quality Management Systems. These include projects such as a Business Continuity Plan (BCP) and Control Self Assessment (CSA) that was implemented at Group level while Faber Development's self-improvement efforts include system documentation particularly related to technical drawings and, enhancement of data analysis.

Such activities are and continue to remain an integral part of the Group's quest for quality



group corporate calendar



6 JANUARY 2005

The Directors, Management and staff of Faber Group Berhad ("FGB") and its subsidiaries contributed RM58,700 both in cash and in kind including food and clothing to the Asian Earthquake Tsunami Disaster Relief Fund and the Malaysian Red Crescent Society.

27 JANUARY 2005

FGB announced that Healthtronics (M) Sdn Bhd had established a Branch Office in The Philippines to explore opportunities with a view to securing business and to support the Company's operations through the provision of BEMS and E-FEMS in the country.

3 MARCH 2005

FGB announced the change in the name of the following companies within the Group:-

- FM Property Management Sdn Bhd, a wholly owned subsidiary company of FGB, is now known as "Faber Facilities Sdn Bhd ("FFSB")",
- Malaysian Bagus Travel and Tours Sdn Bhd, a wholly owned subsidiary company of FFSB, is now known as "Faber Facilities Management Sdn Bhd" and
- Merlin Management Corporation Sdn Bhd, a wholly owned subsidiary company of FFSB, is now known as "Faber Facilities Solution Sdn Bhd".



5 MARCH 2005

Local television station, TV3, featured FMS's hospital support and facility management services at Hospital Marudi, Sarawak, with a special focus on the company's Clinical Waste Management Services, as well as the impact of FMS's operations on the local environment and folk.



11 APRIL 2005

Kempen FMS MESRA launched at Hospital Slim River, Perak. MESRA is an acronym, which represents the noble values of Menghormati (Respect): M; Efisien (Efficiency): E; Senyum (Smile): S; Rapi (Tidiness): R; and Amanah (Integrity): A. The predominant objective of this Campaign is to inculcate a culture of excellence in Customer Service.



5 MAY 2005

FGB held its 42nd Annual General Meeting at Sheraton Imperial, Kuala Lumpur.



6 JUNE 2005

FMS staff contributed a total sum of RM82,836 to Mercy Malaysia, as relief aid for the 26 December 2004 South Asian Tsunami Disaster. Mercy Malaysia's Honorary Secretary, Prof. Dr. Zaleha Abdullah Mahdy received the contribution.



23 JUNE 2005

FMS hosted its 2nd Business Cocktail Reception for the company's business partners (i.e. suppliers, vendors, consultants & financiers) at the Saujana Kuala Lumpur. AirAsia Berhad Chairman, Dato' Pahamin Rejab was one of the guest speakers invited to share his 'secrets of success' with the audience.

27 – 29 JUNE 2005

FMS participated in the Association of Private Hospitals of Malaysia's (APHM) Healthcare Conference & International Healthcare Expo held at the Palace of Golden Horses, Kuala Lumpur. The theme for the Conference was "Patient Safety in Global World" and was officiated by the Health Minister, Dato' Dr Chua Soi Lek. The Chief Executive Officer of Healthtronics Malaysia Sdn Bhd, a subsidiary of FMS presented a paper entitled "Lessons Learnt In Preparation for Accreditation – Engineering Support Services" to an audience comprising of hospital directors, healthcare professionals and hospital engineers.



2 JULY 2005

FGB and its subsidiaries participated in UEM Group's Family Day Carnival 2005 held at Bukit Jalil Sports Complex, Kuala Lumpur.



3 JULY 2005

FMS assumed the role of main sponsor for the inaugural Roasters Chicken Run for Charity, jointly organised by Kenny Rogers Roasters and the Bukit Jalil Golf & Country Resort, Kuala Lumpur. 3,000 participants ensured the 3.8 km Run's success, to raise funds for Hospital Universiti Kebangsaan Malaysia (HUKM) cancer patients.



2 – 4 AUGUST 2005

FMS's 3rd Citra Gemilang Convention was held in Shah Alam, as the main event in the Company's Continual Improvement Programme (CIP), intended to increase efficiency across all operational sites, whilst simultaneously reducing costs.



6 SEPTEMBER 2005

FGB was one of the member companies of the UEM Group that participated in the Kuala Lumpur Rat Race 2005, a charity event jointly organised by The Edge and Bursa Malaysia.



10 SEPTEMBER 2005

FGB was one of the member companies of the UEM Group that participated in the UEM-Media Hunt 2005, from Dataran Merdeka Kuala Lumpur to Allson Klana Hotel, Seremban.

13 SEPTEMBER 2005

RMSB launched 50 units of 3-storey shop offices (Phase 1A) which is part of the Laman Rimbunan development in Kepong, Kuala Lumpur.

14 SEPTEMBER 2005

FMS organised its annual Crisis Management System (CMS) Dry-Run at Hospital Bukit Mertajam, with Ministry of Health staff, FMS staff, the Royal Malaysian Police and Fire & Rescue Department collaborating to make this exercise a success. The Dry-Run is held to gauge the CMS's effectiveness in preparing FMS staff for any critical, emergency situations.



26 SEPTEMBER 2005

Faber Group participated in UEM Group's Appreciation Night held at the Grand Ballroom, Shangri-La Hotel Kuala Lumpur.



27 – 30 SEPTEMBER 2005

FUSB participated in the Bahrain Malaysia International Trade & Investment Bureau at Bahrain.

group corporate calendar

29 – 30 SEPTEMBER 2005

FMS played host-cum-Awards Sponsor to the 3rd Hospital Management Asia Conference, attended by more than 520 delegates from the Asia-Pacific region, Middle East and India. Held in Kuala Lumpur, it was the largest Conference of its kind to date, and provided an ideal platform for hospital managers and healthcare providers to communicate and interact freely in exchanging know-how on improving management practices and healthcare industry standards.

31 OCTOBER 2005

The ICULS 2000/2005 of FGB matured and the balance of the unconvertible ICULS were fully converted into ordinary shares.

14 – 16 NOVEMBER 2005

FMS played the role of platinum sponsor for the Bio-Medical Engineering Association of Malaysia's (BEAM) 1st International Conference on Computers, Communications & Signal Processing (CCSP 2005), hosted in Kuala Lumpur. As the 1st CCSP ever organised, this event generated much interest and publicity. Furthermore, it made history as the maiden international event of its kind, with a special focus being paid to Bio-Medical Engineering Services (BEMS).



25 NOVEMBER 2005

FGB won the UEM Group'S Sri Maju Award for the Most Improved Company within the UEM Group of companies for year 2004 at the "Malam Anugerah Kumpulan UEM 2005" held at Sheraton Subang Hotel and Towers.

17 DECEMBER 2005

RMSB launched Rimbunan Melati 1, a residential development comprising 164 units of 3-storey terrace houses in Kepong, Kuala Lumpur.



10 – 14 DECEMBER 2005

FGB participated in the East Asia Business Exhibition ("EABEX") at the Kuala Lumpur Convention Centre under the UEM Group banner. The five-day exhibition was organised by MATRADE in conjunction with the 1st East Asia Summit and 11th ASEAN Summit. The objective was to increase UEM Group's presence amongst the delegates from all participating countries as well as to establish business contacts with relevant prospective partners for future opportunities.

group financial calendar

FINANCIAL YEAR ENDED

ANNOUNCEMENT OF UNAUDITED QUARTERLY RESULTS

31 DECEMBER 2005

FIRST QUARTER
SECOND QUARTER
THIRD QUARTER
FOURTH QUARTER

31 MAY 2005
15 AUGUST 2005
28 NOVEMBER 2005
23 FEBRUARY 2006



statement on corporate governance

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors remains fully committed to achieving and maintaining high standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code of Corporate Governance throughout Faber Group Berhad ("FGB") and its subsidiary companies ("Faber Group").

Faber Group has continuously and consciously cultivated the highest level of integrity in the affair of its Board of Directors, Management and employees culminating in positive interaction with its stakeholders.

Therefore, the Board is pleased to set out below the statement, which outlines the main corporate governance practices of Faber Group.

A BALANCED BOARD

The Board is of the opinion that a balanced composition will determine the effectiveness of the Board. The Board of Directors comprises nine (9) members of which one is of Executive capacity. Four (4) of the Non-executive Directors are independent as defined in the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). None of the directors have any personal vested interest in Faber Group.

With eight-ninths of the Board composition being non-executive and more than two-thirds of the Non-Executive Directors being independent, the interests of the shareholders are adequately represented and protected.

The Board has maintained its mix of Directors from diverse professional backgrounds with a wide range of experience and expertise in finance and corporate affairs. The impressive spectrum of experiences is clearly illustrated in the Board of Director's profile from **pages 16 – 20**.

STEWARDSHIP RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board has assumed the following six specific responsibilities in discharging their stewardship responsibilities pursuant to the Best Practices set in accordance with the Malaysian Code of Corporate Governance:

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

The roles of the Chairman and the Managing Director are separate and this division of responsibilities is documented and endorsed by the Board. Apart from allowing a more equitable distribution of accountabilities, this distinction also reinforces the check and balance proposition.

The Chairman of the Board is a Non-Executive Director and his main responsibility is to lead and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. He serves as the main liaison person between the Board and Management. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by Management. He also chairs the meetings of the general meetings of FGB.

The responsibility for the day-to-day management of Faber Group rests with the Managing Director. She is accountable for leading the management team, implementing the policies/decisions approved by the Board, building a dynamic corporate culture and acting as Faber Group's official spokesperson. She is also responsible for charting the future direction of Faber Group for the Board's consideration and approval as well as to identify key individuals under the group's succession planning programme.

At the onset of each financial year, the Board considers and approves a set of measures and expectations on the basis of the Balanced Scorecard for the Managing Director. This serves as a yardstick against which her performance will be measured, evaluated and rewarded.

APPOINTMENT TO THE BOARD

Board Appointment Process

The Nomination Committee is responsible for recommendation of appointment to the Board. Any new nomination received is forwarded to the Board for assessment and endorsement. The duties and responsibilities of the Nomination Committee are outlined on **page 41** of the Annual Report.

Re-election

The Articles of Association provides that all members of the Board shall retire from office at least once in three (3) years but shall be eligible for re-election.

Directorships in Other Companies

To ensure the effectiveness of the Board is maintained through focused commitment, resources and time, each of the Directors holds not more than (10) directorships in any public listed companies and not more than 15 directorships in other companies (non-listed companies) in compliance with the LR of Bursa Securities. The disclosure on the directorships of each director in other public companies are set out in the Profile of Directors' section of the Annual Report.

SUPPLY OF INFORMATION

The Management of Faber Group is responsible to provide the Board of all information that will assist the Board in discharging its responsibilities. Further, the Board also expects timely information and advice to be furnished on all material information.

Every Director has unhindered access to the advice and services of the Company Secretary, whose terms of appointment permit her removal and appointment only by the Board as a whole.

The Board of Directors' terms of reference also provide the opportunity to seek independent professional advice, where necessary, at the expense of Faber Group.

statement on corporate governance

BOARD MEETINGS

To ensure effective management of Faber Group, the Board meetings are convened regularly during the year. Additional meetings are also convened on an ad-hoc basis with formal agenda for the Board to deliberate on urgent issues that require immediate decision-making. Agenda for each Board Meeting is forwarded to each member of the Board well in advance of the Board meeting.

A total of seven (7) Board meetings were held during the financial year ended 31 December 2005. The details of the Directors' attendance are as follows:-

NAME OF DIRECTOR	STATUS	NO. OF MEETINGS ATTENDED
Dato' Anwar bin Haji @ Aji	Non-Independent, Non-Executive Chairman	7
Datuk Zainal Abidin bin Alias	Senior Independent, Non-Executive Director	6
Dato' Mohamed Zain bin Mohamed Yusuf	Independent, Non-Executive Director	7
Dato' Ikmal Hijaz bin Hashim	Non-Independent, Non-Executive Director	5
Dato' (Dr.) Mohamed Ishak @ Ishak bin Haji Mohamed Ariff	Independent, Non-Executive Director	7
Elakumari a/p Kantilal	Non-Independent, Non-Executive Director	6
Azmanuddin Haq bin Ahmad	Non-Independent, Non-Executive Director	6
Puasa bin Osman	Independent, Non-Executive Director	6
Noorizah binti Hj. Abd. Hamid	Managing Director	7

Total number of the meetings held during the year was 7.

The Board delegates certain responsibilities to the Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee.

BOARD COMMITTEES

All committees have written terms of reference and submit reports of their proceedings and deliberations to the Board. The Chairman of the various committees will report to the Board the outcome of the Committee meetings and are incorporated in the minutes of the full Board meeting. The Board, however, retains full responsibility for the direction and control of Faber Group.

Audit Committee

The full Audit Committee report including its membership, composition, roles and responsibilities are laid out in the Audit Committee Report.

Nomination Committee

The Nomination Committee is made up of the following members:-

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

The Nomination Committee is made up entirely of Non-Executive Directors where two third are independent. The terms and reference of the Nomination Committee are as follows:-

- 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 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 had met two (2) times during the financial year ended 31 December 2005. All members of the Nomination Committee attended the meetings.

statement on corporate governance

Remuneration Committee

The Remuneration Committee carries out annual reviews of recommendations on overall remuneration policy for Directors and key Senior Management staff for submission to the Board. The Remuneration Committee is made up of the following members:-

NAME OF DIRECTOR	STATUS
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 Mohammed Ariff	Independent, Non-Executive Director

The Remuneration Committee is made up entirely of Non-Executive Directors where all the directors are independent. 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, Managing Director, the Chief Executive Officer and other special grade staff having regard to the overall Faber Group's policy guidelines/framework
- Advise the Board on the performance of the Executive Directors, Managing Director, Chief Executive Officer 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 FGB's committees.

The Remuneration Committee has met once during the financial year ended 31 December 2005. All members of the Remuneration Committee attended the meeting.

DETAILS OF DIRECTORS REMUNERATION

The breakdown of the remuneration of the Directors of FGB payable by FGB as well as subsidiary companies of FGB where they are a Board member for the financial year ended 31 December 2005, by category are shown below:

EMOLUMENTS	EXECUTIVE DIRECTOR (RM)	NON-EXECUTIVE DIRECTORS (RM)	TOTAL (RM)
Fees	76,740^^	542,619	619,359
Allowance	9,736^^	79,222	88,958
Salaries	402,480	—	402,480
Bonus	214,500	—	214,500
Contribution to Employees Provident Fund	92,595	—	92,595
Estimated Money Value of Benefits-in-kind	51,628	63,526	115,154
Total	847,679	685,367	1,533,046

Notes:-

^^ These fees and allowances are Directors' fees and meeting allowances payable by the subsidiary companies of FGB. Based on Faber Group's policy, Directors' fees and meeting allowances receivable by employees of FGB from its subsidiary companies have to be paid directly to the company that employed them.

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

RANGE OF DIRECTORS' REMUNERATION	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS	TOTAL
Below – RM50,000	–	2	2
RM50,001 – RM100,000	–	3	3
RM100,001 – RM150,000	–	2	2
RM155,001 – RM200,000	–	1	1
RM800,001 – RM850,000	1	–	1

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

All Directors have attended and successfully completed the Mandatory Accreditation Programme. In addition, seminars and conferences organised by Bursa Securities, relevant regulatory bodies and professional bodies on areas pertinent to the Directors' are communicated to the Board for their participation at such seminars and conferences.

In accordance to the provisions of the LR of Bursa Securities, all Directors have also attended Continuing Education Programme on inter-alia rules and regulations in Malaysia, internal auditing – governance and assurance, risk management, corporate governance and updates on regulatory issues.

COMMUNICATIONS WITH SHAREHOLDERS AND RELATIONSHIPS WITH INVESTORS

Faber Group recognises and practices transparency and accountability to its shareholders and investors through formal channels of communication. In addition to the quarterly financial reports, the Annual Report communicates comprehensive and adequate details of the financial results and activities undertaken by Faber Group.

General Meetings provide open forums at which the shareholders were informed and updated on current developments of Faber Group. At general meetings, the shareholders are at liberty to raise questions. The Chairman and the Board members of FGB and the Management of Faber Group are prepared to answer any queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The External Auditors and independent advisors are also present to provide their professional and independent clarifications, if required. A press conference is held immediately after general meetings to allow the Directors and the Management to meet members of the media to clarify or explain enquires on Faber Group.

FGB recognised the need for an independent third party assessment of Faber Group. Towards achieving this end, the Management conducts dialogues and briefings with the financial analysts, brokers and institutional fund managers and investors on Faber Group's financial results, performance and business development.

This is to ensure that the investing public receives a balanced and complete view of Faber Group's performance and the current issues faced by the business. These briefings enable a direct dialogue to be established on the affairs of Faber Group with the investing community.

Presentations were made, as appropriate, to explain Faber Group's strategy, performance and major developments. However, any information that may be regarded as material and price sensitive about Faber Group will not be released.

statement on corporate governance

During the year, 4 analyst briefings were held which were participated by the Managing Director, the Chief Financial Officer and Head of Corporate Communications Department. In addition there were numerous media releases, press and media interviews participated by the Managing Director.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to Faber Group. Disclosures of information requiring immediate release as specified by Bursa Securities have been complied with. Faber Group has consistently released its quarterly financial results well in advance before the Bursa Securities deadlines.

Faber Group views the timeliness, accuracy and reliability of information disseminated to the shareholders, stakeholders and investment community as crucial. In this regard and for the purpose of maintaining better control over disclosure, the Managing Director of FGB has been designated as the spoke-person of Faber Group.

The website at www.fabergroup.com.my also provides an avenue for shareholders and members of the public to access information pertaining to Faber Group. The website is updated regularly. Further to the website, timely announcements are also made to Bursa Securities on corporate proposals, meetings, announcements, financial reporting and all other announcements that are required pursuant to the LR of Bursa Securities.

CORPORATE SOCIAL RESPONSIBILITY

Faber Group is committed to the communities in the environment it operates. It recognises that for long-term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the group supports important causes such as donation to the needy and community services.

CODE OF ETHICS AND CONDUCT

Faber Group has a Code of Ethics and Conduct ("the Code") relating to lawful and ethical dealings in the conduct of its business. The Code expounds key behavioral principles which are meant to act as a guide to all employees in their dealings with customers, employees and regulators in the communities in which Faber Group operates. This Code is communicated to all employees upon recruitment.

ACCOUNTABILITY AND AUDIT

The Board is committed to providing a clear, balanced and comprehensive account on the financial position of Faber Group through quarterly and half yearly announcements of its results as well as through the Chairman's review and statement of operations in FGB's Annual Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF 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 Faber Group at the end of the financial year. Towards the end, the assessment of the Faber Group's operations and prospects are presented in a balanced and easily understood manner. The Directors have ensured that the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia have been applied in preparing the financial statements.

The Audit Committee assists the Board in overseeing the financial reporting process and reviews the quarterly results and annual accounts before it is approved by the Board of Directors and released to Bursa Securities.

STATEMENT OF INTERNAL CONTROLS

The Statement of Internal Controls is disclosed from **pages 46 – 49** of the Annual Report for an overview of the state of internal controls within Faber Group.

RELATIONSHIP WITH THE AUDITORS

A transparent and appropriate relationship is maintained with the External Auditors of FGB through the Audit Committee. The Audit Committee has been explicitly accorded the authority to communicate directly with both the Internal and External Auditors. Currently, Messrs Ernst & Young provides an independent and professional external auditing services to the Faber Group.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES

The Board considers that it has complied with Best Practices set in accordance with the Malaysian Code of Corporate Governance.

statement on internal control

INTRODUCTION

The Board of Directors of Faber Group Berhad ("FGB") and its subsidiary companies ("Faber Group") acknowledges its responsibility for maintaining a sound system of internal control to safeguard the shareholders interest and Company assets in line with the Malaysian Code of Corporate Governance. In Pursuant to Paragraph 15.27 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors of Faber Group is pleased to make the following statement:

RESPONSIBILITY OF THE BOARD

The Board of Directors is committed in maintaining an adequate control structure and environment for proper conduct of its business operations. The related principal responsibilities of the board on risk and internal control include:

- i. Timely identification of the principal risks and ensure the implementation of appropriate control systems to manage these risks
- ii. Reviewing the adequacy and the integrity of Faber Group'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 is designed to mitigate and manage rather than eliminate risks against material misstatement, loss and fraud. The system of internal control covers, inter alia, risk management, financial, operational and compliance controls.

The Board has established procedures to implement 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 risks faced by Faber Group.

ENTERPRISE WIDE RISK ASSESSMENT FRAMEWORK

The Risk Management Framework adopted on 23 December 2002 is firmly embedded in Faber Group's management system. The objective of this framework is to provide guidance 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 holding company in a timely manner. During the period under review, the following processes were undertaken to assess and review the risks within Faber Group:

- Review and discussion of risks via Risk Management Workshops conducted by Risk Facilitators at holding and subsidiaries level jointly with all Business Units Heads. A total of 10 Risk Facilitation Workshops and meetings were conducted during the financial year ended 31 December 2005. New risks were also identified during these workshop sessions.
- The risk profiles and action plans to mitigate the risks were updated before being tabled at Risk Management Steering Committee (RMSC) Meeting of FGB for further discussion.
- The significant and high net risks were subsequently tabled to the Audit Committee of Directors and the Board after approval by the RMSC.

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

The significant risks and the action plans were tabled to the Audit Committee and the Board on 22 February 2006 and 23 February 2006 respectively.

CONTROL SELF-ASSESSMENT ("CSA")

Central to the Group's Internal Control and Risk Management system is the Control Self-Assessment (CSA) process. The objectives of CSA are to create increased appreciation of risks and controls and their linkages to business objectives. Employees are empowered to take full ownership and accountability of the respective controls within their area of responsibility. The Group Internal Audit Department acts as a facilitator, regularly reviewing the results of the CSA via the E-confess, a computerised system database of the CSA result, monitoring and following up on area that requires improvement.

CSA has been successfully implemented for Faber Group's major contributor, Faber Medi-Serve Sdn Bhd ("FMS"). The CSA was implemented at the Hospital Support Services in all 73 hospitals effective September 2005. A checklist for all five services has been developed setting out the various key controls and process requirements which will be continuously improved over time based on various feedbacks that has been received.

With the implementation of CSA, a new culture of self-assessment is being inculcated. The role of the Internal Auditor would be merely as control facilitator and advisor since CSA process empowers the operational heads to evaluate controls and identify the risks that may hinder the achievement of their business objectives.

Faber Group has also embarked in the development of another CSA project for Faber Facilities Sdn Bhd ("FFSB"). The focus of this CSA project is to ascertain compliance to procedures.

With the implementation of CSA at both FMS and FFSB, a total of 7,000 staff has been exposed to the concept of CSA. Efforts are being undertaken to further streamline and enhance the implementation of CSA in the subsidiaries.

INTERNAL CONTROL ENVIRONMENT

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.

statement on internal control

- 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 a clear Faber Group vision, mission and strategic direction.
- Establishment of the Discretionary Authority Limit (“DAL”), which sets the limit for operating and capital expenditure for each level of management within Faber Group. 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 Faber 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 Faber 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 the weaknesses has resulted in any material loss that would require disclosure in Faber Group’s financial statements.
- Establishment of a Risk Management Steering Committee involved in the assessment and management of risks in varying degree and levels.
- Establishment of the Business Continuity Plan for Faber Group to ensure, that in the event of a major disaster or incident which threatens the existence of the business or its ability to operate, a plan is in place to meet the challenge of restoring continuity of operations.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs Ernst & Young have reviewed and affirmed this Statement on Internal Control for inclusion in the annual report of the Company for the financial year ended 31 December 2005.

The External Auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Director's Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute Of Accountants. The review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls for Faber Group.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of Faber Group's risk and control procedures. The Guide also does not require the External Auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems.

Based on their review, the External Auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statement on Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of Faber Group.

audit committee report

SIZE AND COMPOSITION

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 Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which requires the majority of the Audit Committee to be Independent Directors.

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

MEMBERS	POSITION
Datuk Zainal Abidin bin Alias*	Chairman
Dato' Mohamed Zain bin Mohamed Yusuf*	Member
Elakumari a/p Kantilal++#	Member
Puasa Bin Osman*	Member

* Independent Non-Executive Director

++ Non-independent Non-Executive

Member of Malaysian Institute of Accountants

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2005, the Audit Committee held meetings on 24 February 2005, 27 May 2005, 12 August 2005 and 15 November 2005, a total of four (4) 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	% OF ATTENDANCE
Datuk Zainal Abidin bin Alias	4	4	100
Dato' Mohamed Zain bin Mohamed Yusuf	4	4	100
Elakumari a/p Kantilal	4	4	100
Puasa Bin Osman	4	4	100

The Managing Director, General Manager of the Internal Audit of FGB, Senior Management of subsidiary companies and representatives from the External Auditors were invited to attend Audit Committee meetings whenever necessary. The Company Secretary, Ms 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 2005:-

1. Reviewed and approved the Annual Audit Plan of the FGB for the calendar year 2006. In its review of the Annual Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units of the FGB and the Internal Audit's basis of assessment and risk rating of the proposed areas of audit.
2. Reviewed and deliberated on a total of 12 audit report assignments and 2 follow-up audit report assignments produced by the Internal Audit Department ("IAD") of FGB.

3. Reviewed and deliberated on a total of 2 audit reports on special audit assignments conducted by the UEM Group Management, Improvement & Assurance Services Division.
4. Reviewed the unaudited quarterly financial statements and the audited financial statements of FGB and recommending the same for approval by the Board, upon being satisfied that inter-alia, the financial reporting and disclosure requirements of the relevant authorities had been complied with.
5. Attended relevant briefing and seminars conducted internally within the UEM Group and conducted by external parties and/or professional associations to keep abreast with the latest practices, development and updates pertaining to duties and responsibilities and functions of an Audit Committee.
6. Reviewed the processes and investigations undertaken by the IAD, the audit findings and risk analysis on each audit assignments and emphasised on follow-up audits to ensure that appropriate corrective actions are taken and recommendations of the Internal Audit are implemented.
7. Assessed and determined the performance rating of the General Manager, IAD. 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 IAD.
8. Reviewed recurrent related party transactions of a revenue or trading in nature to ascertain as to whether they are undertaken on arm's length basis on normal commercial terms not detrimental to minority shareholders.
9. Reviewed the Risk Management Framework for Faber Group and Management Action Plans.
10. 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.

TERMS OF REFERENCE

Objectives

The primary objectives of the Audit Committee are to:

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

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst their members 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 experiences 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

audit committee report

- 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 organisations 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 experiences in accounting or finance; or
- possesses at least 7 years' experiences being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

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

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

Secretary of the Audit Committee

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

Meetings

The Audit Committee shall meet not less than (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.

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:-

- (i) Have explicit authority to investigate any matter within its terms of reference;
- (ii) Have the resources which are required to perform its duties;
- (iii) Have full, free and unrestricted access to any information, records, properties and personnel of FGB and of any other companies within the FGB;
- (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 Faber Group 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) To approve the Internal Audit Charter or its equivalent, which defines the independent purpose, authority, scope and responsibility of the internal audit function in FGB.

- (ii) 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;
- (iii) 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;
- (iv) Review the quarterly interim results and annual financial statements of FGB, before recommending to the Board for deliberation, focusing particularly on:
 - Any changes in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption;
 - Compliance with accounting standards and other legal requirements.
- (v) 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;
- (vi) Review the External Auditors' Management letter, Management's response and Audit Report;
- (vii) Review the assistance and co-operation given by FGB and the FGB's officers to the External and Internal Auditors;
- (viii) 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;
- (ix) Consider the major findings of internal investigations and Management's response;
- (x) Review any related party transaction and conflict of interest situation that, may arise within Faber Group including any transactions, procedure or course of conduct that raises questions of Management integrity;
- (xi) 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;
- (xii) 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 Faber Group.
- (xiii) Promptly report to Bursa Securities matters, which result in a breach of the listing requirements.

audit committee report

INTERNAL AUDIT FUNCTION

The Audit Committee is strongly supported by an in-house IAD, which was set-up in August 1994. The principle responsibility of the IAD is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively in Faber Group. The department is also responsible to carry out risk assessment of Faber Group. The principal roles of the IAD 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 Faber Group's operational efficiency, effectiveness and economy
- to ensure that a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, control and governance process is adopted

The risk-based internal audit plan is developed to cover key compliance, financial, operational and strategic matters that are significant to the overall performance of FGB.

The Audit Committee reviews and approves the IAD's annual budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. In January and February, IAD manpower size has been expanded to include additional personnel that were seconded from the subsidiaries of FGB. The programme is beneficial for both IAD and the staffs concerned as this provide counter exposure for both parties.

As at 31 December 2005, IAD has auditors of various mix of expertise and experiences as tabulated below:

EXPERTISE RESOURCES WITHIN IAD

Category	%
Finance & Accounting	43
ICT/MIS	14
Technical/Engineering	29
Economy/Social science	14

AUDIT PROFESSIONALS

Category	No
Masters in Business Administration (MBA)	1
Certified Internal Auditors (CIA)	1
CIA/CSSA internship	2

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 THAT 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 to ensure 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 that are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.