

FABER GROUP BERHAD
(5067-M)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012.

THE FIGURES HAVE NOT BEEN AUDITED.

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
1 (a) Revenue	217,989	186,420	401,984	384,608
(b) Cost of sales	(159,772)	(136,250)	(294,940)	(285,667)
(c) Gross profit	58,217	50,170	107,044	98,941
(d) Other income	2,066	2,462	3,870	4,102
(e) Expenses	(20,623)	(22,246)	(40,072)	(45,437)
(f) Finance costs	(1,146)	(1,604)	(2,592)	(3,188)
(g) Profit before tax	38,514	28,782	68,250	54,418
(h) Income tax expense	(10,692)	(8,248)	(18,848)	(14,922)
(i) Profit for the period	27,822	20,534	49,402	39,496
Attributable to:				
(j) Owners of the parent	19,532	16,502	36,019	30,656
(k) Non-controlling interests	8,290	4,032	13,383	8,840
Profit for the period	27,822	20,534	49,402	39,496
2 Earnings per share based on 1(j) above:-				
Basic (based on 2012: 363,001,053 [2011: 363,001,053] ordinary shares)	5.38 sen	4.55 sen	9.92 sen	8.45 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

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I(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period	27,822	20,534	49,402	39,496
Foreign currency translation representing other comprehensive expense for the period, net of tax	(104)	(427)	(1,440)	(1,022)
Total comprehensive income for the period	27,718	20,107	47,962	38,474
Attributable to:				
Owners of the parent	20,336	16,146	35,777	29,799
Non-controlling interests	7,382	3,961	12,185	8,675
Total comprehensive income for the period	27,718	20,107	47,962	38,474

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

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Remarks to Condensed Consolidated Income Statement:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Profit before income tax is arrived at after charging/(crediting):				
Interest income	(1,697)	(1,998)	(3,417)	(3,525)
Other income including investment income	(369)	(464)	(453)	(577)
Interest expense	1,146	1,604	2,592	3,188
Depreciation and amortization	3,857	5,182	8,033	11,881
Foreign exchange loss	-	-	569	-

Other than the above, there were no provision for and write off of receivables and inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment/(write back of impairment) of assets, gain or loss on derivatives, exceptional items, write down of inventories and/or reversal of write down and reversal of any provision for costs of restructuring.

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		As at end of	As at preceding
		current quarter	financial year end
		30/06/2012	31/12/2011
		RM'000	RM'000
ASSETS			
1	Non-current assets		
	Property, plant and equipment	88,164	93,117
	Land held for property development	1,111	1,102
	Prepaid land lease payments	3,542	3,586
	Intangible assets	27,269	27,546
	Other investments	272	272
	Trade receivables	60,998	144,098
	Deferred tax assets	1,427	2,676
		182,783	272,397
2	Current assets		
	Property development costs	86,353	80,286
	Inventories	7,248	7,078
	Trade and other receivables	437,387	363,306
	Amount due from customer on contracts	31,289	57,842
	Short term investment	2,041	2,012
	Short term deposits*	141,848	206,904
	Cash and bank balances*	196,351	113,457
		902,517	830,885
	Total assets	1,085,300	1,103,282

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Unaudited	Audited
	As at end of	As at preceding
	current quarter	financial year end
	30/06/2012	31/12/2011
	RM'000	RM'000
EQUITY AND LIABILITIES		
3	Equity attributable to Owners of the Parent	
	Share capital	
	Other reserves	
	Retained earnings	
	501,973	487,976
4	Non-controlling interests	
	580,148	563,414
5	Non-current liabilities	
	Retirement benefit obligations	
	Provisions	
	Borrowings	
	Trade payables	
	Deferred tax liabilities	
	40,377	47,809
6	Current liabilities	
	Retirement benefit obligations	
	Borrowings	
	Trade and other payables	
	Income tax payable	
	Dividend payable	
	464,775	492,059
	Total liabilities	539,868
	Total equity and liabilities	1,103,282
	1,085,300	1,103,282
7	Net assets per ordinary share attributable to Owners of the Parent (RM)	
	1.38	1.34

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

* Cash, bank balances and short term deposits

Included in the cash, bank balances and short term deposits of the Group is RM85,399,000 (2011 : RM73,175,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966.

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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	Unaudited Six months to 30/06/2012	Unaudited Six months to 30/06/2011
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	527,623	434,119
Cash payments to suppliers	(248,234)	(218,267)
Cash payments to employees and for expenses	(158,546)	(127,794)
Cash generated from operations	120,843	88,058
Interest paid	(4,161)	(3,194)
Income tax paid	(18,867)	(12,343)
Net cash flow generated from operating activities	97,815	72,521
Cash flows from investing activities		
Interest received	3,456	3,705
Purchase of property, plant and equipment	(2,839)	(14,915)
Net cash flow generated from/(used in) investing activities	617	(11,210)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares to non-controlling interests	-	842
Partial redemption of Redeemable Secured Loan Stock ("RSLs")	(66,008)	(3,000)
Partial redemption of redeemable preference shares in a subsidiary	(2,700)	-
Partial repayment of loan from corporate shareholder of a subsidiary	(189)	-
Repayment of other secured bank loans	-	(17,000)
Drawdown of other secured bank loans	-	15,000
Dividend paid	-	(21,780)
Dividend paid to non-controlling shareholders of subsidiaries	(11,670)	(1,136)
Repayment of hire purchase obligations	(46)	-
Net cash flow used in financing activities	(80,613)	(27,074)
Net increase in cash and cash equivalents	17,819	34,237
Net foreign exchange difference	19	173
Cash and cash equivalents as at beginning of financial period	320,361	284,876
Cash and cash equivalents as at end of financial period	(a) 338,199	319,286
(a) Cash and Cash Equivalents comprise the following amounts:		
Short term deposits	141,848	234,902
Cash and bank balances	196,351	84,384
	338,199	319,286

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	← Attributable to owners of the parent →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable →		Other reserves RM'000	Retained earnings/ (Accumulated losses) RM'000			
	Share capital RM'000	Share premium RM'000					
Six months to 30 June 2012 (unaudited)							
Balance as at 1 January 2012	90,750	-	(4,345)	401,571	487,976	75,438	563,414
Total comprehensive (expense)/ income for the period	-	-	(242)	36,019	35,777	12,185	47,962
Redemption of redeemable preference share	-	-	3,300	(3,300)	-	-	-
Dividend	-	-	-	(21,780)	(21,780)	-	(21,780)
Dividend paid to non-controlling shareholders of subsidiary companies	-	-	-	-	-	(9,448)	(9,448)
Balance as at 30 June 2012	<u>90,750</u>	<u>-</u>	<u>(1,287)</u>	<u>412,510</u>	<u>501,973</u>	<u>78,175</u>	<u>580,148</u>
Six months to 30 June 2011 (unaudited)							
Balance as at 1 January 2011	363,001	115,985	(4,336)	(25,775)	448,875	67,045	515,920
Total comprehensive (expense)/ income for the period	-	-	(857)	30,656	29,799	8,675	38,474
Issue of shares by subsidiary to non-controlling shareholder	-	-	-	-	-	842	842
Issue of shares by subsidiary to non-controlling shareholder through capitalisation of loan	-	-	-	-	-	800	800
Dividend	-	-	-	(21,780)	(21,780)	-	(21,780)
Dividend paid to non-controlling shareholders of subsidiary companies	-	-	-	-	-	(1,136)	(1,136)
Balance as at 30 June 2011	<u>363,001</u>	<u>115,985</u>	<u>(5,193)</u>	<u>(16,899)</u>	<u>456,894</u>	<u>76,226</u>	<u>533,120</u>

The condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The notes to the condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

1. Accounting policies and methods of computation

The quarterly consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and are in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), except for the adoption of the following new/revised Financial Reporting Standards ("FRS") which are applicable to the Group with effect from 1 January 2012, as disclosed below:

	Effective for the financial period beginning on or after
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
FRS 124: Related Party Disclosures (revised)	1 January 2012
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to FRS 112: Deferred tax - Recovery of Underlying Assets	1 January 2012

The adoption of the above pronouncements does not have significant impact to the Group.

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities are allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the scope of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014.

2. Audit report in respect of the 2011 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2011 was not qualified.

3. Seasonal or cyclical factors

The Group's operations are not materially affected by any seasonal or cyclical factors.

4. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period.

5. Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

6. Debt and equity securities

Faber Group Berhad ("FGB") did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period ended 30 June 2012, save for the repayment of RM66.0 million of the outstanding RSLs and partial redemption of redeemable preference shares by a subsidiary.

7. Dividend

The final dividend of 8.00 sen less 25% taxation on 363,001,053 ordinary shares of RM0.25 each, amounting to RM21,780,063 (6.00 sen net per ordinary share) in respect of the financial year ended 31 December 2011 was approved by the shareholders during the Annual General Meeting on 27 June 2012 and paid on 26 July 2012.

The Directors do not recommend the payment of any interim dividend for the current period ended 30 June 2012 (2011 : nil).

8. Operating Segments

Operating Segment information for the current financial period to 30 June 2012 is as follows:

By operating segment

	Integrated Facilities Management		Properties	Others	Elimination	Group
	Concession	Non-concession				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	283,650	34,343	83,991	-	-	401,984
Inter-segment sales	-	-	-	30,466	(30,466)	-
Total Revenue	283,650	34,343	83,991	30,466	(30,466)	401,984
Results						
Segment results	42,358	4,331	29,214	37,093	(42,154)	70,842
Finance costs	(5)	(261)	-	(2,528)	202	(2,592)
Profit/(Loss) before tax	42,353	4,070	29,214	34,565	(41,952)	68,250
Income tax expense	(10,599)	(756)	(7,247)	(246)	-	(18,848)
Profit/(Loss) for the period	31,754	3,314	21,967	34,319	(41,952)	49,402
Attributable to:						
Owners of the parent	27,241	3,063	13,489	34,319	(42,093)	36,019
Non-controlling interests	4,513	251	8,478	-	141	13,383
Profit/(Loss) for the period	31,754	3,314	21,967	34,319	(41,952)	49,402

9. Material events subsequent to the end of the current financial period

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature that have arisen since 30 June 2012 to the date of this announcement which would substantially affect the financial results of the Group for the six months ended 30 June 2012 that have not been reflected in the condensed financial statements.

10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.

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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

11. Contingent liabilities

There are no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2011.

12. Capital commitments

There are no material capital commitments except as disclosed below :

	RM'000
Approved and contracted for	1,761

13. Income tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	10,439	8,244	18,268	15,219
Deferred tax				
- Relating to origination and reversal of temporary difference	253	4	580	(297)
	<u>10,692</u>	<u>8,248</u>	<u>18,848</u>	<u>14,922</u>

There is no significant difference between the Group's effective tax rate and the statutory tax rate for the current quarter.

14. Status of corporate proposals announced but not completed as at the date of this announcement

There are no corporate proposals announced but not completed as at the date of this announcement except as stated below:

- (a) On 5 August 2004, Intensive Quest Sdn Bhd ("IQSB"), a 63%-owned subsidiary of FGB was placed under members' voluntary liquidation ("MVL") following the passing of a special resolution by its members at an Extraordinary General Meeting held on the same day. IQSB is currently awaiting clearance from the relevant statutory bodies i.e. Employees Provident Fund, Social Security Organisation, Inland Revenue Board ("IRB") and Royal Malaysian Customs Department.

The MVL of IQSB is in line with the provisions of the Shareholders' Agreement in respect of IQSB dated 8 April 2004 between FGB and Medlux Overseas (Guernsey) Limited ("MOG"), whereby FGB and MOG have mutually agreed to voluntarily wind-up IQSB in accordance with applicable laws of Malaysia.

The MVL of IQSB has yet to be completed.

- (b) On 19 September 2008, 2 of the Company's wholly-owned subsidiaries which were dormant and, held directly or indirectly by FGB have been placed under MVL pursuant to Section 254(1)(b) of the Companies Act, 1965 as follows:-

- (i) Faber Haulage Sdn Bhd; and
- (ii) Merlin Tower Hotel Sdn Bhd.

Mr. Heng Ji Keng and Mr. Michael Joseph Monteiro of Messrs Ferrier Hodgson MH Sdn. Bhd. of 22-M, Monteiro & Heng Chambers, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur were appointed as Liquidators. The MVL was undertaken to rationalise and streamline the structure of the Group.

The completion of MVL of the companies are pending tax clearance from the IRB.

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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

14. Status of corporate proposals announced but not completed as at the date of this announcement (cont'd)

(c) On 9 February 2012, Merlion Credit Corporation Berhad ("MCCB"), a wholly-owned subsidiary of FGB, was placed under MVL pursuant to Section 254(1)(b) of the Companies Act, 1965.

MCCB was incorporated in Malaysia on 18 May 1973 and it ceased operations in 1991. The authorised share capital of MCCB is RM6,000,000 comprising 6,000,000 ordinary shares of RM1.00 each of which all the shares have been issued and fully paid up.

MCCB had appointed Mr. Heng Ji Keng and Mr. Michael Joseph Monteiro of Messrs Ferrier Hodgson MH Sdn. Bhd., of 22-M, Monteiro & Heng Chambers, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur, to act jointly and severally as Liquidators of MCCB for the purpose of the MVL.

The MVL is undertaken to rationalise and streamline the structure of the Group.

15. Update on extension of Concession Agreement of Faber Medi-Serve Sdn Bhd

As per the terms of the Concession Agreement ("CA"), Faber Medi-Serve Sdn. Bhd. ("FMS") had on 26 October 2009 submitted a Letter of Intent to the Ministry of Health ("MOH") to extend the CA which would be expiring on 28 October 2011. In the interim, FMS had attended a series of Service Level Improvement Workshops conducted by the MOH between February 2010 and March 2010 formulating new proposed scopes, standards and performance monitoring for the new Hospital Support Services ("HSS") concession. In 2010, FMS continued its commitment in the HSS concession by continuing to invest substantial amounts of capital expenditure and human development so as to improve its service delivery. Subsequently, on 30 June 2010, FMS had submitted the financial proposal to the MOH in relation to the CA extension. FMS received a letter acknowledging receipt of FMS letter dated 26 October 2009 from Unit Kerjasama Awam Swasta ("UKAS") on 26 October 2010.

On 19 September 2011, FMS received request from UKAS for the submission of Request for Proposal ("RFP") and FMS had submitted the RFP to UKAS on 3 October 2011, accordingly. Subsequently, on 27 October 2011, UKAS issued a letter to FMS for an extension of the Concession Agreement for a six-month period effective from 28 October 2011, subject to the prevailing terms and conditions of the Concession Agreement. Through a letter dated 13 February 2012, FMS was requested by UKAS to submit the HSS Addendum No 1 to the RFP, detailing and clarifying on the technical and commercial proposals submitted earlier. FMS had complied to the request and submitted the HSS Addendum No 1 on 23 February 2012. Further, on 25 April 2012, FMS submitted a revised RFP to UKAS as requested.

On 27 April 2012, FMS received a letter from UKAS stating that FMS shall in the interim, continue with the existing concession until the signing of a new CA for the privatisation of HSS with the MOH.

The Group and FMS has taken all necessary steps and actions to ensure the success of the CA extension. The decision on the CA extension is still pending from the MOH.

16. Borrowings and debt securities

Details of Group borrowings and debt securities as at 30 June 2012 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Debt securities						
Preference Shares	-	4,691	4,691	-	-	-
RSLs	-	-	-	77,581	-	77,581
Other borrowings						
Domestic – Hire purchase	-	-	-	-	74	74
Foreign – Bank	-	-	-	2,760	-	2,760
Amount owing to corporate shareholder	-	-	-	-	797	797
TOTAL	-	4,691	4,691	80,341	871	81,212

* The RSLs issued comprises RM135,564,000 nominal value of RSLs and 4% coupon compounded annually up to a maturity term of 8 years amounting up to RM49,964,000 nominal value payable in the form of RSLs.

17. Derivatives

There are no derivatives as at the date of this announcement.

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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

18. Fair value hierarchy

There were no transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

19. Breakdown of realised and unrealised profits or losses

	As at end of current quarter	As at preceding financial year end
	30/06/2012	31/12/2011
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	198,043	239,956
- Unrealised	(6,134)	(5,253)
	191,909	234,703
Consolidation adjustments	220,601	166,868
Total group retained earnings as per consolidated financial statements	412,510	401,571

20. Material litigation

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement except as disclosed below:

- (i) **UEM Genisys Sdn Bhd (in liquidation) (“UEM Genisys”) vs. Road Builder (M) Sdn Bhd (“Road Builder”) and Faber Hotels Holdings Sdn Bhd (“FHHSB”) as Third Party (Civil Suit No. S6-22-1085-2008) formerly under (suit No. D7-22-1057-2007)**

A writ of summons was filed by UEM Genisys against Road Builder. In the statement of claim dated 3 August 2007, UEM Genisys is claiming from Road Builder a sum of RM2,142,229.24 together with the usual interests (“being the balance outstanding Sum”). Road Builder in turn filed a Third Party Notice against FHHSB (“the Third Party”) to claim for indemnity for the Sum.

Road Builder alleges that the balance outstanding Sum is the responsibility of the Third Party’s debt to UEM Genisys and Road Builder has issued a Third Party Notice that the Third Party had by novation, agreed to take over the rights and liabilities of Road Builder as the main contractor of the Project and that the Third Party had undertaken to indemnify Road Builder for losses that may arise from such arrangement.

The Third Party in its Defence denies that there was a novation and that there is only a direct undertaking given by the Third Party to UEM Genisys to pay Road Builder’s debt. The Third Party states that as UEM Genisys chose to claim against Road Builder rather than the Third Party, they have waived their right to claim against the Third Party. The matter was fixed for the next Case Management on 14 March 2012 for parties to file the bundles of document, statement of Agreed Facts together with the case summary and list of witnesses. The court set the matter for trial on 4 and 11 May 2012 respectively. In the interim the Third Party was served with a Notice by the Defendants to produce all the minutes of meetings, books, papers, correspondences and any documents exchanges between Plaintiff and Third Party from October 1997 to the date of the Notice i.e. 2 May 2012. The court directed parties to submit all written submission by 22 May 2012.

On 18 May 2012 the court delivered its decision by allowing the Plaintiff’s claim against the Defendant for the sum of RM2,142,229.24 with interest and cost to be assessed, whereas the Defendant’s claim for indemnity against the Third party was dismissed with cost to be assessed. The Defendant had on 17 July 2012 lodged an appeal to the Court of Appeal appealing against the decision of the High Court in allowing the Plaintiff’s Claim and dismissing the claims against Third Party with cost to be taxed.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

20. Material litigation (cont'd)

(ii) In the matter of Arbitration between BNoble Sdn Bhd ("Claimant") vs. Faber Medi-Serve Sdn Bhd ('FMS') & Cermin Cahaya Sdn Bhd ('CCSB') ("Respondents") for a claim sum of RM7.32 Million on a breach of Service Agreement dated 8th May 2003 for consultancy and advisory services

The Claimant's claim is for an outstanding incentive sum of RM2.44 million for each of the 3 contract years which total up to RM7.32 million wherein the claim is disputed by the Respondents on the fact that the profit target was not achieved.

On 19 October 2011, the Arbitral Tribunal could still not be properly constituted as the terms of reference of appointment of the Tribunal have yet to settle in addition to the Claimant's challenge on the appointment of Dato' Hj. Shaik Daud Md. Ismail ("SDMI") as one of the three independent Arbitrators, based on SDMI's previous relationship as a Non-Executive Director of Projek Penyelenggaraan Lebuhraya Berhad ("Propel"). In furtherance, the Claimant and the Respondents are also required to agree to the terms of reference prior to the convening of the Tribunal.

On 4 January 2012, the Tribunal dismissed the Claimant's application for challenge on the appointment of SDMI as one of the three independent Arbitrators. On 31 January 2012, the Respondents filed the Statement of Defence relating to the Respondents' right to, inter alia, seek further and better particulars of the Statement of Claim and security for costs. On 14 February 2012, the Tribunal had allowed the Claimant's application for an extension of time to 29 February 2012 for the Claimant to respond to the Respondents' Application for Security for Costs and the Statement of Defence. The Respondents' appointed solicitors also requested extension of time to 8 March 2012 for the Respondent's to respond to the Claimant's reply on the subject matter of Security for Cost which was also allowed by the Arbitral Tribunal.

On 20 March 2012, the Arbitral Tribunal awarded Security for Cost to be provided by the Claimant to the Respondents for RM100,000. The Claimant's Application against the Respondents to provide for Bank Guarantee equivalent to RM7,320,000 was dismissed.

On 2 May 2012, the Respondents' appointed solicitors filed an Application for Termination of Arbitral Proceedings/Dismissal of Claim/Stay of Arbitral Proceedings due to the Claimant's failure to comply with the Tribunal's Order for Security for Cost dated 20 March 2012. The application was filed based on the failure of the Claimant to furnish the first tranche of the security for costs within the stipulated time and the Claimant's own admission that it was unable to comply with the Tribunal's Order for Security. The Respondents will make a more detailed submission on 14 May 2012.

On 4 May 2012, the Arbitral Tribunal had also requested the Claimant to respond to the Respondents' Application for Termination of Arbitral Proceedings/Dismissal of Claim/Stay of Arbitral Proceedings by 10 May 2012.

With effect from 10 May 2012, the Arbitral Tribunal has ordered stay of the arbitral proceedings for a period of 6 months. If the Claimant complies with the Tribunal's Order in respect of the security ordered within the period of 6 months, the Tribunal will issue fresh directions for the progress of the arbitration. If the Claimant fails to comply with the Order within the period of 6 months, the Respondents may renew their application for the arbitration proceedings to be terminated and the Tribunal will hear both parties before making a final decision.

(iii) Baynona Group ("Claimant") vs. Faber Limited Liability Company ("Faber LLC" or "1st Defendant") and Projek Penyelenggaraan Lebuhraya Berhad ("2nd Defendant")

On 7 December 2011, the Claimant filed a Statement of Claim dated 28 November 2011 against the Defendants in relation to the projects at Madinat Zayed – Zone-1 awarded by Western Region Municipality, Emirate of Abu Dhabi for a net claim amount of AED35,053,763.77 (equivalent to approximately RM29,803,761.57). Propel confirmed that the balance outstanding to the Claimant is AED3,803,707.32 (equivalent to approximately RM3,234,026.07). The Claimant had requested the Abu Dhabi Court of First Instance, Commercial Circuit – Plenary's ("Abu Dhabi Court") consent to register the case and notify the Defendants with the nearest hearing and before judgment, amongst others, to appoint a panel of 3 experts.

On 19 December 2011, Faber LLC had filed a preliminary objection as to the jurisdiction of the Abu Dhabi Court and requested the Abu Dhabi Court to strike off Faber LLC from the Statement of Claim. On 10 January 2012, the Claimant had filed the memorandum in response to the pleadings. The Abu Dhabi Court had adjourned the case to 25 January 2012 for judgment, with liberty to the Defendants to file their response, which Faber LLC had done on 15 January 2012.

The Abu Dhabi Court had on 25 January 2012 dismissed the case as a result of Faber LLC's preliminary objection as to the jurisdiction of the Abu Dhabi Court and the case had been transferred to the Al Dhafra Court of First Instance, Emirate of Abu Dhabi ("Al Dhafra Court").

On 4 April 2012, the Al Dhafra Court had fixed the first hearing date for the case on 9 April 2012 which was subsequently adjourned to 16 April 2012.

On 17 April 2012, the Secretary of the Al Dhafra Court informed that the Al Dhafra Court had appointed a panel of three experts as requested by the Claimant and had accordingly adjourned the case to 23 April 2012 for the Claimant to pay a fee of AED10,000.00 (equivalent to approximately RM8,338.01) towards the appointment of the panel of experts.

On 23 April 2012, the Claimant had made the payment and the Al Dhafra Court had accordingly adjourned the case to 14 May 2012. The Al Dhafra Court had further adjourned the case to 28 May 2012 for the expert report.

On 28 May 2012, the Al Dhafra Court had adjourned the case to 18 June 2012, and thereafter to 6 August 2012 for the expert report. On 6 August 2012, the Al Dhafra Court had adjourned the case to 27 August 2012 for the expert report.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

20. Material litigation (cont'd)

(iv) AI Femah Contracting and Transporting Establishment ("Claimant") vs. Faber Limited Liability Company ("Faber LLC") and Projek Penyelenggaraan Lebuhraya Berhad ("Propel") ("Defendants")

On 13 December 2011, the Claimant had filed a Summons and Statement of Claim dated 12 December 2011 against the Defendants in relation to the projects at Madinat Zayed – Zone-1 awarded by the Western Region Municipality, Emirate of Abu Dhabi, for a net claim amount of AED15,270,416.84 (equivalent to approximately RM13,100,796.02). Propel had confirmed that the balance outstanding is AED6,698,368.85 (equivalent to approximately RM5,746,664.60).

On 26 December 2011, the Al Dhafra Court had appointed an expert and the Claimant had requested to exclude Propel from the Summons and Statement of Claim. On 2 January 2012, Faber LLC requested to be excluded from the Summons and Statement of Claim and on the same day, the Al Dhafra Court had subsequently cancelled the case as the Claimant had failed to appear before the court. However, the Claimant had reinstated the case on 4 January 2012. Faber LLC had responded to the said summons on 16 January 2012 and the Al Dhafra Court decided to hold back the case for judgment.

At the first expert meeting on 5 February 2012, the expert directed the Claimant to produce and prove various invoices and work orders received in connection with the sub-contract work. During the expert meeting on 19 February 2012, the Claimant had filed a bundle of documents in connection with the sub-contract work. At the subsequent expert meeting on 26 February 2012, the panel of expert had scheduled the next expert meeting to 14 March 2012.

On 13 February 2012, Faber LLC had requested the Al Dhafra Court to reinstate Propel as a defendant to the proceedings. The Al Dhafra Court had adjourned the case to 20 February 2012 for the Claimant's reply and to pay the court fees. On 20 February 2012, the Claimant had paid the requisite court fee and on 27 February 2012, the Al Dhafra Court had reinstated Propel as a defendant and accordingly adjourned the case to 12 March 2012.

On 12 March 2012, Propel had failed to appear at the scheduled hearing and the Al Dhafra Court had adjourned the case to 2 April 2012 for the expert report. The expert meeting was held on 14 March 2012 where the expert had conducted several site visits to ascertain and physically verify the extent of the works carried out by the Claimant. On 2 April 2012, the Al Dhafra Court had adjourned the case to 21 May 2012 for the expert report, as requested by the expert.

On 21 May 2012, the Al Dhafra Court had adjourned the case to 28 May 2012 for the expert report. The Al Dhafra Court had also allowed the Claimant's request for an attachment in the sum of AED15 million (equivalent to approximately RM12,729,600) being the amount due and payable by the Department of Municipal Affairs, Western Region Municipality, Emirate of Abu Dhabi to Faber LLC. Faber LLC's solicitors will make an objection on the matter upon study of the attachment.

On 28 May 2012 and 4 June 2012 respectively, Faber LLC had filed its objections to the Claimant's attachments. On 4 June 2012, Faber LLC filed a memorandum to object the Claimant's attachment. The Al Dhafra Court had adjourned the case to 25 June 2012, and thereafter to 13 August 2012.

(v) Sweet Home Technical Works Limited Liability Company ("Claimant") vs. Faber Limited Liability Company ("Faber LLC")

On 12 January 2012, the Claimant filed a Statement of Claim dated 10 January 2012 against Faber LLC for the financial claim of AED13,119,213.49 (equivalent to approximately RM11,211,155.08), which Faber LLC is disputing.

The Claimant was a sub-contractor of Faber LLC for the contracts in relation to the project at Liwa and Madinat Zayed in the Emirate of Abu Dhabi ("Contracts"). The Contracts between Faber LLC and the Claimant had ended on 15 March 2011. There is still an outstanding amount due to the Claimant for works carried out prior to the end of the Contracts' period, which is under dispute pending the hearing of the case.

The Al Dhafra Court had fixed the hearing of the Statement of Claim on 27 February 2012. On 27 February 2012, the Al Dhafra Court had adjourned the case to 12 March 2012 to review the expert report and the documents submitted by all the parties.

On 12 March 2012, the Al Dhafra Court had adjourned the case to 19 March 2012 for further evaluation of the documents submitted by all the parties. However, at the hearing held on 19 March 2012, the Al Dhafra Court had adjourned the case to 26 March 2012. The case was subsequently further adjourned to 9 April 2012 and 23 April 2012 respectively for further verification of the court documents.

On 23 April 2012, the Al Dhafra Court had postponed the case to 30 April 2012 for further verification of the court documents. On 30 April 2012, the Al Dhafra Court had postponed the case to 7 May 2012 for further verification of the case. On 8 May 2012, the Al Dhafra Court had further postponed the case to 21 May 2012 for the court decision. Subsequently, on 21 May 2012, the Al Dhafra Court had postponed the case to 28 May 2012 for the court decision.

On 31 May 2012, the Al Dhafra Court had decided to appoint a new panel of experts to re-evaluate the case. The Al Dhafra Court has yet to decide on the next hearing date for the case.

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V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

21. **Comparison between the current quarter and the immediate preceding quarter**

	Current quarter	Immediate preceding quarter	Variance	Variance
	30/06/2012	31/03/2012		
	RM'000	RM'000	RM'000	%
<u>Revenue:</u>				
Integrated Facilities Management ("IFM")				
Concession	143,222	140,428	2,794	2.0
Non-concession	16,791	17,552	(761)	(4.3)
Property	57,976	26,015	31,961	>100.0
Group	217,989	183,995	33,994	18.5

Profit Before Tax:

Integrated Facilities Management				
Concession	19,088	23,265	(4,177)	(18.0)
Non-concession	2,344	1,726	618	35.8
Property	21,086	8,128	12,958	>100.0
Others/Elimination	(4,004)	(3,383)	(621)	(18.4)
Group	38,514	29,736	8,778	29.5

The Group's revenue for the current quarter of RM218.0 million was 18.5% or RM34.0 million higher than the preceding quarter of RM184.0 million. IFM Concession recorded higher revenue by RM2.8 million due to higher variation orders and higher bed occupancy rates. Property Division recorded higher revenue in the current quarter due to higher progress billings from projects in Taman Desa and Kepong.

The Group recorded higher profit before tax ("PBT") for the current quarter of RM38.5 million, as compared to RM29.7 million in the preceding quarter mainly due to flow through from higher revenue from Property Division. IFM Concession recorded negative variance mainly due to higher maintenance costs and consumables purchased in the current quarter.

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V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

22. **Detailed analysis of the performance for the current quarter and period**

	Current year quarter 30/06/2012 RM'000	Preceding year corresponding quarter 30/06/2011 RM'000	Variance RM'000	Variance %	Six months to 30/06/2012 RM'000	Six months to 30/06/2011 RM'000	Variance RM'000	Variance %
Revenue:								
Integrated Facilities Management								
Concession	143,222	137,181	6,041	4.4	283,650	273,219	10,431	3.8
Non-concession	16,791	14,217	2,574	18.1	34,343	55,074	(20,731)	(37.6)
Property	57,976	35,022	22,954	65.5	83,991	56,315	27,676	49.1
Group	217,989	186,420	31,569	16.9	401,984	384,608	17,376	4.5

Profit Before Tax:

Integrated Facilities Management								
Concession	19,088	19,414	(326)	(1.7)	42,353	36,969	5,384	14.6
Non-concession	2,344	2,058	286	13.9	4,070	8,613	(4,543)	(52.7)
Property	21,086	11,751	9,335	79.4	29,214	17,594	11,620	66.0
Others/Elimination	(4,004)	(4,441)	437	9.8	(7,387)	(8,758)	1,371	15.7
Group	38,514	28,782	9,732	33.8	68,250	54,418	13,832	25.4

The Group's revenue for the current quarter of RM218.0 million was 16.9% or RM31.6 million higher than the corresponding quarter last year of RM186.4 million. IFM Concession recorded higher revenue by RM6.0 million due to higher variation orders and higher bed occupancy rates. In addition, Property Division recorded higher revenue by RM23.0 million mainly due to higher progress billings from Laman Rimbunan Phase 4 and 5 in Kepong.

For the year-to-date, the Group recorded revenue of RM402.0 million against RM384.6 million for the preceding year. IFM Concession and Property Division recorded positive variance of RM10.4 million and RM27.7 million respectively. IFM Non Concession recorded negative variance of RM20.7 million as a result of the non-renewal of contracts for infrastructure and low cost houses maintenance. Low cost houses maintenance and infrastructure maintenance contracts expired in April and June 2011 respectively.

The Group's current quarter PBT of RM38.5 million was higher by RM9.7 million as compared to RM28.8 million in the corresponding quarter last year and year-to-date PBT of RM68.3 million was higher by RM13.8 million against RM54.4 million in the preceding year corresponding period. This was mainly due to flow through from higher revenue as explained above.

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V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

23. **Economic profit ("EP") statement**

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	37,963	28,385	67,425	54,081
Adjusted tax	(9,491)	(7,096)	(16,856)	(13,520)
NOPAT	28,472	21,289	50,569	40,561
<u>Economic charge computation:</u>				
Average invested capital	405,826	400,888	405,826	400,888
Weighted average cost of capital ("WACC")	11.4%	11.8%	11.4%	11.8%
Economic charge	11,566	11,806	23,132	23,611
EP	16,906	9,483	27,437	16,950

The EP statement is as prescribed under the Government Linked Companies transformation program, and is disclosed on a voluntary basis. EP measures the value created by a business during a single period reflecting how much return a business makes over its cost of capital.

(a) Performance of the current quarter ended 30 June 2012 against the corresponding quarter last year :

EP of RM16.9 million is higher by RM7.4 million as compared to the preceding year corresponding quarter of RM9.5 million mainly due to a higher EBIT.

(b) Performance of the current period ended 30 June 2012 against last year :

EP of RM27.4 million is higher by RM10.5 million as compared to the preceding year corresponding quarter of RM17.0 million mainly due to a higher EBIT.

24. **Achievement of the Headline Key Performance Indicators ("KPI") for the current period**

The negative annualized revenue growth was mainly due to the delay in commencement of the IFM Non-concession new projects and the timing on the progress billings for the property development projects.

The achievement on the headline KPI is as follows:

	June 2012	December 2012
	(6 months)	(12 months)
	Actual from operations	Target
Headline KPI		
Revenue Growth	-8.6% (annualized)	10 - 12%
Return on Equity	7.3%	15 - 17%

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V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

25. **Prospect for the current financial year**

Over and above the current quarter performance, efforts will be made to improve contribution from all business divisions for the next half year. The contribution from IFM Concession is subject to the terms of the new HSS concession.

26. **Profit forecast**

No commentary is made on any variance between actual profit from forecast profit as it does not apply to the Group.

27. **Earnings per share ("EPS")**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Profit attributable to Owners of the Parent	19,532	16,502	36,019	30,656
Weighted average number of ordinary shares in issue ('000)	363,001	363,001	363,001	363,001
Basic earnings per share	5.38 sen	4.55 sen	9.92 sen	8.45 sen

Kuala Lumpur
9 August 2012

By Order of the Board
SURIATI ASHARI (LS0009029)
Secretary