

FABER GROUP BERHAD
(5067-M)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012.

THE FIGURES HAVE NOT BEEN AUDITED.

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
1 (a) Revenue	221,750	309,396	623,734	694,004
(b) Cost of sales	(159,189)	(314,931)	(454,129)	(600,598)
(c) Gross profit	62,561	(5,535)	169,605	93,406
(d) Other income	2,219	2,445	6,089	6,547
(e) Expenses	(20,574)	(25,761)	(60,646)	(71,198)
(f) Finance costs	(872)	(1,560)	(3,464)	(4,748)
(g) Profit/(loss) before tax	43,334	(30,411)	111,584	24,007
(h) Income tax expense	(17,146)	(8,107)	(35,994)	(23,029)
(i) Profit/(loss) for the period	26,188	(38,518)	75,590	978
Attributable to:				
(j) Owners of the parent	18,777	(26,869)	54,796	3,787
(k) Non-controlling interests	7,411	(11,649)	20,794	(2,809)
Profit/(loss) for the period	26,188	(38,518)	75,590	978
2 Earnings/(loss) per share based on 1(j) above:-				
Basic (based on 2012: 363,001,053 [2011: 363,001,053] ordinary shares)	5.17 sen	(7.40) sen	15.10 sen	1.04 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	Nine months to	Nine months to
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period	26,188	(38,518)	75,590	978
Foreign currency translation representing other comprehensive income/(expense) for the period, net of tax	1,464	(1,002)	24	(2,024)
Total comprehensive income /(expense) for the period	27,652	(39,520)	75,614	(1,046)
Attributable to:				
Owners of the parent	19,827	(27,574)	55,604	2,225
Non-controlling interests	7,825	(11,946)	20,010	(3,271)
Total comprehensive income/(expense) for the period	27,652	(39,520)	75,614	(1,046)

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	Nine months to	Nine months to
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before income tax is arrived at after charging/(crediting):				
Interest income	(2,057)	(2,419)	(5,474)	(5,944)
Other income including investment income	(162)	(26)	(615)	(603)
Interest expense	872	1,560	3,464	4,748
Depreciation and amortization	3,915	5,417	11,948	17,298
Impairment of receivables	-	12,893	-	12,893
Foreign exchange loss	(827)	-	(258)	-

Other than the above, there were no provision for and write off of 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 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
		30/09/2012	31/12/2011
		RM'000	RM'000
ASSETS			
1	Non-current assets		
	Property, plant and equipment	84,906	93,117
	Land held for property development	1,111	1,102
	Prepaid land lease payments	3,520	3,586
	Intangible assets	27,150	27,546
	Other investments	272	272
	Trade receivables	72,059	144,098
	Deferred tax assets	1,234	2,676
		190,252	272,397
2	Current assets		
	Property development costs	73,513	80,286
	Inventories	6,069	7,078
	Trade and other receivables	327,596	363,306
	Amount due from customer on contracts	29,755	57,842
	Short term investment	2,057	2,012
	Short term deposits*	234,936	206,904
	Cash and bank balances*	105,408	113,457
		779,334	830,885
	Total assets	969,586	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
	30/09/2012	31/12/2011
	RM'000	RM'000
EQUITY AND LIABILITIES		
3	Equity attributable to Owners of the Parent	
	Share capital	
	90,750	90,750
	Other reserves	
	(237)	(4,345)
	Retained earnings	
	431,287	401,571
	521,800	487,976
4	Non-controlling interests	
	86,000	75,438
	Total equity	563,414
5	Non-current liabilities	
	Retirement benefit obligations	
	4,038	4,038
	Provisions	
	108	99
	Borrowings	
	4,691	7,089
	Trade payables	
	28,614	33,010
	Deferred tax liabilities	
	2,755	3,573
	40,206	47,809
6	Current liabilities	
	Retirement benefit obligations	
	987	832
	Borrowings	
	3,532	148,909
	Trade and other payables	
	315,135	333,507
	Income tax payable	
	1,926	8,811
	321,580	492,059
	Total liabilities	539,868
	Total equity and liabilities	1,103,282
7	Net assets per ordinary share attributable to Owners of the Parent (RM)	
	1.44	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 RM70,789,000 (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 Nine months to 30/09/2012	Unaudited Nine months to 30/09/2011
		RM'000	RM'000
Cash flows from operating activities			
Cash receipts from customers		781,764	610,638
Cash payments to suppliers		(350,837)	(315,312)
Cash payments to employees and for expenses		(186,650)	(177,849)
Cash generated from operations		244,277	117,477
Interest paid		(5,005)	(6,237)
Income tax paid		(40,114)	(26,174)
Net cash flow generated from operating activities		199,158	85,066
Cash flows from investing activities			
Acquisition of non-controlling interest		-	(699)
Interest received		5,299	5,874
Purchase of property, plant and equipment		(3,501)	(18,919)
Net cash flow generated from/(used in) investing activities		1,798	(13,744)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares to non-controlling interests		-	842
Redemption of Redeemable Secured Loan Stock ("RSLs")		(143,590)	(9,000)
Partial redemption of redeemable preference shares in a subsidiary		(2,700)	-
Partial repayment of loan from corporate shareholder of a subsidiary		(310)	-
Repayment of other secured bank loans		-	(17,000)
Drawdown of other secured bank loans		-	15,000
Dividend paid		(21,780)	(21,780)
Dividend paid to non-controlling shareholders of subsidiaries		(11,670)	(3,401)
Repayment of hire purchase obligations		(60)	-
Net cash flow used in financing activities		(180,110)	(35,339)
Net increase in cash and cash equivalents		20,846	35,983
Net foreign exchange difference		(863)	898
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)	340,344	321,757
(a) Cash and Cash Equivalents comprise the following amounts:			
Short term deposits		234,936	226,574
Cash and bank balances		105,408	95,183
		340,344	321,757

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 →				→	Non-controlling interests	Total equity
	← Non-distributable →						
	Share capital	Share premium	Other reserves	Retained earnings/ (Accumulated losses)			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Nine months to 30 September 2012 (unaudited)							
Balance as at 1 January 2012	90,750	-	(4,345)	401,571	487,976	75,438	563,414
Total comprehensive income for the period	-	-	808	54,796	55,604	20,010	75,614
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 September 2012	<u>90,750</u>	<u>-</u>	<u>(237)</u>	<u>431,287</u>	<u>521,800</u>	<u>86,000</u>	<u>607,800</u>
Nine months to 30 September 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	-	-	(1,562)	3,787	2,225	(3,271)	(1,046)
Reduction in share capital	(272,251)	-	-	272,251	-	-	-
Reduction in share premium	-	(115,985)	-	115,985	-	-	-
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
Effect arising from acquisition of non-controlling interest in a subsidiary	-	-	-	(699)	(699)	-	(699)
Dividend	-	-	-	(21,780)	(21,780)	-	(21,780)
Dividend paid to non-controlling shareholders of subsidiary companies	-	-	-	-	-	(3,401)	(3,401)
Balance as at 30 September 2011	<u>90,750</u>	<u>-</u>	<u>(5,898)</u>	<u>343,769</u>	<u>428,621</u>	<u>62,015</u>	<u>490,636</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 will be 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 September 2012, save for the full and final repayment of RM143.6 million of the outstanding RSLs and partial redemption of RM2.7 million 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 now recommend a special interim dividend of 20.00 sen less 25% taxation on 363,001,053 ordinary shares of RM0.25 each, amounting to RM54,450,158 (15.00 sen net per ordinary share) for financial year ending 31 December 2012 (2011: nil).

8. Operating Segments

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

By operating segment

	Integrated Facilities Management Concession	Non-concession	Properties	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	425,386	50,486	147,862	-	-	623,734
Inter-segment sales	-	-	-	102,623	(102,623)	-
Total Revenue	425,386	50,486	147,862	102,623	(102,623)	623,734
Results						
Segment results	64,371	6,876	49,625	105,439	(111,263)	115,048
Finance costs	(23)	(438)	-	(3,306)	303	(3,464)
Profit/(loss) before tax	64,348	6,438	49,625	102,133	(110,960)	111,584
Income tax expense	(21,887)	(1,184)	(12,530)	(393)	-	(35,994)
Profit/(loss) for the period	42,461	5,254	37,095	101,740	(110,960)	75,590
Attributable to:						
Owners of the parent	36,327	4,464	23,501	101,740	(111,236)	54,796
Non-controlling interests	6,134	790	13,594	-	276	20,794
Profit/(loss) for the period	42,461	5,254	37,095	101,740	(110,960)	75,590

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 September 2012 to the date of this announcement which would substantially affect the financial results of the Group for the nine months ended 30 September 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	5,806

13. Income tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	11,300	8,128	29,568	23,347
Under provision in prior years				
- Malaysian income tax	5,801	-	5,801	-
	17,101	8,128	35,369	23,347
Deferred tax				
- Relating to origination and reversal of temporary difference	45	(21)	625	(318)
	17,146	8,107	35,994	23,029

The Group's effective tax rate for the current quarter/period was higher compared to the statutory tax rate mainly due to the under provision in prior years. In the preceding year corresponding period the effective tax rate of the Group was higher than the statutory tax rate due to tax exempt losses from a major foreign subsidiary operating in a tax exempt country.

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 has been 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.

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

- (b) On 19 September 2008, 2 of the Company's wholly-owned subsidiaries which are 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 have been appointed as Liquidators. The MVL is undertaken to rationalise and streamline the structure of the Group.

The companies are currently still awaiting tax clearance from the IRB and their MVL have yet to be completed.

- (c) On 9 February 2012, Merlion Credit Corporation Berhad ("MCCB"), a wholly-owned subsidiary of FGB, had been 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 has 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.

On 10 September 2012, MCCB held its Final Meeting to conclude the members' voluntary winding-up.

The Liquidator had subsequently lodged a Return relating to the Final Meeting and the Liquidators' Account of Receipts and Payment with the Companies Commission of Malaysia and the Official Receiver respectively on 14 September 2012.

- (d) On 11 October 2012, Healthtronics Inc., an indirect subsidiary of FGB, had received the Certificate of Filing of Amended Articles of Incorporation dated 5 October 2012 from the Securities and Exchange Commission of the Republic of Philippines certifying the dissolution of Healthtronics Inc.

Healthtronics Inc. was incorporated in the Republic of the Philippines with a total issued and paid-up share capital of Peso 130,000 and it was a dormant company.

The dissolution of Healthtronics Inc. is not expected to have any material effect on the earnings, net assets and gearing of FGB for the financial year ending 31 December 2012.

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

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 interim 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, FMS submitted 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 award of the new CA. The decision on the new CA is pending the decision of the Government of Malaysia.

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

16. **Borrowings and debt securities**

Details of Group borrowings and debt securities as at 30 September 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
<u>Debt securities</u>						
Preference Shares	-	4,691	4,691	-	-	-
<u>Other borrowings</u>						
Domestic – Hire purchase	-	-	-	-	60	60
Foreign – Bank	-	-	-	2,796	-	2,796
Amount owing to corporate shareholder	-	-	-	-	676	676
TOTAL	-	4,691	4,691	2,796	736	3,532

17. **Derivatives**

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

18. **Fair value hierarchy**

There were no transfers between any levels of the fair value hierarchy that 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 30/09/2012 RM'000	As at preceding financial year end 31/12/2011 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	194,511	239,956
- Unrealised	(5,605)	(5,253)
	<hr/> 188,906	<hr/> 234,703
Consolidation adjustments	242,381	166,868
Total group retained earnings as per consolidated financial statements	<hr/> <hr/> 431,287	<hr/> <hr/> 401,571

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

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.

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.

- (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 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 (“Propel” or “2nd Defendant”)**

The claim is 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).

On 17 April 2012, the Secretary of the Al Dhafra Court of First Instance, Emirate of Abu Dhabi (“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.

The Al Dhafra Court had adjourned the case to 24 September 2012, 22 October 2012 and thereafter to 10 December 2012 for the expert report.

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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”)

The claim is 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 13 August 2012, the Al Dhafra Court of First Instance, Emirate of Abu Dhabi (“Al Dhafra Court”) had adjourned the case to 3 September 2012, which was subsequently adjourned to 10 September 2012.

On 10 September 2012, the Claimant and Propel have reached an out of court settlement on the case. The terms of the out of court settlement was duly recorded vide the Al Dhafra Court’s judgement dated 10 September 2012 as follows:-

- 1) there is no relation in the case between the Claimant and Faber LLC;
- 2) Propel and the Claimant have settled the matter and therefore the case is completed and Propel will be responsible for paying the court fees and expenses in the matter; and
- 3) the Al Dhafra Court has refused Faber LLC’s request to lift the attachment and therefore, Faber LLC has been directed to pay the court fees and expenses relating to the attachment.

On 15 October 2012, the Al Dhafra Court had notified the Department of Municipal Affairs, Western Region Municipality, Emirate of Abu Dhabi that the attachment has been lifted.

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

The claim is in relation to the projects 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 claim amount is AED13,119,213.49 (equivalent to approximately RM11,211,155.08), which Faber LLC is disputing.

On 31 May 2012, the Al Dhafra Court had decided to appoint a new panel of experts to re-evaluate the case. On 24 September 2012, the Al Dhafra Court had adjourned the case to 15 October 2012, and thereafter to 19 November 2012 for the expert report.

(vi) Tripoli Contracting and General Maintenance (“Claimant”) vs. Faber Limited Liability Company (“Faber LLC”)

The claim is in relation to a Sub-Contract Agreement dated 15 September 2010 in relation to the provisions of Civil, Mechanical and Electrical Maintenance Services for Low Cost Houses at Liwa and Madinat Zayed in Western Region Municipality, Emirate of Abu Dhabi, of which works for the same had been completed. The financial claim made by the Claimant against the Defendant is AED1,635,887.18 (equivalent to approximately RM1,389,550.00), which Faber LLC is disputing.

The final verification and certification of the Claimant’s submitted invoices undertaken by Faber LLC was based on the approved report, quantity and materials, as per the scope of works and the actual works done/carried out on site. The net total verified and certified amount by Faber LLC was only AED550,877.71 (equivalent to approximately RM467,925.00) as opposed to the Claimant’s claim submission of AED1,635,887.18 (equivalent to approximately RM1,389,550.00).

The Abu Dhabi Court had fixed the hearing of the Notice of Claim on 13 September 2012, 26 September 2012 and thereafter to 11 October 2012 for review of the documents submitted by all parties.

On 11 October 2012, the Abu Dhabi Court had accepted Faber LLC’s application to transfer the case to the Al Dhafra Court in Abu Dhabi Emirate (“Al Dhafra Court”). The Al Dhafra Court has yet to fix a 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
	30/09/2012	30/06/2012		
	RM'000	RM'000	RM'000	%
Revenue:				
Integrated Facilities Management ("IFM")				
Concession	141,736	143,222	(1,486)	(1.0)
Non-concession	16,143	16,791	(648)	(3.9)
Property	63,871	57,976	5,895	10.2
Group	221,750	217,989	3,761	1.7

Profit Before Tax:

Integrated Facilities Management				
Concession	21,995	19,088	2,907	15.2
Non-concession	2,368	2,344	24	1.0
Property	20,411	21,086	(675)	(3.2)
Others/Elimination	(1,440)	(4,004)	2,564	64.0
Group	43,334	38,514	4,820	12.5

The Group's revenue for the current quarter of RM221.8 million was 1.7% or RM3.8 million higher than the preceding quarter of RM218.0 million. Property Division recorded higher revenue in the current quarter due to higher progress billings from Vila Prima in Taman Desa. IFM Concession recorded lower revenue from clinical waste management services and linen and laundry services due to lower bed occupancy rates.

The Group recorded higher profit before tax ("PBT") for the current quarter of RM43.3 million, as compared to RM38.5 million in the preceding quarter. IFM Concession recorded positive variance mainly due to lower direct costs in the current quarter. Property Division recorded negative variance mainly due to the recognition of costs for the construction of a show unit for a project in Taman Desa.

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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	Preceding year corresponding quarter	Variance	Variance	Nine months to	Nine months to	Variance	Variance
	30/09/2012	30/09/2011			30/09/2012	30/09/2011		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue:								
Integrated Facilities Management								
Concession	141,736	137,784	3,952	2.9	425,386	411,003	14,383	3.5
Non-concession	16,143	122,206	(106,063)	(86.8)	50,486	177,280	(126,794)	(71.5)
Property	63,871	49,406	14,465	29.3	147,862	105,721	42,141	39.9
Group	221,750	309,396	(87,646)	(28.3)	623,734	694,004	(70,270)	(10.1)
Profit Before Tax:								
Integrated Facilities Management								
Concession	21,995	24,787	(2,792)	(11.3)	64,348	61,756	2,592	4.2
Non-concession	2,368	(66,903)	69,271	>100.0	6,438	(58,290)	64,728	>100.0
Property	20,411	14,633	5,778	39.5	49,625	32,227	17,398	54.0
Others/Elimination	(1,440)	(2,928)	1,488	50.8	(8,827)	(11,686)	2,859	24.5
Group	43,334	(30,411)	73,745	>100.0	111,584	24,007	87,577	>100.0

The Group's revenue for the current quarter of RM221.8 million was 28.3% or RM87.6 million lower than the corresponding quarter last year of RM309.4 million. IFM Concession recorded higher revenue by RM4.0 million due to higher variation orders and higher bed occupancy rates. In addition, Property Division recorded higher revenue by RM14.5 million mainly due to higher progress billings from Laman Rimbunan Phase 4 and 5 in Kepong and Vila Prima in Taman Desa.

IFM Non-concession recorded negative variance of RM106.1 million as a result of the non-renewal of contracts for infrastructure and low cost houses maintenance in United Arab Emirates ("UAE"). Low cost houses maintenance and infrastructure maintenance contracts expired in April and June 2011 respectively. In the corresponding quarter last year Faber LLC recognised RM107.7 million revenue on the work orders issued prior to the expiry of contracts (as announced by Faber on 12 January 2011) where works and documentation for invoicing were fully completed post expiry of the contracts. It is based on the Group's best judgement on Faber LLC's entitlement to the revenue in accordance to respective contracts.

For the year-to-date, the Group recorded revenue of RM623.7 million against RM694.0 million for the preceding year. IFM Concession and Property Division recorded positive variance of RM14.4 million and RM42.1 million respectively. IFM Non-concession recorded negative variance of RM126.8 million as a result of the non-renewal of contracts for infrastructure and low cost houses maintenance as explained above.

The Group's current quarter PBT of RM43.3 million was higher by RM73.7 million as compared to loss before tax ("LBT") of RM30.4 million in the corresponding quarter last year and year-to-date PBT of RM111.6 million was higher by RM87.6 million against RM24.0 million in the preceding year corresponding period. In the corresponding quarter last year, there was a recognition of costs amounting to RM44.5 million for works completed for the projects in UAE where the corresponding revenue was not recognised as it cannot be measured reliably. In addition, at expenses level, there was an amount of RM12.9 million being the amount of impairment loss due to Group's expectation of the significant delay in collection of the trade receivables from the principal, Western Region Municipality. As a result, the IFM Non-concession Division recorded a LBT of RM58.3 million last year.

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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	Nine months to	Nine months to
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
<u>Net operating profit/(loss) after tax computation:</u>				
Earnings/(loss) before interest and tax	42,149	(31,270)	109,574	22,811
Adjusted tax	(10,537)	7,817	(27,394)	(5,703)
Net operating profit/(loss) after tax	31,612	(23,453)	82,180	17,108
<u>Economic charge computation:</u>				
Average invested capital	367,116	374,756	367,116	374,756
Weighted average cost of capital ("WACC")	11.7%	10.9%	11.7%	10.9%
Economic charge	10,738	10,206	32,214	30,617
Economic profit/(loss)	20,874	(33,659)	49,966	(13,509)

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 September 2012 against the corresponding quarter last year :
- EP of RM20.9 million is higher by RM54.5 million as compared to the preceding year corresponding quarter economic loss ("EL") of RM33.7 million mainly due to a higher earnings before interest and tax ("EBIT").
- (b) Performance of the current period ended 30 September 2012 against last year :
- EP of RM50.0 million is higher by RM63.5 million as compared to the preceding year corresponding quarter EL of RM13.5 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:

	September 2012	December 2012
	(9 months)	(12 months)
	Actual from operations	Target
Headline KPI		
Revenue Growth	-5.5% (annualized)	10 - 12%
Return on Equity	10.9%	15 - 17%

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

25. Prospect for the current financial year

Efforts are being intensified to improve contribution from all business divisions and the Board is of the opinion that the current negative annualized revenue growth will narrow for the full year results. In any case, FGB expects to meet its target Return on Equity for the year.

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/(loss) per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Basic earnings/(loss) per share				
Profit/(loss) attributable to Owners of the Parent	18,777	(26,869)	54,796	3,787
Weighted average number of ordinary shares in issue ('000)	363,001	363,001	363,001	363,001
Basic earnings/(loss) per share	5.17 sen	(7.40) sen	15.10 sen	1.04 sen

Kuala Lumpur
19 November 2012

By Order of the Board
SURIATI ASHARI (LS0009029)
Secretary