

**FABER GROUP BERHAD**  
**(5067-M)**  
**Incorporated in Malaysia**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014.**

**THE FIGURES HAVE NOT BEEN AUDITED.**

**I(A). CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/06/2014	Preceding year corresponding quarter 30/06/2013	Six months to 30/06/2014	Six months to 30/06/2013
	RM'000	RM'000	RM'000	RM'000
		<b>(Restated)</b>		<b>(Restated)</b>
1 (a) <b>Revenue</b>	<b>164,489</b>	<b>159,606</b>	<b>323,942</b>	<b>325,474</b>
(b) Cost of sales	(133,692)	(126,988)	(261,901)	(256,701)
(c) Gross profit	30,797	32,618	62,041	68,773
(d) Other income	4,704	2,201	7,878	6,611
(e) Expenses	(21,755)	(20,945)	(39,567)	(39,374)
(f) Finance costs	-	(10)	(3)	(23)
(g) Share of results of associates	(76)	130	233	457
(h) <b>Profit before tax</b>	<b>13,670</b>	<b>13,994</b>	<b>30,582</b>	<b>36,444</b>
(i) Income tax	60	(6,478)	(6,222)	(12,126)
(j) <b>Profit for the period</b>	<b>13,730</b>	<b>7,516</b>	<b>24,360</b>	<b>24,318</b>
Attributable to:				
(k) Owners of the parent	10,980	7,261	19,144	18,794
(l) Non-controlling interests	2,750	255	5,216	5,524
<b>Profit for the period</b>	<b>13,730</b>	<b>7,516</b>	<b>24,360</b>	<b>24,318</b>
2 <b>Earnings per share based on 1(k) above (Note 26):-</b>				
Basic (based on 2014: 363,001,053 [2013: 363,001,053] ordinary shares)	3.02 sen	2.00 sen	5.27 sen	5.18 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

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**I(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter <b>30/06/2014</b>	Preceding year corresponding quarter <b>30/06/2013</b>	Six months to <b>30/06/2014</b>	Six months to <b>30/06/2013</b>
	RM'000	RM'000 <b>(Restated)</b>	RM'000	RM'000 <b>(Restated)</b>
Profit for the period	13,730	7,516	24,360	24,318
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(231)	123	183	610
<b>Total comprehensive income for the period, net of tax</b>	<u>13,499</u>	<u>7,639</u>	<u>24,543</u>	<u>24,928</u>
<b>Attributable to:</b>				
Owners of the parent	10,794	7,327	19,339	19,240
Non-controlling interests	2,705	312	5,204	5,688
<b>Total comprehensive income for the period</b>	<u>13,499</u>	<u>7,639</u>	<u>24,543</u>	<u>24,928</u>

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

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**Remarks to Condensed Consolidated Income Statement:**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter <b>30/06/2014</b>	Preceding year corresponding quarter <b>30/06/2013</b>	Six months to <b>30/06/2014</b>	Six months to <b>30/06/2013</b>
	RM'000	RM'000 <b>(Restated)</b>	RM'000	RM'000 <b>(Restated)</b>
Profit before income tax is arrived at after charging/(crediting):				
Interest income	(3,059)	(1,852)	(5,997)	(3,279)
Interest expense	-	10	3	23
Depreciation and amortization	3,027	3,720	6,230	7,558

Other than the above, there were no provision for and write off of receivables, 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, foreign exchange (gain)/loss, (gain)/ loss on derivatives, write down of inventories and/or reversal of write down, reversal of provision for costs of restructuring and exceptional items.

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**II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at end of current</b>	<b>As at preceding</b>
		<b>quarter</b>	<b>financial year end</b>
		<b>30/06/2014</b>	<b>31/12/2013</b>
		RM'000	RM'000
<b>ASSETS</b>			
1	Non-current assets		
	Property, plant and equipment	58,783	62,794
	Land held for property development	1,115	1,115
	Prepaid land lease payments	3,368	3,411
	Intangible assets	27,030	27,050
	Investment in associates	5,466	4,531
	Other investments	272	272
	Trade receivables	20,051	20,337
	Deferred tax assets	2,511	2,584
		<b>118,596</b>	<b>122,094</b>
2	Current assets		
	Property development costs	38,794	71,956
	Inventories	78,024	13,665
	Trade and other receivables	218,795	192,789
	Short term deposits*	384,091	363,687
	Cash and bank balances*	38,149	103,191
		<b>757,853</b>	<b>745,288</b>
	<b>Total assets</b>	<b>876,449</b>	<b>867,382</b>

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at end of current</b>	<b>As at preceding</b>
	<b>quarter</b>	<b>financial year end</b>
	<b>30/06/2014</b>	<b>31/12/2013</b>
	RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>		
3	Equity attributable to Owners of the Parent	
	Share capital	
	Other reserves	
	Retained earnings	
	535,618	552,579
4	Non-controlling interests	
	584,118	608,254
5	Non-current liabilities	
	Retirement benefit obligations	
	Provisions	
	Trade payables	
	Deferred tax liabilities	
	11,519	11,446
6	Current liabilities	
	Retirement benefit obligations	
	Borrowings	
	Dividend payable	
	Trade and other payables	
	Income tax payable	
	280,812	247,682
	Total liabilities	259,128
	Total equity and liabilities	867,382
7	<b>Net assets per ordinary share attributable to Owners of the Parent (RM)</b>	
	1.48	1.52

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

\* Cash, bank balances and short term deposits

Included in the cash, bank balances and short term deposits of the Group is RM31,194,000 (2013 : RM44,598,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and Section 8A of the Housing Development Account (Control and Licensing) Sabah Act, 1978.

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**III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Note</b>	<b>Unaudited Six months to 30/06/2014 RM'000</b>	<b>Unaudited Six months to 30/06/2013 RM'000 (Restated)</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		294,884	362,109
Cash payments to suppliers		(183,086)	(204,853)
Cash payments to employees and for expenses		(143,341)	(133,197)
Cash (used in)/generated from operations		(31,543)	24,059
Interest paid		(4)	(36)
Income tax paid		(3,129)	(18,177)
<b>Net cash flow (used in)/generated from operating activities</b>		<b>(34,676)</b>	<b>5,846</b>
<b>Cash flows from investing activities</b>			
Investment in associates		(360)	(813)
Interest received		6,002	3,135
Purchase of property, plant and equipment		(2,826)	(2,087)
<b>Net cash flow generated from investing activities</b>		<b>2,816</b>	<b>235</b>
<b>Cash flows from financing activities</b>			
Partial repayment of loan from corporate shareholder of a subsidiary		(176)	(244)
Repayment of hire purchase obligations		-	(19)
Dividend paid to non-controlling shareholders of subsidiaries		(12,379)	(34,589)
<b>Net cash flow used in financing activities</b>		<b>(12,555)</b>	<b>(34,852)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(44,415)</b>	<b>(28,771)</b>
Net foreign exchange difference		(223)	1,798
Cash and cash equivalents as at beginning of financial period		466,878	339,583
<b>Cash and cash equivalents as at end of financial period</b>	<b>(a)</b>	<b>422,240</b>	<b>312,610</b>
<b>(a) Cash and Cash Equivalents comprise the following amounts:</b>			
Short term deposits		384,091	169,639
Cash and bank balances		38,149	142,971
		<b>422,240</b>	<b>312,610</b>

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

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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					
	Share capital RM'000	Other reserves RM'000	Retained earnings RM'000			
<b>Six months to 30 June 2014 (unaudited)</b>						
Balance as at 1 January 2014	90,750	6,207	455,622	552,579	55,675	608,254
Profit for the period	-	-	19,144	19,144	5,216	24,360
Other comprehensive income/(expense)	-	195	-	195	(12)	183
Total comprehensive income for the period	-	195	19,144	19,339	5,204	24,543
Dividend	-	-	(36,300)	(36,300)	-	(36,300)
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	(12,379)	(12,379)
Balance as at 30 June 2014	<u>90,750</u>	<u>6,402</u>	<u>438,466</u>	<u>535,618</u>	<u>48,500</u>	<u>584,118</u>
<b>Six months to 30 June 2013 (unaudited)</b>						
Balance as at 1 January 2013	90,750	4,268	424,136	519,154	101,156	620,310
Impact on adoption of FRS 10	-	858	(1,955)	(1,097)	(1,156)	(2,253)
Balance as at 1 January 2013 (Restated)	90,750	5,126	422,181	518,057	100,000	618,057
Profit for the period	-	-	18,794	18,794	5,524	24,318
Other comprehensive income	-	446	-	446	164	610
Total comprehensive income for the period	-	446	18,794	19,240	5,688	24,928
Dividend	-	-	(27,225)	(27,225)	-	(27,225)
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	(34,589)	(34,589)
Balance as at 30 June 2013	<u>90,750</u>	<u>5,572</u>	<u>413,750</u>	<u>510,072</u>	<u>71,099</u>	<u>581,171</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 2013.

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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 2013.

**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/amendment to Financial Reporting Standards ("FRSs") which are mandatory for annual financial periods beginning on or after 1 January 2014, as disclosed below:

	<b>Effective for the financial period beginning on or after</b>
Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 136 : Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 139 : Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127 : Investment Entities	1 January 2014

The adoption of the above new/revised/amendment to FRSs is not expected to have any significant impact to the Group.

**Restatement of comparative**

In Quarter 4, 2013, the Group reclassified a subsidiary in India, Faber Sindoori Management Services Private Limited previously accounted for as a subsidiary to associate. As the reclassification is required to be accounted for on a retrospective basis, the preceding year comparatives are restated to be consistent with current period presentation.

**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 has been 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 three years. Consequently, adoption of the MFRS Framework by Transitioning Entities are mandatory for annual periods beginning on or after 1 January 2015.

The Group falls within the scope of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group is required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015.

In presenting its first MFRS financial statements, the Group is required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made retrospectively, against opening retained earnings.

**2. Audit report in respect of the 2013 financial statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2013 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.



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

**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.

**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 2014.

**7. Dividend**

The single tier final dividend of 10.00 sen on 363,001,053 ordinary shares of RM0.25 each, amounting to RM36,300,105 in respect of the financial year ended 31 December 2013 was approved by the shareholders during the Annual General Meeting on 26 June 2014 and paid on 22 July 2014.

No interim dividend is declared for the current period ended 30 June 2014 (2013: nil).

**8. Operating Segments**

Operating Segment information for the current financial period to 30 June 2014 is as follows:

**By operating segment**

	<b>Integrated Facilities Management Concession</b>	<b>Non-concession</b>	<b>Properties</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>						
External sales	305,043	14,050	4,849	-	-	<b>323,942</b>
Inter-segment sales	-	183	-	62,397	(62,580)	-
<b>Total Revenue</b>	<b>305,043</b>	<b>14,233</b>	<b>4,849</b>	<b>62,397</b>	<b>(62,580)</b>	<b>323,942</b>
<b>Results</b>						
Segment results	39,985	570	(1,302)	51,594	(60,495)	<b>30,352</b>
Finance costs	(3)	-	-	-	-	<b>(3)</b>
Share of results of associates	(645)	878	-	-	-	<b>233</b>
<b>Profit/(loss) before tax</b>	<b>39,337</b>	<b>1,448</b>	<b>(1,302)</b>	<b>51,594</b>	<b>(60,495)</b>	<b>30,582</b>
Income tax	(5,386)	(256)	(428)	(152)	-	<b>(6,222)</b>
<b>Profit/(loss) for the period</b>	<b>33,951</b>	<b>1,192</b>	<b>(1,730)</b>	<b>51,442</b>	<b>(60,495)</b>	<b>24,360</b>
<b>Attributable to:</b>						
Owners of the parent	29,263	1,192	(2,255)	51,442	(60,498)	<b>19,144</b>
Non-controlling interests	4,688	-	525	-	3	<b>5,216</b>
<b>Profit/(loss) for the period</b>	<b>33,951</b>	<b>1,192</b>	<b>(1,730)</b>	<b>51,442</b>	<b>(60,495)</b>	<b>24,360</b>

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

**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 2014 to the date of this announcement which would substantially affect the financial results of the Group for the six months ended 30 June 2014 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.

**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 2013.

**12. Capital commitments**

There are no material capital commitments except as disclosed below :

	<b>RM'000</b>
Approved and contracted for	7,449

**13. Income tax**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	Current year quarter <b>30/06/2014</b> RM'000	Preceding year corresponding quarter <b>30/06/2013</b> RM'000 <b>(Restated)</b>	Six months to <b>30/06/2014</b> RM'000	Six months to <b>30/06/2013</b> RM'000 <b>(Restated)</b>
Current income tax				
- Malaysian income tax	7,418	5,075	12,361	12,012
(Over)/under provision in prior years				
- Malaysian income tax	<u>(6,795)</u>	<u>1,396</u>	<u>(6,599)</u>	<u>1,067</u>
	623	6,471	5,762	13,079
Deferred tax				
- Relating to origination and reversal of temporary difference	(683)	1,532	(458)	572
- (Over)/under provision in prior years	<u>-</u>	<u>(1,525)</u>	<u>918</u>	<u>(1,525)</u>
	<u>(683)</u>	<u>7</u>	<u>460</u>	<u>(953)</u>
	<u><b>(60)</b></u>	<u><b>6,478</b></u>	<u><b>6,222</b></u>	<u><b>12,126</b></u>

The Group's effective tax rate for the current quarter/period was lower compared to the statutory tax rate mainly due to overprovision of tax in prior years.

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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**

The following are corporate proposals announced but not completed as at the date of this announcement:

- (a) On 12 December 2012, Jiwa Unik Sdn Bhd ("JUSB"), a 51% owned subsidiary of Faber Development Holdings Sdn Bhd, which was in turn a wholly-owned subsidiary of FGB, submitted an application to the Companies Commission of Malaysia to strike off the name of JUSB from the register pursuant to Section 308 of the Companies Act, 1965. The proposed strike off is pending the approval from the Companies Commission of Malaysia.

- (b) On 14 June 2013, Sehat Technologies Sdn Bhd ("Sehat"), a 51% owned subsidiary of Faber Healthcare Management Sdn Bhd, which was in turn a wholly-owned subsidiary of FGB was placed under members' voluntary liquidation ("MVL") pursuant to Section 254(1)(b) of the Companies Act, 1965.

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

Sehat had appointed Mr. Heng Ji Keng and Mr. Michael Joseph Monteiro of Messrs Ferrier Hodgson MH Sdn Bhd, Baker Tilly MH Tower, Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur as the joint and several Liquidators for the purpose of the MVL.

On 21 July 2014, Sehat held its Final Meeting to conclude the MVL.

The Liquidator 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 22 July 2014. Hence, the MVL process is deemed completed.

- (c) On 18 April 2014, FGB entered into a conditional share sale agreement with UEM Group Berhad for a total consideration of RM500 million to be satisfied by a combination of cash and issuance of shares for the proposed acquisition of Projek Penyelenggaraan Lebuhraya Berhad ("PROPEL") and RM651 million to be satisfied by issuance of shares for the proposed acquisition of Opus Group Berhad ("OPUS") ("the Proposed Acquisitions").

On 20 May 2014, FGB submitted to Bursa Securities the listing application in relation to the Proposed Acquisitions.

On 26 June 2014, the shareholders of FGB, at its Extraordinary General Meeting ("EGM") approved the Proposed Acquisitions.

On 25 August 2014, FGB received confirmation that the New Zealand Takeovers Panel had approved the granting of an unconditional exemption for FGB from rule 6(1)(a) of the New Zealand Takeovers Code in relation to the proposed acquisition of OPUS.

The Proposed Acquisitions were conditional upon the satisfaction of the conditions precedent by both parties and approval from the relevant authorities.

- (c) On 20 November 2013, TC Parking Sdn Bhd ("TCP"), a wholly-owned subsidiary of FGB had been placed under MVL pursuant to Section 254(1)(b) of the Companies Act, 1965.

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

TCP had appointed Mr. Heng Ji Keng and Mr. Andrew Heng of Messrs Ferrier Hodgson MH Sdn Bhd, Baker Tilly MH Tower, Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur as the joint and several Liquidators for the purpose of the MVL.

- (d) On 19 May 2014, Faber Medi-Serve Sdn Bhd, a wholly-owned subsidiary of FGB, had entered into a conditional asset management services agreement with Konsortium ProHAWK Sdn Bhd to provide Asset Management Services for the facilities and infrastructure of a Women and Children's Hospital in Malaysia ("the Proposal").

AmInvestment Bank Berhad had been appointed as the Principal Adviser to FGB for the Proposal and RHB Investment Bank Berhad as the Independent Adviser to advise the non-interested directors and non-interested shareholders of FGB on the Proposal in accordance with the Listing Requirements, given that it's a related party transaction.

On 26 June 2014, the shareholders of FGB, at its EGM approved the Proposal.

The Proposal would take effect upon the Concession Agreement becoming effective in the second half of 2016.

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

**15. Status of the new Concession Agreement of Faber Medi-Serve Sdn Bhd ("FMS")**

On 25 January 2013, FMS received 3 letters all dated 23 January 2013, from the Public Private Partnership Unit of the Prime Minister's Department, which state the following:-

i) For Northern Region of Peninsular Malaysia

That the Government of Malaysia in principle has agreed for FMS to implement the new concession in relation to the Privatisation of the Hospital Support Services contract ("HSS") for the Northern Region of Peninsular Malaysia (Perak, Pulau Pinang, Kedah and Perlis) for a period of ten (10) years with the new service fee at an increase of 5.8% from the 2011 Peninsular Malaysia service fee and a further RM16.572 million per annum for the Sustainability Programme, subject to the terms and conditions of the Privatisation of the HSS to be negotiated between the Government and FMS;

ii) For Sabah Zone

That the Government of Malaysia in principle has agreed that the new concession in relation to the Privatisation of the HSS for the Sabah Zone is to be implemented by a new Consortium Company of which FMS will hold 40% equity interest and another 60% equity interest will be held by 1Care Consortium Sdn Bhd ("1Care"). The new concession will be for a period of ten (10) years with the new service fee (including the Sustainability Programme) at an increase of 7.8% from the 2011 Sabah service fee, subject to the terms and conditions of the Privatisation of the HSS to be negotiated between the Government and the Consortium Company; and

iii) For Sarawak Zone

That the Government of Malaysia in principle has agreed that the new concession in relation to the Privatisation of the HSS for the Sarawak Zone is to be implemented by a new Consortium Company, of which FMS will hold 40% equity interest and another 60% equity interest will be held by another consortium company through Metrocare Services Sdn Bhd ("Metrocare") and the joint venture between Simfoni Dua Sdn Bhd and Perbadanan Pembangunan Ekonomi Sarawak. The new concession will be for a period of ten (10) years with the new service fee (including the Sustainability Programme) at an increase of 8.1% from the 2011 Sarawak service fee, subject to the terms and conditions of the Privatisation of the HSS to be negotiated between the Government and the Consortium Company.

On 27 February 2013, Segi Operasi Sdn Bhd (now known as FMS Services (Sabah) Sdn Bhd) entered into a Joint Venture Agreement ("JVA") with FMS, 1Care and Sedafiat Sdn Bhd ("SSB") for the purpose of carrying out the HSS to the hospitals operated by the Ministry of Health ("MOH") throughout the state of Sabah, via the Joint Venture Company ("JVC"), SSB.

Also on the same date, Segi Kirana Sdn Bhd (now known as FMS Services (Sarawak) Sdn Bhd) entered into a JVA with FMS, Metrocare and One Medicare Sdn Bhd ("OMSB") for the purpose of carrying out the HSS to the hospitals operated by the MOH throughout the state of Sarawak, via the JVC, OMSB.

FMS has attended various discussions and negotiations with MOH in relation to the new technical and operational requirements pursuant to the New Concession Agreement ("NCA"). The negotiation is still ongoing. Management believe that the NCA will be signed in due course.

**16. Borrowings and debt securities**

There are no borrowings and debt securities as at 30 June 2014.

**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 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.

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

19. **Breakdown of realised and unrealised profits or losses**

	As at end of current quarter	As at preceding financial year end
	<b>30/06/2014</b>	<b>31/12/2013</b>
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	289,764	310,663
- Unrealised	1,908	225
	<hr/>	<hr/>
	291,672	310,888
Consolidation adjustments	146,794	144,734
	<hr/>	<hr/>
Total group retained earnings as per consolidated financial statements	438,466	455,622

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)**

Road Builder was the main contractor for the construction of the Sheraton Subang Jaya Hotel. UEM Genisys was appointed as the nominated sub-contractor for the air conditioning and ventilation systems. Road Builder then entered into a novation arrangement for FHHSB to take over as the main contractor.

UEM Genisys filed a writ of summons and statement of claim dated 3 August 2007 against Road Builder for outstanding payment amounting to RM2,142,229.24 together with the interests ("Balance Outstanding Sum"). Road Builder in turn filed a Third Party Notice against FHHSB to claim for indemnity for the Balance Outstanding Sum.

Road Builder alleged that the Balance Outstanding Sum was the responsibility of FHHSB's debt to UEM Genisys, and Road Builder had issued a Third Party Notice that FHHSB had by novation, agreed to take over the rights and liabilities of Road Builder as the main contractor of the Project and that FHHSB had undertaken to indemnify Road Builder for losses that may arise from such arrangement.

FHHSB in its Defence denied that there was a novation and that there was only a direct undertaking given by FHHSB to UEM Genisys to pay Road Builder's debt. FHHSB states that as UEM Genisys chose to claim against Road Builder rather than FHHSB, they have waived their right to claim against FHHSB.

On 18 May 2012, the court delivered its decision by allowing UEM Genisys' claim against Road Builder for the sum of RM2,142,229.24 with interest and cost to be assessed, whereas Road Builder's claim for indemnity against FHHSB was dismissed with cost to be assessed. Road Builder had on 17 July 2012 lodged an appeal to the Court of Appeal against the decision of the High Court in allowing UEM Genisys' claim and dismissing the claims against FHHSB with cost to be taxed.

The hearing of the appeal by Road Builder to the Court of Appeal which was fixed on 18 February 2014 had been adjourned to 7 May 2014. On 7 May 2014, the Court of Appeal dismissed Road Builder's appeal with costs of RM20,000.00 awarded to each UEM Genisys and FHHSB.

On 6 June 2014, Road Builder served an unsealed Originating Motion to apply for leave to appeal to the Federal Court. FHHSB filed an affidavit to oppose the application on 13 June 2014. No hearing date has been fixed as yet.

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

**20. Material litigation (cont'd)**

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

The claim is in relation to the civil, mechanical and electrical maintenance services for low cost houses 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 was still an outstanding amount due to the Claimant for works carried out prior to the end of the Contracts' period, which was 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 disputed.

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

On 6 January 2013, the Al Dhafra Court accepted the expert report in respect of the claim to be paid by Faber LLC to the Claimant, amounting to AED8,054,010.07 (equivalent to approximately RM6,541,969.29). Faber LLC requested its solicitors to file an appeal on the decision of the Al Dhafra Court.

On 16 December 2013, the Abu Dhabi Cassation Court rejected Faber LLC's appeal and confirmed the Al Dhafra Court's decision. The Claimant also filed an additional claim of AED2,000,000.00. On 7 January 2014, Faber LLC filed the supporting documents for the counter claim amounting to AED8,534,028.00 and the Claimant filed their rejoinder to Faber LLC's claim. A hearing on the matter was held on 29 January 2014, and the Court adjourned the judgment to a later date to be decided by the Court.

A meeting with the expert was held on 16 February 2014 and Faber LLC submitted a copy of its counter claim together with a translation of all the supporting documents that were filed in Court. Faber LLC also submitted an additional memorandum together with supporting documents providing further details of the counter claim to the expert. The case was posted to 15 April 2014 for filing the expert report in Court.

During the hearing on 15 April 2014, the Court decided to adjourn the case to 29 April 2014.

On 29 April 2014, the Court heard the matter and thereafter adjourned the same to 12 May 2014 for judgment. On 12 May 2014, the Al Dhafra Court rejected Faber LLC's counter claim and decided on behalf of the Claimant. The Al Dhafa Court requested Faber LLC to pay the amount as per the expert report of AED 1,799,748.32 (equivalent to (RM1,583,598.55) to the Claimant together with an interest of 6 percent from 15 March 2011 till the date of payment.

On 3 June 2014, Faber LLC filed an appeal against the judgment passed by the Al Dhafra Court and an objection to Claimant's application for attachment order on the judgment sum. On 18 June 2014, Faber LLC filed an explanatory memorandum on the appeal. On 25 June 2014, the Al Dhafra Court ruled that the Claimant's attachment application is valid and ordered Faber LLC to pay the judgment sum to Court. Awaiting for the Court of Appeal Al Dhafra to fix the hearing date of appeal.

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

**20. Material litigation (cont'd)**

**(iii) SSP Medical Technologies Sdn Bhd ("SSP" or "Plaintiff") vs. Faber Medi-Serve Sdn Bhd ("FMS" or "1st Defendant") and Healthtronics (M) Sdn Bhd ("HMSB" or "2nd Defendant")**

SSP had on 6 September 2013 served a Writ of Summons on FMS and HMSB, a 60% owned subsidiary of FMS. The Writ of Summons is in respect of the Shareholders Agreement ("SA") dated 21 May 2002 and the Agreement for Service ("AFS") dated 28 June 2002 in respect of HMSB. The Writ of Summons states that SSP sued for itself and on behalf of HMSB. SSP sought various reliefs as follows:-

- a) Declaration that the AFS is void and unenforceable;
- b) Declaration that FMS is in breach of its duties as a joint venture party;
- c) Declaration that FMS is not entitled to formalize an agreement for the delivery of Bio-Medical Engineering Maintenance (BEM) and Electronic Facilities Engineering Maintenance (EFEM) services under the New Concession Agreement ("NCA") with any party other than the HMSB;
- d) Damages for fraud, breach of contract, breach of duties and unlawful interference;
- e) Injunction to restrain FMS from acquiring and taking over the assets of HMSB under the AFS; and
- f) Injunction to restrain FMS from entering into any agreement for the delivery of BEM and EFEM services under the NCA with any party other than HMSB.

The matter was fixed for case management on 10 September 2013, and thereafter on 23 October 2013.

On 1 October 2013, FMS was served with the sealed copy of SSP's Notice of Application for injunction. SSP's Statement of Claim was served on FMS on 2 October 2013 and FMS filed and served the Defence on 22 October 2013.

On 23 October 2013, the High Court fixed the next case management on 7 November 2013. The High Court also fixed the injunction application for mention on 31 October 2013 to fix a hearing date.

On 31 October 2013, the High Court fixed the injunction application for hearing on 22 January 2014.

On 7 November 2013, the High Court fixed the next case management on 21 November 2013, upon which SSP's solicitors informed the Court that the reply to the Defence had been filed and served on FMS on 20 November 2013. The Court also fixed the next case management on 22 January 2014. The trial dates were fixed on 23 April 2014 and 24 April 2014.

During the hearing of SSP's application for injunction and case management which were held on 22 January 2014, the Judge reserved the decision on SSP's application and postponed the case management until 29 January 2014.

The case management on 29 January 2014 was postponed to 30 January 2014. The Court on 30 January 2014 had not decided on the said application yet and fixed a further date on 4 February 2014 for clarification.

On 4 February 2014, the Court decided that SSP's application for interlocutory injunction is academic and upon the parties' agreement, the Court made no order on the application for injunction. The Court fixed the next case management on 21 February 2014.

On 21 February 2014, the Court fixed 7 March 2014 for further case management, as well as the hearing of SSP's application for further and better particulars of FMS' Statement of Defence.

The Court was informed on 7 March 2014 during the case management and hearing of SSP's application for further and better particulars that FMS required an additional 2 weeks to respond to SSP's request for particulars. In view of the above, the Judge vacated the trial dates on 23 and 24 April 2014 and the next case management was fixed on 26 March 2014 to confirm the new trial dates.

During the case management held on 26 March 2014, the Judge fixed 7 April 2014 as the mention date to fix the trial dates.

On 7 April 2014, the Judge fixed the trial dates on 7 to 9 July 2014 and the next case management on 15 April 2014.

During the case management on 15 April 2014, the Judge fixed SSP's application to amend the Statement of Claim for hearing on 16 May 2014.

On 15 May 2014, SSP served on FMS' solicitors the sealed notice of application to withdraw the suit with liberty to file afresh, together with the supporting affidavit.

During the hearing on 16 May 2014, the Court struck out SSP's application for further and better particulars with no order as to costs. In relation to SSP's application to withdraw the suit, the Court fixed the same for hearing on 7 July 2014. The Court also fixed for mention SSP's application to amend the Statement of Claim on the same day.

The Court on 7 July 2014 allowed SSP's application to withdraw the suit with liberty to file afresh, and the cost of RM30,000.00 to be paid by SSP to FMS. The Court also struck off SSP's application to amend the Statement of Claim.

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

21. **Detailed analysis of the performance between the current quarter and the immediate preceding quarter**

	Current quarter <b>30/06/2014</b> RM'000	Immediate preceding quarter <b>31/03/2014</b> RM'000	Variance  RM'000	Variance  %
<b>Revenue:</b>				
Integrated Facilities Management ("IFM")				
Concession	155,599	149,444	6,155	4.1
Non-concession	6,309	7,741	(1,432)	(18.5)
Properties	2,581	2,268	313	13.8
<b>Group</b>	<b>164,489</b>	<b>159,453</b>	<b>5,036</b>	<b>3.2</b>
<b>Profit Before Tax:</b>				
IFM				
Concession	20,193	19,144	1,049	5.5
Non-concession	87	1,361	(1,274)	(93.6)
Properties	3	(1,305)	1,308	>100.0
Others/Elimination	(6,613)	(2,288)	(4,325)	>(100.0)
<b>Group</b>	<b>13,670</b>	<b>16,912</b>	<b>(3,242)</b>	<b>(19.2)</b>

The Group's revenue for the current quarter of RM164.5 million was RM5.0 million or 3.2% higher than the preceding quarter of RM159.5 million. IFM Concession recorded higher revenue by RM6.2 million mainly due to higher variation orders and increased delivery of linen and collection of clinical waste arising from increased activities at the government hospitals within FGB's concession area. Properties Division recorded higher revenue by RM0.3 million mainly due to higher work progress for Prima Vila. Whilst, Non-Concession recorded lower revenue by RM1.4 million mainly due to lower contracts secured locally.

The Group recorded lower profit before tax ("PBT") for the current quarter of RM13.7 million, as compared to RM16.9 million in the preceding quarter. This was mainly due to the higher professional fees incurred in the current quarter in relation to the proposed acquisition of PROPEL and OPUS. IFM Non-concession recorded lower PBT mainly due to redistribution of plant costs to respective commercial business. On the other hand, IFM Concession recorded higher PBT mainly due to higher revenue as explained above. Properties Division recorded higher PBT mainly due to a favourable non-recurring one-off item amounting to RM1.3 million.



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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 <b>30/06/2014</b> RM'000	Preceding year corresponding quarter <b>30/06/2013</b> RM'000 <b>(Restated)</b>	Variance RM'000	Variance %	Six months to <b>30/06/2014</b> RM'000	Six months to <b>30/06/2013</b> RM'000 <b>(Restated)</b>	Variance RM'000	Variance %
<b><u>Revenue:</u></b>								
IFM								
Concession	155,599	147,073	8,526	5.8	305,043	293,452	11,591	3.9
Non-concession	6,309	8,047	(1,738)	(21.6)	14,050	16,394	(2,344)	(14.3)
Properties	2,581	4,486	(1,905)	(42.5)	4,849	15,628	(10,779)	(69.0)
<b>Group</b>	<b>164,489</b>	<b>159,606</b>	<b>4,883</b>	<b>3.1</b>	<b>323,942</b>	<b>325,474</b>	<b>(1,532)</b>	<b>(0.5)</b>
<b><u>Profit Before Tax:</u></b>								
IFM								
Concession	20,193	18,920	1,273	6.7	39,337	37,252	2,085	5.6
Non-concession	87	383	(296)	(77.3)	1,448	2,421	(973)	(40.2)
Properties	3	(1,961)	1,964	>100.0	(1,302)	1,843	(3,145)	>(100.0)
Others/Elimination	(6,613)	(3,348)	(3,265)	(97.5)	(8,901)	(5,072)	(3,829)	(75.5)
<b>Group</b>	<b>13,670</b>	<b>13,994</b>	<b>(324)</b>	<b>(2.3)</b>	<b>30,582</b>	<b>36,444</b>	<b>(5,862)</b>	<b>(16.1)</b>

The Group's revenue for the current quarter of RM164.5 million was higher by RM4.9 million as compared to RM159.6 million in the corresponding quarter last year. Whilst for the year-to-date, revenue of RM323.9 million was lower by RM1.6 million against RM325.5 million for the preceding year.

Properties Division recorded lower revenue mainly due to lower sales. Non-concession recorded lower revenue mainly due to lower contribution from the project in UAE. The lower revenue recorded by both IFM Non-Concession and Properties Division was partially mitigated by higher revenue recorded by IFM Concession mainly due to higher variation orders and increased delivery of linen and collection of clinical waste arising from increased activities at the government hospitals within FGB's concession area.

The Group's current quarter PBT of RM13.7 million was lower by RM0.3 million as compared to RM14.0 million in the corresponding quarter last year. This was mainly due to the higher professional fees incurred in the current quarter in relation to the proposed acquisition of PROPEL and OPUS, and flow through of lower revenue recorded by IFM Non-concession as explained above.

The negative variance was partially mitigated by higher PBT recorded by Properties Division and IFM Concession. Properties Division recorded higher PBT mainly due to a favourable non-recurring one-off item amounting to RM1.3 million and lower marketing expenses incurred for completed projects. Whilst, IFM Concession recorded higher PBT mainly due to higher revenue as explained above.

For the year-to-date, PBT of RM30.6 million was lower by RM5.9 million against RM36.4 million for the preceding year. This was mainly due to the higher professional fees incurred in the current quarter in relation to the proposed acquisition of PROPEL and OPUS, and flow through of lower revenue recorded by IFM Non-concession as explained above. Properties Division recorded Loss Before Tax of RM1.3 million as a result of lower revenue, the gross profit of which is insufficient to cover the fixed operating costs.

The negative variance recorded by IFM Non-Concession and Properties Division was partially mitigated by higher PBT recorded by IFM Concession as a result of 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 <b>30/06/2014</b> RM'000	Preceding year corresponding quarter <b>30/06/2013</b> RM'000 <b>(Restated)</b>	Six months to <b>30/06/2014</b> RM'000	Six months to <b>30/06/2013</b> RM'000 <b>(Restated)</b>
<b><u>Net operating profit after tax ("NOPAT") computation:</u></b>				
Earnings before interest and tax ("EBIT")	10,687	12,022	24,355	32,731
Adjusted tax	(2,672)	(3,006)	(6,089)	(8,183)
<b>NOPAT</b>	<b>8,015</b>	<b>9,016</b>	<b>18,266</b>	<b>24,548</b>
<b><u>Economic charge computation:</u></b>				
Average invested capital	156,615	306,414	156,615	306,414
Weighted average cost of capital ("WACC")	11.1%	12.0%	11.1%	12.0%
<b>Economic charge</b>	<b>4,346</b>	<b>9,192</b>	<b>8,692</b>	<b>18,385</b>
<b>Economic profit/(loss)</b>	<b>3,669</b>	<b>(176)</b>	<b>9,574</b>	<b>6,163</b>

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 2014 against the corresponding quarter last year :

EP of RM3.7 million is higher by RM3.9 million as compared to the preceding year corresponding quarter economic loss of RM0.2 million mainly due to lower economic charge, despite the lower EBIT.

(b) Performance of the current period ended 30 June 2014 against last year :

EP of RM9.6 million is higher by RM3.4 million as compared to the preceding year corresponding period of RM6.2 million mainly due to a lower economic charge, despite the lower EBIT.

24. **Prospects for the current financial year**

The Group is continuing its effort in growing its businesses and managing costs. The Group expects lower contribution from the Hospital Support Services contract once the new concession agreements are signed due to our lower equity stakes for the new concessions in Sabah and Sarawak. In addition to this, the Group is expecting to incur higher operating costs in particular for transportation and processing cost for clinical waste in Sabah. The outlook for the Property business is expected to be challenging mainly due to new cooling off measures introduced by the Government in Budget 2014.

25. **Profit forecast**

The Group did not issue any profit forecast in the current period.

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

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

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	<b>30/06/2014</b>	<b>30/06/2013</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Profit attributable to Owners of the Parent	10,980	7,261	19,144	18,794
Weighted average number of ordinary shares in issue ('000)	363,001	363,001	363,001	363,001
Basic earnings per share	3.02 sen	2.00 sen	5.27 sen	5.18 sen

Kuala Lumpur  
26 August 2014

**By Order of the Board**  
**Chiew Siew Yuen (MAICSA No. 7063781)**  
**Sheikh Azree Mokhtar (LS No. 0008368)**  
**Joint Company Secretaries**