FAVELLE FAVCO

2021
Annual Report

Favelle Favco Berhad and its subsidiaries
Registration No.: 199201017739 (249243-W) (Incorporated in Malaysia)

A MEMBER OF MUHIBBAH ENGINEERING (M) BHD

Corporate Information

Board of Directors

Tan Sri A. Razak bin Ramli
(Chairman, Senior Independent Non-Executive Director)

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
(Vice Chairman, Independent Non-Executive Director)

Mac Chung Hui
(Managing Director/Chief Executive Officer)

Mac Ngan Boon @ Mac Yin Boon
(Executive Director)

Lee Poh Kwee
(Group Finance Director)

Mazlan bin Abdul Hamid
(Executive Director)

Sobri bin Abu
(Independent Non-Executive Director)

Dato' Sri Khazali bin Haji Ahmad
(Independent Non-Executive Director)

Audit Committee
Sobri bin Abu *(Chairman)*
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Dato' Sri Khazali bin Haji Ahmad

Company Secretaries
Tew Siew Chong
(SSM PC No. 202008003861) (MIA 20729)
Irene Choe Mee Kam @ Irene Chow Mee Kam
(SSM PC No. 202008003930) (MIA16775)
Tia Hwei Ping
(SSM PC No. 202008001687) (MAICSA 7057636)

Registered Office
Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3349 5465
Fax : (603) 3342 9807

Auditors
Crowe Malaysia PLT
Firm No. 201906000005
(LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

Principal Bankers
Ambank (Malaysia) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Share Registrar
Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : (603) 2783 9299
Fax : (603) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Tricor Customer Service Centre:
Unit G-3, Ground Floor
Vertical Podium, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Investor Relations
Tel : (603) 3376 2530
Fax : (603) 3344 6302
E-mail : ir@favellefavco.com.my

Stock Exchange Listing
Main Market of Bursa Malaysia
Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg stock code: FFB MK
Listing date: 15 August 2006

Websites
www.favellefavco.com

E-mail Address
ffb@favellefavco.com.my

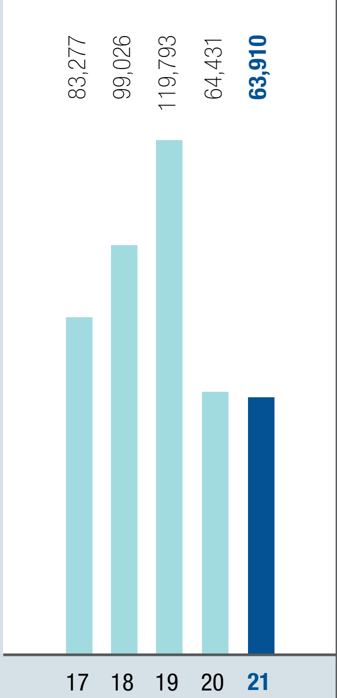
Tower Crane, PNB 118 Tower, Malaysia

Offshore Crane, Pegaga Development Project, Malaysia

Contents

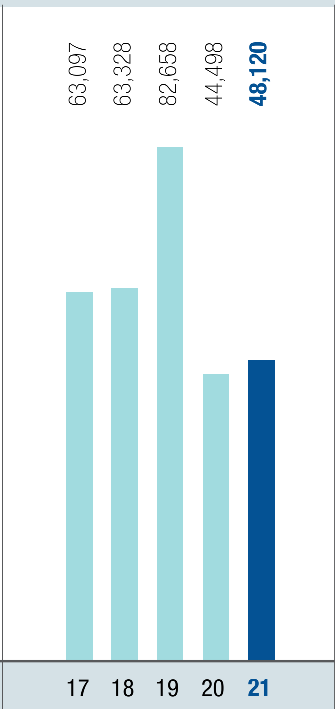
Group Financial Highlights

	2017	2018	2019	2020	2021
Turnover (RM'000)	526,484	530,590	687,994	554,453	**610,215**
Profit Before Tax (RM'000)	83,277	99,026	119,793	64,431	**63,910**
Profit After Tax Attributable to Shareholders of the Company (RM'000)	63,097	63,328	82,658	44,498	**48,120**
Total Equity Attributable to Owners of the Company (RM'000)	629,509	659,711	715,402	738,445	**760,677**
Share Capital (RM'000)	110,701	155,170	162,745	162,983	**162,983**
Basic Earnings Per Ordinary Share (Sen)	28.50	28.60	37.18	19.87	**21.52**
Net Assets Per Ordinary Share (RM)	2.84	2.98	3.20	3.30	**3.42**



Profit Before Tax

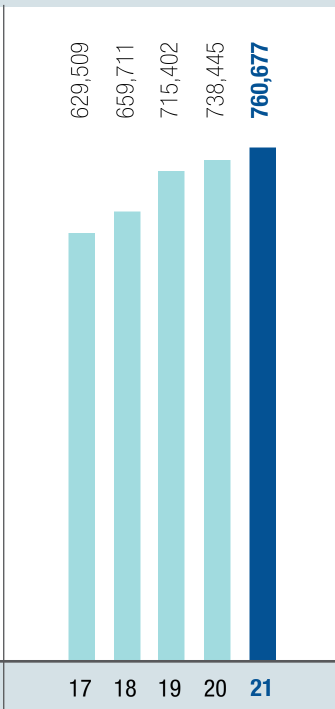
(RM'000)



Profit After Tax

Attributable to Shareholders of the Company

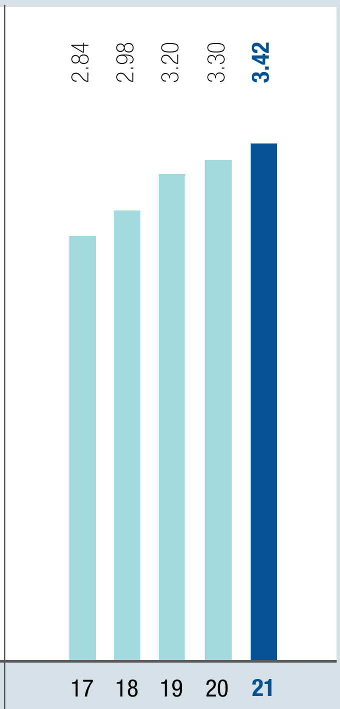
(RM'000)



Total Equity

Attributable to Owners of the Company

(RM'000)



Net Assets

Per Ordinary Share

(RM)

Group Structure
as at 29 March 2022

FAVELLE FAVCO BERHAD

CRANES

- 100% **FAVELLE FAVCO CRANES (M) SDN. BHD.** (MALAYSIA)
- 100% **FAVELLE FAVCO CRANES PTE. LTD.** (SINGAPORE)
- 100% **FAVELLE FAVCO CRANES (USA), INC.** (USA)
- 100% **FAVELLE FAVCO CRANES PTY. LIMITED** (AUSTRALIA)
- 100% **KRØLL CRANES A/S** (DENMARK)
- 100% **FES EQUIPMENT SERVICES SDN. BHD.** (MALAYSIA)
- 80% **SHANGHAI FAVCO ENGINEERING MACHINERY MANUFACTURING CO., LTD.** (CHINA)
- 30% **FAVCO OFFSHORES SDN. BHD.** (MALAYSIA)
- 49% **FAVELLE FAVCO MACHINERY and EQUIPMENT L.L.C.** (ABU DHABI, UAE)
- 50% **FAVCO HEAVY INDUSTRY (CHANGSHU) CO., LTD.** (CHINA)

INTELLIGENT AUTOMATION

- 70% **EXACT AUTOMATION SDN BHD** (MALAYSIA)
- 70% **EXACT ANALYTICAL SDN BHD** (MALAYSIA)
- 70% **EXACT OIL & GAS SDN BHD** (MALAYSIA)
- 70% **SEDIA TEGUH SDN BHD** (MALAYSIA)

* Dormant companies are excluded from the above Group Structure

Management Discussion and Analysis

Market Review and Strategies

The year 2021 was certainly a challenging year due to the Covid-19 pandemic. Governments around the world continued to lock down their countries causing continued disruption to the market environment. The positive note is that, as expected, the vaccination rates in our key markets were well taken up and placed these key markets in a good position for a recovery from here.

Overall, the construction market and the oil and gas market did see a bounce in activity from the severe downturn of 2020. This was evident in our increased order intake for the year 2021.

Construction globally remained reasonably active, and we also observed continued activity in the rental markets.

During the year, oil and gas prices recovered to prices at which we believe to be sustainable for the oil operators to conduct their operations. We anticipate that this would allow oil and gas operators to continue their investment plans.

Review and discussion of financial results

We reported a full year's revenue of RM610 million for 2021 compared to RM554 million for 2020 representing an 10.1% increase in revenue. The Exact Automation group posted a revenue of RM129 million whilst the crane division posted a revenue of RM481 million.

The combined results provided a Profit After Tax attributable to owners of the Company of RM48 million in 2021 as compared to RM44 million in 2020 representing a 9.1% increase.

We are happy with this increase of profitability in a year where Covid-19 challenges persisted throughout and government subsidies mostly ended. For us to put in an increased profitable year in a strained industry speaks to the resilience of the team and company.

In line with the results, we have declared a dividend of 8 sen per share representing approximately 37% of our Earnings Per Share.

Tower Crane, Sunshine Beach Jewel Project, Australia

Capex requirements and treasury commentary

As planned, we reduced our investments in our tower crane rental fleet by approximately half the amount in the prior year. Overall, the rental fleet continues to see continued activity and we remain optimistic of the future of these investments.

During the year, we also made the final payment following the completion of the Exact Automation Group acquisition. We are happy to have completed this transaction and look forward to continued growth in this Industrial Automation segment.

After these above investments and a dividend of RM18 million to shareholders during the year, Favelle Favco Group had cash and cash equivalents of RM264 million as at 31 December 2021.

Operational review

Cranes division

The year of 2021 had many disruptions to our operations due to Covid-19. In Malaysia, our factory was closed fully for 2 weeks whilst we were only allowed to work partially for close to 6 weeks leading to a severe disruption to the factory for 2 months. Thankfully, we were able to roll out vaccinations for our workforce under the PIKAS program during the year which allowed us to restart work again according to the local government rules.

Furthermore, our Australian and Denmark operations were disrupted by the Omicron wave. This allowed us to anticipate and prepare for Malaysia's Omicron wave.

Despite these hurdles, we continued to innovate throughout this period and brought several cranes to market. Two significant developments occurred during the year. Firstly, we received an order for the largest offshore crane in our history, the PC1200, capable of lifting 1200 metric tonnes. This crane will be used for the erection of offshore wind turbines in the Korean market. It really represents increased confidence in us to be able to deliver cranes of a larger size. This crane will be delivered in 2023.

The second significant development is a newly designed flat top tower crane, the K6000F, which will be our largest flat top tower crane. This crane will be delivered in 2022.

During the year, we also completed the delivery of 2 other new models, the knuckle boom crane, the M900F-ST for New York.

Wharf Crane, Australian Navy Multipurpose Wharf Crane, Australia

Tower Crane, Mount Isa Mines Ltd, Australia

Management Discussion and Analysis

Cont'd

Tower Crane, New York, USA

Process Deck Mercury in Gas and Condensate Analyzer Systems for Pegaga Development Project

Intelligent Automation division

The Exact automation group stayed relatively neutral for the full year. We were satisfied with our results given the continued caution in the oil and gas industry. We feel that we now have a good base to work on whilst the sector recovers along with oil and gas prices.

With the increasing demand in Industry 4.0, more devices in the physical world are being connected and controlled in the Operational Technology (OT) level all the way up to the Enterprise level. Along the journey to achieve Industry 4.0, Cybersecurity has become a vital ingredient in securing Industrial Automation and Control Systems. As such, we have adopted the IEC62443 framework to support asset owners in their journey to IEC62443 compliance. This adoption grows our cybersecurity maturity, already resulting in being awarded a 3-year price agreement for the supply of a cybersecurity real-time OT system for Petronas.

Some other highlights during the year include the continuity of supply of additional Mercury in Gas and Condensate Analysers for the Pegaga MRU project. These analysers are critical equipment to confirm final products are free from mercury.

Furthermore, we recently secured a new 3-year maintenance contract for a Gas Management System to monitor 2,623km of pipelines across Peninsula Malaysia. Furthermore, we continue to implement PRIME-IO solutions monitoring various Alarms, Controls and Boundary management for a range of Petronas facilities in Malaysia and Turkmenistan.

We believe we are well positioned as the adoption of the Internet of Things continues even as the pandemic accelerates this adoption.

Hot Water Calorifier Skid Package for Kasawari

Offshore Crane, Shah Deniz Phase 2, Azerbaijan

Tower Crane, Jewel Project, Australia

Current Challenges and Risks

Whilst we are thankful for the recovery in order intake and increased vaccination rates for 2021, we remain extremely cautious moving forward. The Russia-Ukraine war is affecting global supply chains significantly.

Steel prices, global shipping and the worldwide chip shortage were already elevated before the war and now with the war, the situation is becoming more volatile. We are aware of these risks and are taking steps to mitigate the impact as much as possible.

Future Expectations

We currently have an order book of RM552 million, inclusive of the Exact Group, as at 29 March 2022 which will give us some base work until early 2023.

Knuckle Boom Crane, Factory Acceptance Test

On some positive notes, oil and gas prices are appropriate for future investments and tower crane rental fleets globally seem well utilised. We hope these two signs point to further recovery in the markets.

Nevertheless, we remain cautious going into 2022. We are getting many mixed signals where several markets look to recover whilst others appear to be lagging. As such we continue to stay cautious in this uneven recovery mode. We have managed to navigate our way through past storms and we hope to continue to do so with our prudent cost management.

Managing Director/Chief Executive Officer

Profile of Directors

Tan Sri A. Razak bin Ramli

Aged 73, Male, Malaysian

(Chairman, Senior Independent Non-Executive Director)

Chairman of the Remuneration Committee and Nominating Committee, Member of the Audit Committee

Tan Sri A. Razak bin Ramli was appointed as an Independent Non-Executive Director of Favelle Favco Berhad ("FFB") on 1 November 2004 and re-designated as Senior Independent Non-Executive Director and appointed as Chairman of Nominating Committee on 18 January 2013. He is a member of the Audit and Remuneration Committees. On 15 May 2014, he was appointed as Senior Independent Non-Executive Chairman and Chairman of Audit Committee and Remuneration Committee and re-designated as member of Audit Committee on 28 February 2018. He joined the Malaysian Civil Service in 1972 and served in the Prime Minister's Department, the Public Services Department and the Economic Planning Unit before being seconded to the private sector for a year in 1984. He joined MITI in 1985 where he rose to the post of Secretary-General on 19 January 2001. Tan Sri A. Razak bin Ramli retired from the Malaysian Civil Service on 24 October 2004. He obtained a Bachelor of Arts (Honours) degree majoring in Public Administration from the University of Tasmania in 1971. He also holds a Diploma *(Gestion Publique)* from the *Institut Internationale d'Administration Publique*, Paris (1980). He is the Chairman of Shangri-La Hotels (Malaysia) Berhad.

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor

Aged 78, Male, Malaysian

(Vice Chairman, Independent Non-Executive Director)

Member of the Audit Committee, Nominating Committee and Remuneration Committee

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor was appointed as an Independent Non-Executive Director of FFB on 5 May 2004 and a member of the Audit Committee on 10 May 2004. He was further appointed as a member of the Nominating Committee of FFB on 18 January 2013. On 4 February 2015, he was appointed as Independent Non-Executive, Vice Chairman. On 28 February 2018 he was appointed as member of the Remuneration Committee of FFB. He was also an Independent Non-Executive Director of Muhibbah Engineering (M) Bhd ("MEB"), a position he had assumed from 19 April 2001 until 10 June 2013. He retired as the Chief of the Royal Malaysian Navy in January 1999. During his 35 years of service in the Navy, he received numerous awards, both local and international. He holds a Masters Degree in Public Administration from Harvard University, USA.

Mac Chung Hui

Aged 43, Male, Malaysian

(Managing Director/Chief Executive Officer)

Mac Chung Hui was appointed as the Deputy Managing Director of the FFB Group on 5 May 2004 and appointed Chief Executive Officer in the same year. He was re-designated as Managing Director on 26 August 2013. He holds a Bachelor of Civil Engineering degree from the University of Nottingham, United Kingdom. He joined FFB as Supervisory Board Member in 1999 and was responsible in assisting the then Managing Director in the execution of operational decisions of the FFB Group. He has also been overseeing the production and operation of Favelle Favco Cranes Pty Limited ("FFA") and Favelle Favco Cranes (M) Sdn Bhd ("FFM") over the past twenty-one (21) years.

Mac Ngan Boon @ Mac Yin Boon

Aged 78, Male, Malaysian

(Executive Director)

Mac Ngan Boon @ Mac Yin Boon was appointed as the Managing Director of FFB on 23 March 1993 and re-designated as Executive Director on 26 August 2013. He was later appointed as member of both the Nominating (up to 18 January 2013) and Remuneration Committees. On 28 February 2018, he resigned as member of the Remuneration Committee of FFB. He is the co-founder of MEB and has been its Managing Director since its inception on 4 September 1972. He obtained a Bachelor of Engineering (Civil) Degree from the University of Western Australia in 1967. He is a professional engineer and a member of the Institute of Engineers Malaysia. He has been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998 and the Chairman of the Machinery and Engineering Industries Federation (MEIF)) since 2016. Mac Ngan Boon @ Mac Yin Boon has been playing a leading role in the business expansion and strategic growth of the FFB Group since its acquisition by MEB in 1995. He is also the representative of MEB on the Board of Directors of FFB.

Shirleen Lee Poh Kwee

Aged 56, Female, Malaysian

(Group Finance Director)

Shirleen Lee Poh Kwee was appointed to the Board of FFB on 24 January 2003 as Group Finance Director. She is also Group Finance Director of MEB. She is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants. She is also a Certified Financial Planner of the Financial Planning Association of Malaysia. Prior to joining MEB as Group Financial Controller in 1993, she was attached to an international accounting firm, KPMG Malaysia, for 4 years. She was involved in the listing exercise of MEB on the Main Board of the Bursa Securities in 1994.

She is also the Finance Director of major subsidiaries of the MEB Group. She was involved in the acquisition of the business and assets of the FFB Group in 1995, and subsequently, financial planning and management of the FFB Group over the past twenty-seven (27) years.

Mazlan bin Abdul Hamid

Aged 59, Male, Malaysian

(Executive Director)

Mazlan bin Abdul Hamid was appointed as Executive Director of FFB on 17 May 2004 and heads the Marketing & Business Development Department of the FFB Group. He is also a Director of FFM, FES Equipment Services Sdn Bhd, Favco Offshores Sdn Bhd, Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd and Sedia Teguh Sdn Bhd. He is also a Non-Independent Non-Executive Director of MEB. He obtained a Diploma in Engineering from the University of Mara Technology in 1984 and attended an Advanced Metallurgy course in the United Kingdom in 1985. In the same year, he started his career as a project coordinator in DNT (M) Sdn Bhd. He then joined SCS Petrotechnical (M) Sdn Bhd and was seconded to Sarawak Shell Berhad, and thereafter, he joined Bureau Veritas (M) Sdn Bhd as Surveyor and Marketing Manager. He joined FFM in 1996 as Sales & Marketing General Manager and has played a key role in penetrating the international cranes manufacturing market.

Profile of Directors

Cont'd

Sobri bin Abu

Aged 69, Male, Malaysian

(Independent Non-Executive Director)

Chairman of the Audit Committee, Member of the Remuneration Committee and Nominating Committee

Sobri bin Abu was appointed as an Independent Non-Executive Director and member of the Audit Committee, Remuneration Committee and Nominating Committee of FFB on 15 May 2014. On 28 February 2018, he was re-designated as Chairman of the Audit Committee. He is also an Independent Non-Executive Director of MEB.

Sobri bin Abu's career spans more than thirty (30) years in the oil and gas industry. He worked not only for major national and international oil companies, namely ExxonMobil and PETRONAS but also major international engineering construction companies like Babcock King Wilkinson (UK) Ltd of the United Kingdom, Stone and Webster Engineering Construction, Inc of the United States of America, Petrofac Engineering and Construction of the United Arab Emirates and local engineering companies such as Sumatec Engineering Bhd and Ranhill WorleyParsons of Malaysia.

Dato' Sri Khazali bin Haji Ahmad

Aged 67, Male, Malaysian

(Independent Non-Executive Director)

Member of the Audit Committee

Dato' Sri Khazali bin Haji Ahmad was appointed as an Independent Non-Executive Director and member of the Audit Committee of FFB on 16 April 2018. He is also an Independent Non-Executive Director of MEB.

He graduated with a Bachelor of Economics degree from University Kebangsaan Malaysia in 1980 and obtained a Diploma in Public Administration from Institute Tadbiran Awam Malaysia (INTAN) in 1981. He received a Masters Degree in Economics from the University of Central Oklahoma, USA in 1991. He was the recipient of the Excellence Service Awards in 2003 and 2006 by the Ministry of Finance. He was also awarded the Asia Tax Commissioner of the Year 2015 for his excellent leadership in the Royal Malaysian Customs (Customs), particularly in the implementation of Goods and Services Tax.

Dato' Sri Khazali bin Haji Ahmad began his career as Assistant Director in the Public Service Department Malaysia in 1981. He was subsequently posted to the International Trade Division of the Ministry of the International Trade and Industry (MITI) where he held various positions before he was transferred to the Tax Analysis Division under the Ministry of Finance in 1997 and became Section Chief in the Division from 2005 to 2007. Between 2007 and 2008, he served as Special Functions Officer to the Chief Secretary to the Government in the Prime Minister's Department. In early 2009, Dato' Sri Khazali was appointed Deputy Director General of Customs. His last held position before his retirement in 2017 was Director General of Customs. He is also an Independent Director of Bank Islam Malaysia Berhad, Shangri-La Hotels (Malaysia) Berhad and Executive Director of Cuscapi Berhad.

Profile of Key Senior Management

Tew Siew Chong

Aged 53, Male, Malaysian

Tew Siew Chong is currently the Group Financial Controller of Favelle Favco Berhad ("FFB") and has been appointed since 2002. He was later appointed as Director of Shanghai Favco Engineering Machinery Manufacturing Co., Ltd. ("SFEMM") in October 2011. In July 2018, he was also appointed as Director of Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd and Sedia Teguh Sdn Bhd. He is involved in the formulation and implementation of the Group's financial and accounting policies. He was previously the Group Accountant of Favelle Favco Cranes (M) Sdn. Bhd. ("FFM"). Prior to joining the FFB Group, he was attached to MOL Berhad as the Group Management Accountant. He was also the Cost Accountant in LKH Power Transformer Sdn Bhd for two years, from 1995 to 1997. He is a member of the Chartered Institute of Management Accountants, United Kingdom and the Malaysian Institute of Accountants.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Teo Kai Sze, Henry

Aged 67, Male, Singaporean

Teo Kai Sze, Henry has been the General Manager of Favelle Favco Cranes Pte. Ltd. ("FFS") since 1995. He was later appointed as Director of Favelle Favco Winches Pte. Ltd. ("FFW") and FFS on 25 February 2011 and 31 December 2015 respectively. He is in charge of the overall operations of FFS and FFW. He also oversees the sales and marketing of cranes in Singapore and Vietnam. Prior to joining the FFB Group, he was Assistant Manager at Compoform Industries and Marine & Onshore Trading Co. Pte Ltd. He obtained a Diploma in Civil Engineering from the Singapore Polytechnic in 1974.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Michael Khoo Kok Eng

60, Male, Malaysian

Michael Khoo Kok Eng has been the General Manager of Favelle Favco Cranes (USA), Inc. ("FFU") since 1999. He was later appointed as Director of FFU in September 2004. He is in charge of managing all operational aspects of the business of FFU. He also oversees the after-market parts and services business for the FFB Group. His previous working experience include being a Site/Design Engineer with Connel Wagner Pty Ltd (Australia), Project Manager at EL Project Management Consultants, Project/General Manager at MEB and General Manager at Sanyco Grand Industries. He obtained his Bachelor's Degree in Engineering (Civil) in 1984, and subsequently, a Graduate Diploma in Computing in 1990, both from Monash University, Australia.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Profile of key Senior Management

Cont'd

Shenandoah Chong Shin Kwek

Aged 53, Male, Malaysian

Shenandoah Chong Shin Kwek has been the General Manager of Favelle Favco Cranes Pty. Limited ("FFA") since 2002. He was later appointed as Director of FFA on 1 October 2002. He is responsible for the overall operations in Australia. He was previously in International Sales in FFM from 2000 to 2001. His past working experience prior to joining the FFB Group include being a Regional Underwriter at HSB Engineering Insurance Limited, Senior Loss Control Surveyor at Straits & Island General Insurance Sdn Bhd and Risk Engineer at Malaysian National Reinsurance Berhad. He obtained his Bachelor's Degree in Mechanical Engineering in 1993 from the University of Auckland.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Henrik Brønsholm Nielsen

Aged 53, Male, Danish

Henrik Brønsholm Nielsen was appointed as General Manager of Krøll Cranes A/S on 1 January 2008. He is responsible for the overall operations of the company. He began his career as a Production Engineer in Shamban Danmark A/S in 1994. Thereafter, he joined FFA as Production Manager in 1999. Subsequent to that, he was transferred to Krøll Cranes A/S as Production Manager in 2004. He obtained his Bachelor of Engineering Degree from Copenhagen University College of Engineering in 1994.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Alex Chan Soon Nam

Aged 56, Male, Malaysian

Alex Chan Soon Nam has been the General Manager of SFEMM since 2013. He is responsible for the overall operation of SFEMM in China. His previous working experience prior to joining the FFB Group include being a Production Engineer at Kris Component Bhd and General Manager at Dunham-Bush Industries Bhd. He obtained a Diploma in Mechanical and Automotive Engineering from Tunku Abdul Rahman College in 1987.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Jack Lee Wai Meng

Aged 42, Male, Malaysian

Jack Lee Wai Meng was appointed as General Manager of FFM on 1 January 2021. As General Manager of FM, he assumes all functions of the operations of the business unit of FFM, except for sales and marketing. He started his career at FFM as a Design & Engineering Support engineer in 2002. In 2005, he became Senior Project Engineer, and subsequently, Project Manager in 2010. He was Assistant General Manager of FFM from 2015 until his current appointment as General Manager. He obtained his Bachelor's Degree in Mechanical Engineering from Michigan Technological University in 2002.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict of interest with the company and has no convictions for any offences within the past five (5) years, other than traffic offences.

Other Information

Additional Information on Directors

1. Family Relationship with any Director and/or major shareholder of Favelle Favco Berhad

None of the Directors have any relationship with each other and/or major shareholders of Favelle Favco Berhad except for Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui. Mac Ngan Boon @ Mac Yin Boon is a major shareholder of Favelle Favco Berhad (indirectly via Muhibbah Engineering (M) Bhd) and is also the father of Mac Chung Hui, the Managing Director/ Chief Executive Officer of Favelle Favco Berhad.

2. Conflict of interest

None of the Directors have any conflict of interest with the Company.

3. Convictions for Offences within the past 5 years, other than traffic offences

None of the Directors have been convicted for offences.

Additional Compliance Information

1. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Fees for services rendered by External Auditors

The amount of fees payable/paid to the external auditors for the financial year ended 31 December 2021 were as follows:

	Group RM'000	Company RM'000
Audit services	255	79
Non-audit services - Tax compliance and advisory	28	10

3. Material Contracts

Save for the recurrent related party transactions disclosed below, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2021 or entered into since the end of the previous financial year ended 31 December 2020.

4. Recurrent Related Party Transactions

At the Annual General Meeting held on 29 June 2021, the Company had obtained a shareholders' mandate allowing the FFB Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Statement/Circular to Shareholders dated 31 May 2021.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2021 pursuant to the shareholders' mandate are disclosed as follows :-

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2021 RM'000
FFB Group and MEB Group	MEB, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Mac Chung Jin and Mazlan bin Abdul Hamid	Purchases of cranes and parts and rental of cranes, plant and equipment and barges by FFB Group from MEB Group; and subcontracting work awarded by FFB Group to MEB Group	5,679
		# Rental of factory and office premises located at Geran #26559, Lot 9895, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres	618
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	88
		# Rental of land held under PN 109083 Lot No. 104626, Mukim & District of Klang, State of Selangor measuring in area approximately 36,000 square metres by MEB Group to FFB Group.	1,462
		# Rental of plant and equipment and scaffolding service by FFB Group to MEB Group	-
		Shared services expenses/charges by MEB Group to FFB Group which include amongst others legal, information technology and internal audit by MEB Group to FFB Group	2,474
		Sales of goods and services, rental of cranes, plant and equipment by FFB Group to MEB Group; and subcontracting work awarded by MEB Group to FFB Group	2,433

Other Information

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Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2021 RM'000
FFB Group and FO	Mac Ngan Boon @ Mac Yin Boon and Mazlan bin Abdul Hamid	Rental of plant and equipment, barges and its related maintenance cost by FFB Group to FO Sale of spare parts, and provision of crane maintenance and services by FFB Group to FO	2,030
		Provision of crane maintenance and services and sale of spare parts by FO to FFB Group Rental of plant and equipment, barges and its related maintenance cost by FO to FFB Group	-

\# *Tenancies are for terms not exceeding three (3) years with rentals payable on monthly basis.*

Abbreviations

"FFB"	:	Favelle Favco Berhad
"MEB"	:	Muhibbah Engineering (M) Bhd
"FFB Group"	:	FFB and its subsidiary companies collectively
"MEB Group"	:	MEB and its subsidiary companies collectively
"FO"	:	Favco Offshores Sdn Bhd, an associated company of FFB

INTRODUCTION

The Board of Directors ("**the Board**") is committed towards ensuring that good Corporate Governance ("CG") is observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

This Corporate Governance Overview Statement ("**CG Overview Statement**") describes how the Group has applied the principles set out in the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**") issued by the Securities Commission of Malaysia and except where stated otherwise, its compliance with the recommended practices of the MCCG 2021 for the financial year ended 31 December 2021.

This CG Overview Statement is also prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and should be read together with the CG Report of the Company which is published on the Company's website at www.favellefavco.com.

The Board is pleased to present this CG Overview Statement to provide an overview of the CG practices adopted by the Company in achieving the intended outcomes as set out in the MCCG 2021 with reference to the following three (3) key principles under the stewardship of the Board:-

a) Principle A: Board Leadership and Effectiveness;
b) Principle B: Effective Audit and Risk Management; and
c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board of Directors

Duties and Responsibilities of the Board

The Board assumes the following principal roles and responsibilities in discharging its fiduciary and leadership functions:

- Oversee the conduct of the Group's businesses and financial performance to determine if the businesses are being properly managed and provide stewardship in monitoring that the businesses are aligned with the Group's short and long term objectives and goals;
- Review and adopt financial results of the Company and the Group and adequacy of financial information disclosure;
- Review the conduct and performance of major projects and orders to determine whether they are properly managed;
- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively. The details of the processes are set out in the Statement on Risk Management and Internal Control;
- Review related party transactions;
- Review the Board Charter, Whistleblowing Policy and Code of Ethics;
- Review the material litigations, Group's order book, debt collection status, capital expenditure, borrowing and cash status;
- Establish and implement succession planning for the Directors and the Group's key senior management for the purpose of business continuity. This includes ensuring the implementation of appropriate systems for recruitment, training and retention; and
- Deliberate on the market outlook, corporate and business strategies.

Corporate Governance Overview Statement

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The Board has delegated specific responsibilities to the committees to assist the Board in the effective operation and in the governance of the Group. The functions and the authority delegated by the Board have been defined in the Terms of Reference of the respective committees. These committees are the Audit Committee, Nominating Committee and Remuneration Committee. In addition, the Board is also assisted by the Risk Management Committee which comprises members of the Board and Senior Management.

Board Charter

The Board had adopted a Board Charter, which sets out the roles and responsibilities of the Board, the division of authority and responsibilities of the Board and Management, terms of reference, composition of Board Committees and other administrative policies and procedures in relation to the operation of the Board as a whole.

The Board Charter is available on the Company's website at www.favellefavco.com.

Composition and Balance

An experienced Board consisting of members with a wide range of business, technical, financial and public service backgrounds leads and controls the Group. This brings insightful depth and diversity to the leadership and management of the Group's businesses.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of eight (8) members, comprising four (4) Independent Non-Executive Directors and four (4) Executive Directors. As such, more than one-third (1/3) of the Board comprises Independent Non-Executive Directors. This present composition complies with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and MCCG 2021.

The Board believes that the current composition and board diversity are appropriate given the nature of business and scale of operations of the Group. Profiles of the Directors are presented in this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experiences of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge of and experiences in other business sectors.

A Senior Independent Non-Executive Director of the Company leads the Board, to whom concerns of the Group may be conveyed. The Chairman manages the Board's effectiveness by focusing on strategy, governance and compliance.

Division of roles and responsibilities between Chairman and Managing Director

The Board subscribes to the principle that clear division of responsibilities between the Board Chairman and the Managing Director is beneficial to facilitate a check and balance mechanism for the effective functioning of the Board. The Chairman of the Board is a Senior Independent Non-Executive Director who is leading the Board in the oversight of management while the Managing Director focuses on the business and the day-to-day management of the Group. Such separation of positions promotes accountability and ensures that there is a balance of power and authority in the Board's overseeing the management of the Company.

Company Secretaries

The Board is supported by the Company Secretaries, qualified under the Companies Act 2016. The Company Secretaries advise the Board on CG related matters and ensure the Board adheres to the relevant rules and regulatory requirements as well as the Board's policies and procedures.

The appointment of the Company Secretaries is based on the capability and proficiency determined by the Board. The Company Secretaries are responsible for ensuring that the secretarial function provides adequate support to the Board and the Board committees. The Company Secretaries are accessible at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures, policies and all applicable rules and regulations are complied with. As permitted by the Constitution of the Company, the removal of a Company Secretary is a matter for the Board as a whole.

Board Meetings

Board meetings are held at regular intervals with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled before end of the previous financial year so as to enable the Directors to plan their schedules accordingly. During the financial year under review, the Board met four (4) times to review the Group's operations, strategy and review and approve the quarterly financial results and the relevant operational and strategy matters requiring the Board's approval. The Company Secretary records all the deliberations, particularly the issues discussed, in reaching that decision in the minutes of Board meetings. All Directors had attended the board meetings held during the financial year and have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR of Bursa Securities.

Details of the attendance of the Directors at the board meetings held during the financial year under review are as follows:

Names of Directors	Attendance at Meetings in 2021
Tan Sri A. Razak bin Ramli	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	4/4
Mac Chung Hui	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Lee Poh Kwee	4/4
Mazlan bin Abdul Hamid	4/4
Sobri bin Abu	4/4
Dato' Sri Khazali bin Haji Ahmad	4/4

All Board members are required to declare their directorship in other companies to the Board and are expected to devote sufficient time and attention to carry out their roles and responsibilities as Board members. The Board is of the opinion the requirements under the Companies Act, 2016 and MMLR of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated. This is evidenced by the Directors' attendance at Board meetings as shown above. Schedule for the Company's Board meeting was formulated and is shared with the Directors prior to the beginning of each financial year to ensure the Directors' commitment.

Access to Information and Advice

Due notice is given to the Directors prior to each Board and Board Committee meetings. All Directors are provided with the agenda and Board papers which include Minutes of Meetings, details of operational, financial, safety and corporate development and other relevant documents prior to each meeting so as to enable the Directors to make well-informed decisions on matters arising at the meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

Furthermore, the Board is regularly kept updated and apprised of any regulations and guidelines as well as amendments thereto issued by regulators, particularly the effects of such new and amended regulations and guidelines on directors specifically, and the Company and the Group generally.

Senior Management staff may be invited to attend the Board and Board Committee meetings to provide the Board or Committees with detailed presentations, and clarification of relevant agenda items to enable them to arrive at a decision.

In addition, the Directors have authority to access all information within the Company in furtherance of their duties as well as to the advice and services of the Company's senior management. They are also empowered to seek external independent professional advice in connection with their role as a Director at the Company's expense so as to enable them to make well-informed decisions.

Code of Conduct

The Board is committed to ensuring that all its business activities operate within the good standards of business ethics and integrity as summarised in the Company's code on business practices, which are applicable Group-wide. The key principles of the Company's code on business practices include avoiding conflict of interest situations, insider trading, unethical practices, exercising caution and due care in safeguarding the Company's assets and confidential information.

The Code of Conduct is available on the Company's website at www.favellefavco.com.

Corporate Governance Overview Statement

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Anti-Bribery and Corruption Policy

In line with the requirements of the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which comes into effect on 1 June 2020, the Board has adopted the Group's Anti-Bribery and Corruption Policy which sets out information and practical guidelines to all Directors and employees of the Group in relation to the Group's core values and expectations, as well as the policies and procedures in dealing with bribery and corruption matters.

The Board is committed to ensuring that the policies and procedures are reviewed periodically to assess their effectiveness, and in any event, at least once every three (3) years.

The Anti-Bribery and Corruption Policy is available on the Company's website at www.favellefavco.com.

Whistleblower Policy

The Board has also adopted a Whistleblower Policy to provide avenues for stakeholders of the Company to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices.

The Whistleblower Policy is available on the Company's website at www.favellefavco.com.

Sustainability

The Board views the commitment to sustainability and environment, social and governance performance as part of its broader responsibility to clients, employees, workplace and the communities in which the Group operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. The corporate responsibility initiatives undertaken by the Company for the financial year ended 31 December 2021 are disclosed in the Sustainability Statement of this Annual Report.

II. Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined Terms of Reference.

Although the Board Chairman chairs and sits as a member of the Audit Committee, Nominating Committee and Remuneration Committee, no single director can influence decision making and policies of the Board Committee and Board. The decision-making process of the Board Committee is collectively made in accordance with the Terms of Reference of each committee. The unanimous decisions made by respective committees are tabled to the Board by the Chairmen of the various Board committees for further deliberations before decisions are made by the Board.

(i) Audit Committee ("AC")

The present members of the AC are as follows:-

Names of Committee Members	Designation
Sobri bin Abu	Chairman *(Independent Non-Executive Director)*
Tan Sri A. Razak bin Ramli	Member *(Senior Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*
Dato' Sri Khazali bin Haji Ahmad	Member *(Independent Non-Executive Director)*

(i) Audit Committee ("AC") (continued)

The principal objective of the AC is to assist the Board in carrying out its statutory duties and responsibilities relating to the accounting and reporting practices of the Group. This includes reviewing the quarterly financial results to be disclosed, the scope of works and management letter of the external auditors as well as undertaking any such other functions as may be determined by the Board from time to time.

The AC consists exclusively of Independent Non-Executive Directors and they met four (4) times during the year.

A report detailing the membership, attendance, role and activities of the AC is presented in the AC Report of this Annual Report.

(ii) Nominating Committee

The present members of the Nominating Committee consist of all Non-Executive Directors as follows:

Names of Committee Members	Designation
Tan Sri A. Razak bin Ramli	Chairman *(Senior Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*

The Nominating Committee met once during the financial year 2021. In accordance with its Terms of Reference, the Nominating Committee reviewed the Board structure, size, composition in the Board to ensure it has the appropriate mix of skills, experience and other core competencies in fulfilling the relevant requirements or guidelines of Bursa Securities.

The Nominating Committee had carried out the following activities during the financial year under review:-

- Reviewed and assessed the performance of each Independent Director including the requirements under the MMLR of Bursa Securities. All assessments and evaluations carried out by the Nominating Committee are properly documented whereby the Nominating Committee was satisfied by the level of independence demonstrated by all the Independent Directors;

- Reviewed the existing balance, size and composition of the Board of Directors and its committees, the performance of individual Directors and AC members through an evaluation survey questionnaire known as Board and Board Committee Assessment Questionnaire. The duly completed questionnaire was compiled and used as guidance for recommendation of appropriate actions for further improvement;

- Reviewed and discussed the criteria to be used for effective composition of the Board including appointment of new Directors, gender diversity, diversity of ethnicity and age as well as the proposed measures to be taken to fulfill the recommended practices of MCCG 2021; and

- Identified and recommended to the Board, the Directors who were due for retirement by rotation and subject to re-election at the forthcoming Annual General Meeting.

The Nominating Committee's Terms of Reference are available on the Company's website at www.favellefavco.com.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	Designation
Tan Sri A. Razak bin Ramli	Chairman *(Senior Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*

The Remuneration Committee met once during the financial year 2021. In accordance with its Terms of Reference, the Remuneration Committee reviewed the remuneration packages of the Executive Directors in accordance with their performance, contribution and level of responsibilities undertaken for the Board and benchmarked against other companies with similar industries to ensure the Company's remuneration packages remain competitive to attract and retain high calibre executives to run the Company successfully. Directors do not participate in deliberations and decisions on their own remuneration.

At the same time, the Non-Executive Directors' fees were also reviewed based on their experience and level of responsibilities and were recommended for the Board's approval. The individual Non-Executive Directors concerned had abstained from discussing and shall abstain from voting on decisions in respect of of their own remuneration packages.

Although the Group does not have written remuneration policies, remuneration comparisons for similar positions with other Malaysia public-listed companies operating in similar industries are performed on an annual basis so as to ensure that the remuneration packages of the Directors are competitive with the market that reflect their duties and responsibilities.

The Remuneration Committee's Terms of Reference are available on the Company's website at www.favellefavco.com.

III. Board Evaluation

The process of assessing Directors is an ongoing responsibility of the entire Board. For the financial year under review, the Board assisted by the Nominating Committee reviewed the skills and experience of each Director and assessed the effectiveness of the Board as a whole.

The Board was satisfied with the performance and effectiveness of the Board and Board Committees who have discharged their duties and responsibilities effectively. The Board evaluation criteria was reviewed and enhanced by the Nominating Committee during the financial year.

The Board evaluation comprises Board and Board committee assessments as well as an assessment of the independence of Independent Directors and the contribution of each director which are conducted on an annual basis. The evaluations involve all the Directors and members of committees completing a set of evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered by the Company. Based on the outcome of evaluations, the Nominating Committee shall recommend to the Board the areas requiring continuous improvement and form a basis for recommending the Directors due for re-election.

The criteria for assessing the independence of an Independent Director include assessing their respective relationship with the Group and their involvement in any significant transactions with the Group. The Board also undertook a self-assessment in which they assessed their own performance.

IV. Appointment, Re-appointment and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders at the Annual General Meeting.

The Board believes that diversity in the Board's composition will bring value to board deliberation. The Board also recognises the benefit of diversity in gender and hence gender had been inherently considered in the recruitment and appointment of Directors in succession planning. The Board has one (1) woman Director which is less than 30% of board composition under Practice 5.9 but Complies with 15.02(1)(b) of MMLR effective on or after 1 June 2023. Nevertheless, to ensure effective appointment of female Directors, the Board does not set any specific target for female Directors as the Board is of the view that selection of a candidate should be based on a range of diversity perspectives not limited to gender; merit and contribution that the selected candidate(s) will bring to the Board should be prioritised in deciding any appointment to the Board.

V. Reinforcement of Independence

The Board acknowledges the importance of Independent Non-Executive Directors in bringing objectivity and impartiality in providing unbiased opinion and judgment to ensure that the interests of the Group, shareholders, customers and other stakeholders are taken into account during its decision-making process. The Board consists of four (4) Independent Directors who have neither been involved in the business transactions nor participated in the day-to-day management of the Group. The Independent Directors satisfy the definition set out in the MMLR of Bursa Securities and the Company meets the minimum requirement prescribed by the MMLR of Bursa Securities to have at least one-third (1/3) of its Board members being Independent Non-Executive Directors.

In line with the recommendation of MCCG 2021, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Should the Board intend to retain a Director as Independent Director after serving beyond nine (9) years the Board should seek annual shareholders' approval through a two-tier voting process.

Currently, there are two (2) Board Members, Tan Sri A. Razak bin Ramli and Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor who have served as Independent Directors for more than twelve (12) years. They will retire before 1 June 2023 in accordance to the requirement prescribed by the MMLR of Bursa Securities.

Each Independent Director is responsible to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an Independent Director of the Company.

The Board takes cognisance of Practice 5.3 of the MCCG 2021 that the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Nevertheless, the Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Nevertheless, the Board will seek annual shareholders' approval through a two tier voting process to retain Independent Director who served on the Board for more than nine (9) years.

The Board continues to strike an appropriate balance between tenure of service and continuity of experience of the Board. However, such change will take some time in order to maintain stability to the Board. Furthermore, the Company acknowledged the benefits from the Independent Directors who have, over time, gained invaluable insights into the Group, its market and the industry.

VI. Directors' Training

The Board is cognizant of the added value that can be brought by the Directors when they are kept up to date with the industry and regulatory developments. All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities. During the financial year, seminars and training programmes attended include topics relating to corporate governance, risk management, corporate strategy, finance, taxation, leadership management, sustainability and new legislations. Training for Directors will be provided consistently so as to ensure that they are kept up to date on latest developments in relevant laws and business practices and to discharge their duties effectively.

An induction briefing will be provided by the Board and senior management to newly appointed Independent Non-Executive Directors to provide them with in-depth knowledge of the Group's businesses and strategies.

The seminars, training programmes, conferences and forums attended by the Directors during the financial year under review include the following:-

Programme title	Organiser
Lions Are Self-Led Leaders	Kexxel Group's
5 Steps to Outplay, Outlast and Consistently Outthink Your Competition	Entrepreneurs' Organization Malaysia
CGS-CIMB 13th Annual Malaysia Corporate Day	CIMB Investment Bank Berhad
Economy, Business and Life in 2021	OCBC Bank Malaysia Berhad
What & Where to Invest 2021	iFAST Capital Sdn Bhd
Transfer Pricing: Important Updates for 2021	Crowe Malaysia PLT
Sales Tax and Service Tax: Regulatory updates	Malaysian Institute of Accountants
MIA Virtual Conference Series: Capital Market Conference 2021	Malaysian Institute of Accountants
MIA Webinar Series: Chapter 10 Series: Computation of Percentage Ratios	Malaysian Institute of Accountants
Conduct of Directors & Common Breaches of Listing Requirements	CKM Advisory Sdn Bhd
UOB Wealth Series: "A World in Transition: The Big Picture"	UOB Malaysia
IA2021 #8 Decarbonising ASEAN	Maybank Group
Business Transformation Post Covid	Pemandu Associates
Important Updates on Transfer Pricing Requirements in Malaysia	Malaysian International Chamber of Commerce and Industry (MICCI)
Practical Aspects of Business Valuation	Crowe Malaysia PLT
Creating a Powerful Digital Personal Brand as an Accountant	ACCA
Macro and Markets Update: Longer Tunnel with Glimmer of Light	UOB Malaysia
Global Chip Crunch: Two Sides of the Same Coin	RHB
BlackRock Asia Pacific C-Suite Summit	BlackRock, Inc
Ending the year with a bagful of risks	UOB Malaysia
Post Budget 2022	ACCA

VI. Directors' Training (continued)

Programme title	Organiser
Restructuring Your Company's Debt During the Pandemic	Crowe Malaysia PLT
Economic Outlook - Taking Temperature for 2022 and Beyond	SIDC
Covid-19 Vaccination Awareness Talk	International SOS
Business Transformation Post Covid	Board Room Smart Business Solutions
Audit Oversight Board Conversation with member of Audit Committee	Securities Commission
Conduct of Directors & Common Breaches of Listing Requirements	CKM Advisory Sdn Bhd

VII. Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

The Company

	Salaries RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Director	890	192	150	1,232
Non-Executive Directors	-	192	54	246
Total	890	384	204	1,478

Other Related Companies (within FFB Group)

	Salaries RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Director	-	108	13	121
Non-Executive Directors	-	36	2	38
Total	-	144	15	159

In compliance with Practice 8.1 of the MCCG 2021, there is detailed disclosure on named basis for the remuneration of individual Directors and it is disclosed in the Corporate Governance Report, which is published at the company's corporate website at www.favellefavco.com.

However, the Company departs from Practice 8.2 the MCCG 2021 in view that there would be adverse implications including dissatisfaction and animosity among the staff in the event that the Company discloses salaries, bonuses, benefits in-kind and other emoluments of Senior Management on a named basis.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("**AC**") comprises four (4) members who are Independent Non-Executive Directors and is chaired by Encik Sobri bin Abu. All members of the AC possess the required skills and experience to effectively discharge their duties and responsibilities as members of the AC. None of the members were former key audit partners for the Company or the Group in the past three (3) years.

Further details of the AC and its activities are set out in the AC Report of this Annual Report.

II. Relationship with the Auditors

Through the AC, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. The internal auditors report directly to the AC and details of their activities are provided in the AC Report. Both the internal and external auditors are invited to attend the AC meetings to facilitate the exchange of views on issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the AC also meets the external auditors, without the presence of Executive Board members and Management, at least twice a year.

The external auditors have declared that they are independent and do not have any conflict of interest to carry out the audits and provision of non-audit services to the Group.

III. Internal Audit Function

Details of the internal audit function and activities are as set out in the AC Report of this Annual Report.

IV. Recurring Related Party Transactions

The Board, through the AC, reviews all recurring related party transactions.

All recurring related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurring related party transactions.

V. Risk Management Framework and Internal Control

The Group's Statement on Risk Management & Internal Control which provides an overview of the risk management framework and state of internal control within the Group is presented in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Corporate Disclosure Policy

The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company releases all announcements, material and price-sensitive information in a timely manner to Bursa Securities as required under the MMLR of Bursa Securities as well as releases the Company's updates to the market and community through the Company's website, media releases and other appropriate channels.

The Executive Directors evaluate the release of all major communications to investors and Bursa Securities.

II. Communication with Investors and Shareholders

The Board recognises the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy have been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and the public generally. An Investor Relations function has been established to facilitate communication between the Company and its existing shareholders and potential investors.

The Investor Relations function communicates with shareholders and investors through periodic roadshows and investor briefings both locally and abroad, with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major developments are presented and explained during these investor briefings.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Securities, the Group maintains a website (www.favellefavco.com) that allows all shareholders to gain access to information, business activities and recent developments of the Group and for feedback.

III. Annual General Meeting

The Annual General Meeting ("AGM") is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate in the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. Shareholders who are unable to attend the AGM are allowed to appoint a proxy/proxies to attend, participate, speak and vote on their behalf. In line with good CG practices, the notice of the AGM was circulated at least 28 days before the date of AGM to enable shareholders to make the necessary arrangements to attend and make informed voting decisions at the AGM.

The Company had hosted its' second virtual AGM on 29 June 2021. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting. External auditors have also been invited to attend the Annual General Meeting to provide independent clarification on issues relating to the conduct of audit and Auditors' Report, if any.

The AGM utilised technology and virtual platforms, that allowed the participation of shareholders at the AGM, to pose questions and receive responses to the questions been submitted prior to convening of AGM or real-time submission during the AGM via the online platform provided by the Company's Share Registrar. The Company had posted the Minutes of General Meeting detailing the question and answer session at the corporate website in accordance with Practice 13.6 of MCCG 2021.

In accordance with the MMLR of Bursa Securities, voting at the AGM shall be conducted by poll. All shareholders shall be briefed on the voting procedures by the poll administrator prior to the poll voting and the appointed independent scrutineer shall validate the votes cast and announce the poll results.

COMPLIANCE STATEMENT

The Company has complied to a substantial extent, with the principles set out in the MCCG 2021 and the relevant requirements of the MMLR of Bursa Securities on CG to the extent set out above throughout the financial year ended 31 December 2021.

This CG Overview Statement was approved by the Board of Directors on 29 March 2022.

Audit Committee Report

The Board of Directors ("Board") of Favelle Favco Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2021.

Composition and Attendance

The Audit Committee ("AC") comprises solely four (4) Independent Non-Executive Directors. The AC therefore complied with paragraphs 15.09 (1) and 15.10 of the MMLR of Bursa Malaysia Securities Berhad which require that the AC must be composed of not fewer than three (3) members, all of whom must be non-executive directors with a majority of them being independent directors with at least one (1) member having fulfilled the financial expertise requisite of the MMLR of Bursa Malaysia Securities Berhad and the Chairman is an Independent Director.

During the financial year under review, the AC held four (4) meetings. The members of the AC and record of their attendance at the Committee Meetings held during the financial year ended 31 December 2021 are as follows:

Members	Designation	Attendance at meetings in 2021
Sobri bin Abu	Chairman *(Independent Non-Executive Director)*	4/ 4
Tan Sri A. Razak bin Ramli	Member *(Senior Independent Non-Executive Director)*	4/ 4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*	4/ 4
Dato' Sri Khazali bin Haji Ahmad	Member *(Independent Non-Executive Director)*	4/ 4

Issues discussed and deliberated during the four (4) AC meetings were recorded in the minutes of each meeting by the Company Secretary. Any matters of significant concern raised by the internal and external auditors were conveyed by the AC Chairman to the Board.

The Executive Director, Group's Finance Director, Group Financial Controller and the Group Head of Internal Audit attended all meetings by invitation. Representatives of the External Auditors and other management's representative at the subsidiary level also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2021

The AC carries out its duties in accordance with its Terms of Reference. The main works and activities undertaken by the AC are as follows:

(i) Financial Reporting & External Audit

- Reviewed the announcements of quarterly financial results as well as the year end financial statements of the Group prior to recommending to the Board of Directors for consideration and approval. The AC deliberated on book orders, budgeted revenue, profitability and cash position;

- Reviewed the overall assessment of the external auditor's performance and independence for the financial period ended 31 December 2021. Crowe Malaysia PLT has been the Company's external auditors since 2010 and was recommended for re-appointment for the ensuing year. The financial period ended 31 December 2021 marked the fourth year for the engagement partner;

- Reviewed and approved the external auditors' audit plan for the financial ended 31 December 2021 inclusive of the terms of engagement and scope of work at its meeting held on 24 November 2021;

Summary of Activities in 2021 (continued)

(i) Financial Reporting & External Audit (continued)

- Reviewed the results of the annual audit for the Group and the Management Letter, including Management's response; and
- Convened two (2) meetings with the external auditors without the presence of the Executive Directors and Management on 24 November 2021 and 25 February 2022 to discuss relevant issues and obtain feedbacks.

(ii) Internal Audit

- Reviewed the Group Internal Audit Department ("GIAD")'s annual internal audit plan to ensure principal risks, key entities and functions were adequately identified and covered; the AC approved the annual internal audit plan at its meeting held on 24 November 2021;
- Reviewed the recurrent related party transactions review report;
- Reviewed the internal audit reports and specific review reports presented by the Internal Auditors which comprise audit findings, potential risks, internal auditors' recommendations and management's committed action plans; Where appropriate, the AC has directed the Management to improve internal controls based on the audit findings and recommendations;
- Reviewed the results of follow-up audits performed by the Internal Auditors to monitor the status of management's implementation of those committed action plans; and
- Evaluated the performance of GIAD's function and was satisfied in regard to adequacy of scope and competency.

(iii) Reviewed the recurrent related party transactions that arose within the Group on a quarterly basis to ensure that the amounts transacted were within the mandate approved by the shareholders.

(iv) Reviewed the Circular to Shareholders in relation to the Proposed Renewal of Existing Shareholders' Mandate for RRPT of a Revenue or Trading Nature for the Board's approval.

(v) Deliberated on major business risks such as the cranes' on-time delivery performance and material litigation affecting the Group.

(vi) Reviewed the Company's dividend proposal and recommended the same to the Board for approval.

(vii) Reviewed and approved the revised Audit Committee Terms of Reference.

Internal Audit Function

The GIAD of the holding company, which is also a company listed on the Main Market of Bursa Securities, provides internal audit services to FFB Group. GIAD carries out its activities in accordance with the Internal Audit Charter which defines the scope, authority, roles and responsibilities of the internal audit function. GIAD is a function independent from management and it reports directly to the Audit Committee of FFB.

GIAD is headed by Choo Cheng Lit who is a member of the Malaysian Institute of Accountants and the Institute of Internal Auditors Malaysia. She has regular and direct communication with the Audit Committee and unrestricted access to the members of the Board and Senior Management. She is supported by two (2) auditors who have university degrees. All the internal auditors have provided written assurance confirming their compliance with the code of conduct of the Group and are free from any form of conflicts of interest which could impair their objectivity.

Internal Audit Function (continued)

Based on the internal audit plan approved by the Audit Committee, GIAD performs independent assessment on the adequacy and effectiveness of the Group's system of internal control, risk management and governance processes. GIAD is guided by the International Professional Practice Framework (IPPF) in their works and performed audit review through a risk-based approach, in line with Group's objective and policies and taking into consideration input from the Senior Management and the Board. For the financial year ended 2021, the scope of review included the following:

- Manpower Tracking and Reporting
- Recurring and Related Party Transactions
- Specific Review on Project Costing
- Project Management
- Inventory Management

Findings of above five (5) internal audit reviews were discussed with the Senior Management and the relevant heads of departments prior to presenting them to the Audit Committee for their deliberation where the reports included recommendations, action plans with target implementation timeline established by Management to mitigate the issues of concerns within the time frame specified. Actions taken by the audited operating units were followed up by GIAD and the review result were reported to the AC. In addition, GIAD carried out the following:

- Participated in year-end stock verification for one of the subsidiaries.
- Facilitated quarterly Risk Management Committee meetings and Risk Management Unit meetings for the various business units without compromising its independence.
- Reviewed the Statement on Risk Management and Internal Control for the Company's 2021 Annual Report.

The total cost incurred by GIAD for the financial year ended 31 December 2021 was approximately RM311,400.

Terms of Reference

The AC Terms of Reference are available on the Company's website at www.favellefavco.com.

Statement on Risk Management & Internal Control

Introduction

The Board of Directors ("the Board") of Favelle Favco Berhad is pleased to include this statement as required by paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board's Responsibilities

The Board, in discharging its responsibilities, is committed to the maintenance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board affirms its overall responsibility for maintaining a sound system of risk management and internal control so as to safeguard the shareholders' interests and the Group's assets. The Board has also received assurance from the Managing Director/Chief Executive Officer and Group Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Due to inherent limitations in any risk management and internal control system, such system established by Management is designed to manage rather than to eliminate the risks of failure to achieve the Group's business objectives. Accordingly, the risk management and internal control system can only provide reasonable and not absolute assurance against material error, misstatement or loss.

Risk Management

In line with the good practice to closely monitor the Group's risk exposures, a Risk Management Committee ("RMC") with its principal roles and responsibilities stated in the risk management policy and procedure was established at the Group level. The RMC that consists of Executive Directors and members from Senior Management, monitors the Group's risk exposures by meeting on a quarterly basis to review the risk profile. During the meetings, the status of the Group's major risks is deliberated and the reports on the major risks submitted by the Risk Management Units ("RMUs") are reviewed. The outcome of the RMC meetings is reported to the Board by the RMC Chairman who is also an Executive Director.

The RMC is supported by RMUs set up at the respective business units comprising management staff and the relevant Heads of Department. The RMU within each business unit meets on a quarterly basis to review the status of the risks profile and the results of their reviews are documented in the report that comprises risk profile and risk matrix.

The RMC and RMUs are established with the aim of providing a continuing and consistent approach in identifying and assessing risks as well as facilitating the review of the adequacy of the related risk management process in mitigating the risk. Such risk management process was in place until the date of approval of this Statement.

Key Elements of Internal Control

- <u>Organisation Structure & Authorisation Procedures</u>

  The Group maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, review and approval procedures to uphold the internal control system of the Group's various business units.

- <u>Vision and Mission</u>

  The Management has established a vision and mission statement to provide direction to employees towards achieving the goals and objectives of the Group.

- <u>Authority Limits</u>

  Each business unit has a Discretionary Authority Limit that refers to the authority limits for financial and non-financial transactions which have been assigned to certain personnel to approve or carry out in order to enable timely decision making and ensure checks and balances on the commitments to be undertaken on behalf of the Group.

Key Elements of Internal Control (continued)

- Code of Conduct, Whistle-blower Policy and Anti-Bribery and Corruption Policy

  The Group has set up a code of Conduct, a Whistle-blower Policy and an Anti-Bribery and Corruption Policy to foster a culture of accountability and integrity. These also serve as a guidance to shape the acceptable behavior of the employees.

- Group Policies and Procedures

  Policies, objectives and quality procedures for key business processes are formalised and documented in quality manuals. The Quality Assurance/Quality Control ("QA/QC") Department conducts yearly Internal Quality Audits and checks to ensure that the operational processes are in accordance with the ISO 9001:2015 Quality Management System, API Specification Q1 and API Specification 2C respectively. API Specification Q1 and API Specification 2C are certifications from the American Petroleum Institute. Apart from in-house quality audit, there were scheduled audits conducted by external auditors from the relevant certification bodies.

- Budgetary Review on Profit & Loss

  An annual profit and loss budget is prepared by Management and tabled to the Board for approval. Quarterly monitoring is carried out to measure the actual performance against budget to identify significant variances and report to the Board.

- Quality Assurance / Quality Control

  The QA/QC Department of the respective entities within the Group focuses on Quality Assurance of the manufacturing works of the Group. Quality Control Inspectors have been carrying out quality control activities at manufacturing plants and fabrication yards as well as those of sub-contractors to ensure that the works performance complies with the quality specifications.

- Health, Safety and Environment

  The Health, Safety and Environment Department has been embarking on periodic training and inspection to ensure reasonable levels of awareness of and compliance with the required law and standards. Their activities are compiled and reported on a monthly basis.

- Information and Communication

  Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the attention of the Board and Senior Management are highlighted for review, deliberation and decision on a timely basis.

- External Audit

  If the external auditors detect any internal control weakness during the course of their audit, they will highlight such weakness in the audit review memorandum to the Audit Committee for their attention.

The Group's system of internal control does not apply to Associate Companies where the Group does not have full management control over these entities. However, the Group's interest is served through representations on the board of the respective Associate Companies.

Review of Internal Controls

The AC is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. In addition to reviewing of the quarterly reports submitted by Management and observations reported by the external auditors, the AC is also supported by the GIAD which performs independent assessment on the adequacy and effectiveness of the internal controls based on the audit plan approved by the AC. The internal audit findings and recommendations are reviewed by the AC on a quarterly basis. A description of the work and activities of the AC can be found in the Audit Committee Report in this Annual Report.

Review of this Statement

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control, and reported to the Board that nothing has come to their attention that has caused them to believe that the Statement on Risk Management and Internal Control, in all materials aspects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers, or is factually inaccurate. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants.

Conclusion

The Board is of the view that the Group's system of internal control and risk management put in place for the year under review and up to the date of approval of this Statement is reasonably adequate and effective to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, effect appropriate action plans to further enhance the system of internal control and risk management framework.

This Statement was approved by the Board of Directors on 29 March 2022.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("the Act") to ensure that the annual financial statements of the Group and the Company are prepared in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Act and the MMLR of Bursa Securities, and that these financial statements provide a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2021.

In preparing these financial statements, the Directors have adopted appropriate accounting policies on a consistent basis, made judgments and estimates that are reasonable and prudent and ensured that the financial statements are prepared on a going concern basis in accordance with the applicable accounting standards.

The Directors are required to keep proper accounting records with reasonable accuracy to enable them to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

At Favelle Favco, our business is run based on continuous improvement and striving to be the best in the industry. This year, we have taken up the call towards sustainable development, integrating our business operations with sustainable practices that will not only enhance our market presence, but safeguard the environment and improve the livelihood of society and future generations as well.

About this Statement

LIFTING THE SCENE TO KEEPING IT SUSTAINABLE

Long-term planning and responsible actions have led to our success as one of the builders of the world's fastest cranes. By steering our focus towards sustainability, we efficiently manage our economic, environmental and social ("EES") risks that may impact our business value chain whilst showcasing our commitment towards building a sustainable future for the Group.

We have prepared our sustainability statement in accordance with the requirements set out by the Sustainability Reporting Guide published by Bursa Malaysia Securities Berhad (Bursa Malaysia). The format that we have adopted is in line with the Global Reporting Initiative ("GRI") G4 Guidelines.

Scope and Boundary

Scope and Boundary

For the purpose of this sustainability statement, we have focused on our operations in Malaysia, specifically, our sustainability initiatives at our corporate headquarters in Klang and, our manufacturing operations in Senawang, Seremban.

Governing Our Sustainability Efforts

A robust governance structure is fundamental in the integration of sustainable practices across the Group. The Group's Risk Management Committee ("RMC") has taken on the additional responsibility of managing sustainability across the Group to ensure the initiatives put in place are aligned with the Group's long-term business strategy with the Board of Directors at its apex.

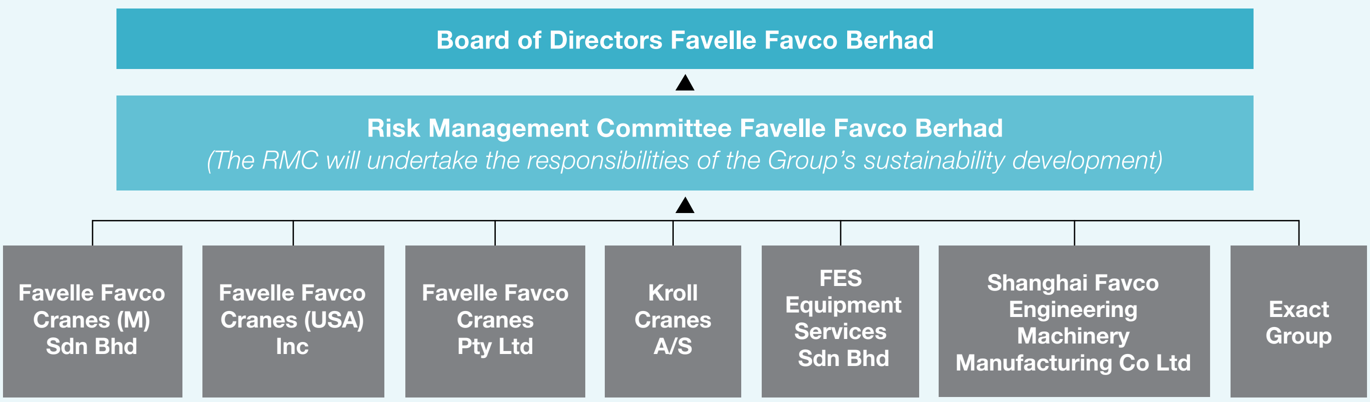
Roles and Responsibilities

Board of Directors

- Issues the final approval for all sustainability strategies and material issues identified by the RMC
- Oversees the overall progress of the committee's sustainability efforts

RMC

- Monitors the Group's risk exposures by reviewing the organisation's risk profile on a quarterly basis,
- Monitors sustainability initiatives and reports the sustainability progress to the Board of Directors,
- Develops an overarching sustainability strategy for the Group and implement approved sustainability initiatives across the Group levels, and
- Recommends sustainability matters that are applicable to the Group.



Maintaining Good Stakeholders Engagement

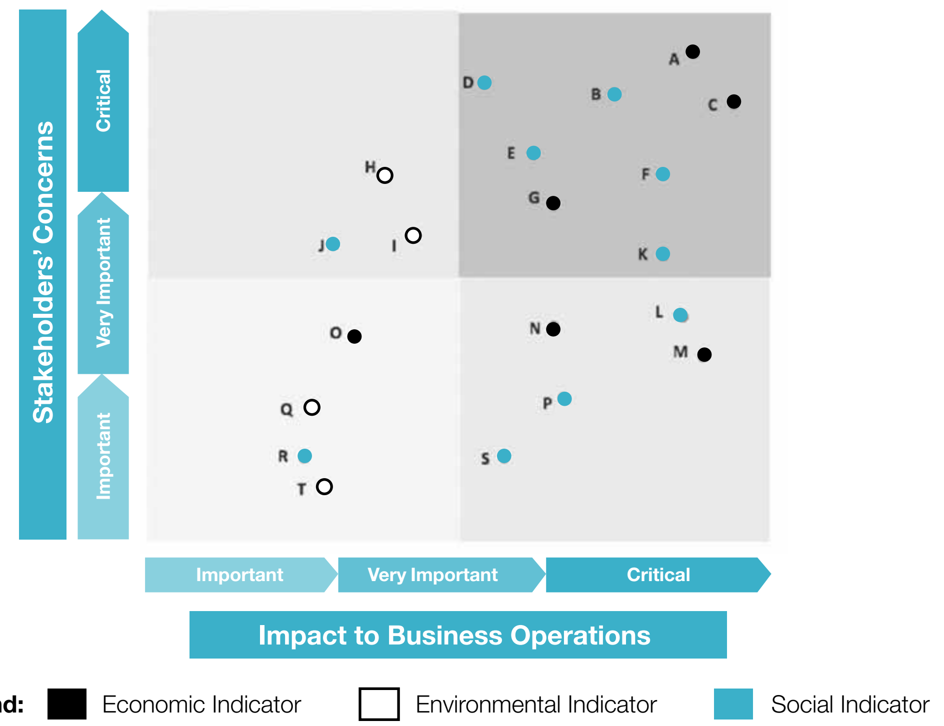
The Group's stakeholders comprise internal and external groups that are directly or indirectly impacted by our organisation and the crane industry. Through multi-platform communication channels, we engage our stakeholders, and their respective concerns, to effectively address and manage their issues and expectations.

Employees	Regulatory Agencies and Statutory Bodies	Customers
Areas of Concern		
• Performance Management System • Learning, Competency and Career Development • Industrial Harmony • Work-Life Balance • Equal Pay • Safe and Healthy Working Environment	• Governance Compliance • Statutory and Regulatory Compliance • Labour Practices • Occupational Safety and Health • Environmental Management and Compliance	• Efficient Complaints Resolution • Customer-Company Relationship Management • Safety and Security • Meeting Technical and Commercial Requirements • After-sales Service Support • Training of Customers' Technical Personnel
Engagement Platform		
• Circulation of Internal Policies • Management Meetings • Annual Staff Appraisals • Competency-based Training • Communal Sensitivities in Counselling and Housing Practices • Sports and Recreation Activities • HSE Committee Meetings, Inspections and Audits Activities • Unsafe Condition and Unsafe Act (UCUA) Activities	• Renewal of Permits and Licensing • Waste and Effluent Management • Inspection by Local Authority • Annual Reports • General Meetings with Managers and Local Regulators • Internal and External Audit	• Regular Client Reports and Meetings • Customer Feedback Management • Customer Satisfaction Survey • Community and Networking Events • Training

Suppliers and Contractors	Local Communities	Investors
Areas of Concern		
• Transparent Procurement Practices • Intellectual Properties • Clear Scope of Supply and Requirements • Payment Schedule • Pricing of Services • Prioritisation of Local Products • Capability and Facilities to Meet Requirements	• Social Issues • Impact of Business Operation • Transparency and Accountability • Environmental Impacts • Mismatch of Qualification with Job Requirements • Industry Safety	• Group Financial Performance • Group Business Strategy • Sustainable and Stable Distribution Income • Share Price Growth
Engagement Platform		
• Supplier Performance Appraisal • Supplier Quality Management • Contract / Quotation Negotiation • Vendor Registration • Open Tender	• Community Engagement with Local Council • Job Opportunities • Training	• Investors Seminars and Conference • Investors Meetings • Annual General Meetings • Annual Reports • Non-Deal Roadshows

Our Materiality Assessment

Identifying our material sustainability matters is an important step towards recognising the EES that are embedded in our value chain. To better understand the material sustainability matters that impact the Group's business activities and, that are important to our stakeholders, the **RMC** identified and ranked the material issues based on GRI's economic, environmental and social aspects using a weighted ranking method.



	Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Concerned
A.	Corporate Governance and Transparency	GRI General Standard Disclosure	Employees and Investors
B.	Regulatory Compliance	Compliance	Regulatory Agencies, Investors and Customers
C.	Financial Performance	Economic Performance	Employees and Investors
D.	Training and Development	Training and Education	Employees
E.	Quality Control	Product Service and Labelling	Supplies and Contractors, and Customers
F.	Occupational Health and Safety	Occupational Health and Safety	Employees, Regulatory Agencies and Suppliers and Contractors
G.	Risk Management	GRI General Standard Disclosure	Investors
H.	Hazardous Waste Management	Effluent and Waste	Local Communities, Investors and Regulatory Agencies
I.	Air Emissions	Emissions	Local Communities and Regulatory Agencies
J.	Employee Wellbeing	Diversity and Equal Opportunity	Employees

Sustainability Statement
Cont'd

	Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Concerned
K.	Ethics and Integrity	GRI General Standard Disclosure	Employees, Investors and Customers
L.	Investors Relation	GRI General Standard Disclosure	Investors
M.	Human Rights and Labour Practices	Child Labour and Forced or Compulsory Labour	Employees and Regulatory Agencies
N.	Contractor Management	GRI General Standard Disclosure	Suppliers and Contractors
O.	Supply Chain Management	GRI General Standard Disclosure	Suppliers and Contractors
P.	Customer Satisfaction	Product Service and Labelling	Customers
Q.	Manufacturing Materials	Materials	Local Communities, Investors and Regulatory Agencies
R.	Contribution to Society	Local Communities	Local Communities
S.	Talent Retention	Training and Education	Employees
T.	Water Consumption	Water	Local Communities, Investors and Regulatory Agencies

Our Road to Sustainability
Our sustainability efforts will be guided by an overarching strategy to achieve our goals on sustainable development. We begin by presenting a sustainability vision that encompasses the Group's overall sustainability aspirations, drawing upon four main pillars (*Marketplace, Workplace, Environment* and *Community)* that will become building blocks for us to achieve our vision.

Sustainable Marketplace
As one of the market leaders in the cranes manufacturing industry, we are committed to delivering sustainable long-term returns to our shareholders in an ethical and transparent manner while sustaining healthy economic growth. Our policies and guidelines shape the way we conduct our business operations.

Embedding Ethical Business Practices
Effectively managing EES risks ensures business sustainability while meeting stakeholders' expectations. The listed policies and guidelines we adhere to further highlight our commitment to maintaining corporate integrity through effective governing.

Product Quality and Control
The Group manufactures some of the best cranes used globally. To maintain this reputation, we conduct product quality monitoring on a real-time basis using inspection and test plans on each of the cranes that we manufacture.

A Quality Policy was also established in 2017 to formalize our monitoring procedure and quality assurance methods. The monitoring process includes product quality objectives to be met for the following aspects: financial, customers, internal processes, people management and suppliers.

Sustainable Workplace
Human capital is the most valuable and integral part of our business sustainability. In view of this, we have made it our priority to nurture a work environment that is both well-balanced and rewarding for our employees. We empower our workforce through systematic training programmes and career development opportunities to facilitate best practices and work performance.

Diversity and Inclusion
Our continuous efforts to uphold fair employment practices safeguard a working environment that is respectful, safe and fair - regardless of gender, age or racial distribution - for all our employees.

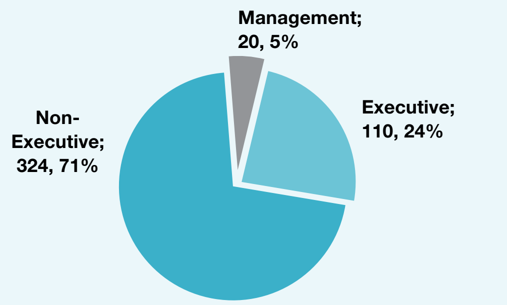
Employment Level
The Group employs a total of 454 individuals consisting primarily of non-executives who make up 71% of the total workforce. The executive level employees account for 24% and the remaining 5% are employed at management level.

Gender and Age Distribution
While we strive towards gender diversity in the workplace, we also appreciate that the manufacturing industry is heavily dominated by males due to the tasks performed and risk associated with working in such an environment. Thus, the majority of our employees (90%) are men.

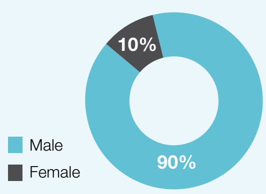
The employee age distribution is made up of 70% employees within the 30 to 50 years old age range, followed by 22% and 8% in the less than 30 years old and more than 50 years old age ranges respectively.

Favelle Favco's Policies and Procedures
National Policy
Malaysia's Minimum Wages Order 2020
Employment Act 1955
Accountants Act 1967; *In compliance with Malaysia's Financial Reporting Standards (FRS)*
Companies Act 2016
Electricity Supply Act 1990
Factories and Machinery Act 1967 (Act 139)
Fire Services Act 1988
Occupational Safety and Health Act 1994 (Act 514)
Environmental Quality Act 1974 (Act 127)
ISO 9001:2015 Quality Management Systems
American Petroleum Institute (API) Specification Q1; Quality Management System Requirements for Manufacturing Organisations for the Petroleum and Natural Gas Industry
API Specification 2C; *Offshore Pedestal Mounted Cranes*
Internal Policy
Safety and Health Policy 2019
Quality Policy 2017
Drug and Alcohol Policy 2015

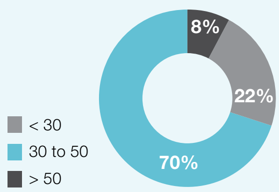
Favelle Favco's Employment Levels Based on Number of Individuals



Gender Distribution



Age Distribution



Employee Advancement and Development
A competent workforce is crucial for the Group's performance. The investments we make in fostering the individual skills of our employees through targeted programmes include a wide range of competency-related training courses and industry related seminars.

Health and Safety Measures

At our Group, we make safety a part of everything we do and continuously review and improve our working conditions and ensure adherence to the Occupational Safety and Health Act, 1994. Our Safety, Health and Environment Policy is a reflection of our commitment to ensuring a safe and conducive workplace.

The management of safety and health initiatives is helmed by our Environment, Health and Safety Committee comprising 26 members. Their responsibilities include the implementation and monitoring of safety and health practices at our active work sites and at our manufacturing facilities. Our employees are trained to stop unsafe work at any of our locations, make safety observations and report near-misses and loss time injury.

Sustainable Environment

A sustainable and responsible use of energy and environmental resources is an integral part of our Group's corporate culture. We abide by the Environmental Quality Act, 1974 and its subsidiary regulations as well as the policies and guidelines put in place by the Department of Environment.

Reducing Energy Usage

Climate change remains an ongoing material sustainability issue that affects all industries at a global level. The effects of climate change are exacerbated by uncontrolled carbon emissions through industrial processes and urbanization. We installed transparent roof cladding at our Senawang manufacturing facility to utilise natural lighting which reduces the amount of electricity consumption, one of the main contributors to carbon emissions, used to light the factory. We had also installed solar power. Additionally, we implemented a timer-system for the light fixtures that lights the outside of our factory.

Monitoring Emission Levels

Our manufacturing operations include the assembly and spray painting of the cranes that we build. We monitor and manage our emissions by conducting the painting activities within a designated paint booth equipped with a water curtain. The impurities from the painting activity is removed by the water curtains and only the clean air is released to the environment via a stack. To monitor the efficiency of the system, we undertake stack monitoring three times a year.

Managing Air Emissions

- Water curtain
- Stack monitoring

Responsible Waste Management

Scheduled wastes are by-products of most manufacturing processes. Examples of the scheduled waste produced by our manufacturing operations include spent lubricating oil, spent hydraulic oil, spent mineral oil-water emulsions; and rags, plastics, papers or filters contaminated with scheduled wastes. As required under the Environmental Quality (Scheduled Wates) Regulations 2005, we comply with the requirements for handling, storage and disposal by contractors licensed by the Department of Environment, Malaysia. We also keep up to date inventory of the waste quantities generated, stored and disposed.

Sustainable Community

As our business continues to expand regionally and globally, we remain committed to improving the lives and wellbeing of those living in the community we operate in. Our community contribution is mainly focused on enhancing the local economy and job employability of the people living in Senawang, Seremban. The Group hires most of its employees from the surrounding local community, providing job opportunities for local talents rather than hire foreign human capital.

We further contribute towards uplifting job employability and technical skills for our local hires by providing sponsorship for vocational training. This includes the sponsorship of 62 local employees residing in Senawang for job-related training programmes which cover technical skills, safety and health awareness, chemical safety training, financial and administration training for FY2021. We further sponsored 11 employees for specialized health and safety training and conferences held by DOSH.

Moving forward for the coming years, we aim to deepen our understanding of material societal issues that can be managed or improved by the Group to achieve harmonious living and societal prosperity.

Contribution to Society

In line with our overall Corporate Social Responsibility safety-themed objectives of supporting health and safety in our local communities, FFB together with MEB and personal contributions from the employees, had raised funds to help better equip our brave and dedicated front-liners at the height of our battle against COVID-19. The funds raised were used to purchase medical supplies such as protective suits, hoods, gloves, face shields, plastic aprons and contactless thermometers which were donated to Malaysia's primary COVID-19 treatment facility Hospital Sungai Buloh and the Royal Malaysian Police,The MEB Group's Defence and Security Division organized three food ration supply to about 150 families in April, July and August 2021 in our vicinity at Kampung Kebun Bunga and Kampung Padang Jawa.

Our Sustainable Strategy with SDG Targets

We are pleased to say that our sustainable strategy which focuses on the four (4) main pillars encompassing the Marketplace, Workforce, Environment and Community also supports some of the relevant United Nations Sustainable Development Goals ("UN SDGs").

Our SDG targets are carried out via our diversified business and operation as summarized below:

3 Good Health and Well-Being	3.5	Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.
	3.8	Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

We have established policy relates to alcohol & drug abuse policy. The policy has been reviewed recently on 2nd January 2022.

Our commitment to good health and well-being especially to our employees is demonstrated in our Safety and Health Policy which is adhered to across the Group.

As regards to the COVID-19 pandemic, we have implemented COVID-19 Safe Operating Procedures, regular awareness and prevention circulars by Corporate HSE on weekly or fortnightly basis, implementation of work from home and rotational work basis for the department which has reported positive case, regular sanitisation and disinfection and conduct of virtual meetings. We provided Covid-19 self-test saliva antigen rapid test kit (RTK) to employees and requested employees to do the test on regular basis.

We have provided option for our employees to register under PIKAS for the vaccination and booster shot program and Insurance (due to Covid) under the MyCTF program.

5 Gender Equality	5.2	Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.
	5.3	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life

Our Group have Sexual Harassment Policies established under CODE OF ETHICS, BUSINESS PRACTICE AND CONDUCT POLICIES AND PROCEDURES.

We have also fulfilled the condition of at least one female director for the Board as per listing requirement.

6 Clean Water and Sanitation	6.3	Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

As required under the Environmental Quality (Scheduled Waste) Regulations 2005, We comply with the requirement of handling, storage and disposal by contractors licensed by the Department of Environment (DOE).

Our Intelligence Automation division also provide business solutions on Waste Water Treatment Plant (WTP) Measurement has assisted many industries in improvement of water quality as it could measure pH, DO, ORP, Conductivity, COD, BOD, TSS, TVOC and many more online real-time without going through 3rd party accredited laboratory to generate the report. We nurture EHS culture in our organisation by reducing waste and promote recycling and reused.

7 Affordable and Clean Energy	7.1	Ensure universal access to affordable, reliable and modern energy services

We have invested in solar energy for our office and plants with solar PV system capacity (approximately 560 kWpdc).

Sustainability Statement

Cont'd

8 Decent Work and Economic Growth	8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

We have no child labour for the Group.

12 Responsible Consumption and Production	12.4	Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
	12.5	Substantially reduce waste generation through prevention, reduction, recycling and reuse.

We monitor and manage our emission in the assembly and painting of cranes operation in a designated paint booth equipped with a water curtain so that only the clean air is released via a stack to the environment. We undertake to monitor the efficiency of the stack system three times a year.

Our Intelligence Automation division also provide one-stop solution on Continuous Emission Monitoring System (CEMS) is used to provide data for compliance with regulatory requirements and reporting of pollutant emissions which have been endorsed by the Malaysia Department of Environment (DOE) and link to iRemote.

13 Climate Action	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

The effects of climate change are exacerbated by uncontrolled carbon emission through industrial processes and urbanization. Our effort to reduce such carbon emissions are:

i) Installed transparent roof cladding at manufacturing facility to reduce the electricity consumption, one of the main contributors to carbon emissions, used to light the factory;
ii) Installed solar power system; and
iii) Implemented timer-system for the light fixtures that lights the outside of our factory.

Our Intelligence Automation division also provide renewable energy solution for Oil & Gas offshore platform using Solar Power and Wind Turbine.

We have low power Remote Telemetry Unit (RTU) system solution for Supervisory Control and Data Acquisition (SCADA) application at hazardous area and our built-to-purpose facility includes a team of engineers and technicians who have a wide experience in design and maintenance of control systems for use with solar, wind, biochemical, wave power and other renewable energy sources.

16 Peace, Justice and Strong Institutions	16.5	Substantially reduce corruption and bribery in all their forms

We also adopted the Anti-Bribery and Corruption Policy which sets out information and practical guidelines to all Directors and employees of the Group in relation to the Group's core values and expectations, as well as the policies and procedures in dealing with corruption and bribery matters. There is Anti-Bribery Compliance Officer from the Group who would review the policies with Management from time to time.

In line with Malaysian Code of Corporate Governance 2021 and Whistleblower Protection Act 2010, we also have a Whistleblower Policy that allows employees and members of the public who are aware of or suspects a violation of the Policy to whistle blow and report in good faith their concerns through the mechanism set out under the Group's Whistleblower Policy. All reports shall be treated confidentially.

We conclude our 2021 sustainability efforts on a positive note and remain optimistic of future prospects with regards to sustainable development. The Group remains driven and eager to continue and build on our sustainability efforts in the coming years, further improving the way we manage our material sustainability issues identified in this financial year.

Financial Statements

Directors' Report

for the financial year ended 31 December 2021

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

Principal activities

The Company is principally engaged in the business of investment holding, whilst the principal activities of the subsidiaries and associates are set out in Notes 7 and 8 respectively to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	48,120	44,530
Non-controlling interests	4,643	-
Profit after taxation for the financial year	52,763	44,530

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review other than those disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 8.00 sen per ordinary share totaling RM17,914,781 in respect of the financial year ended 31 December 2020 on 2 September 2021.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2021 is 8.00 sen per ordinary share totaling RM17,807,981 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

The Directors who served since the date of the last report and at the date of this report are:

Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Mac Chung Hui
Mac Ngan Boon @ Mac Yin Boon
Lee Poh Kwee
Mazlan bin Abdul Hamid
Sobri bin Abu
Dato' Sri Khazali bin Haji Ahmad

The names of Directors of the Company's subsidiaries are set out in the respective subsidiaries financial statements, and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Interests in the Company				
Tan Sri A. Razak bin Ramli				
- Direct	300,000	-	-	300,000
- Indirect	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Mac Chung Hui	2,642,000	-	-	2,642,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,482,913	-	-	9,482,913
- Indirect	1,738,800	-	-	1,738,800
Lee Poh Kwee	1,715,000	-	-	1,715,000
Mazlan bin Abdul Hamid	2,304,800	-	(48,000)	2,256,800

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	131,241,043	2,592,000	-	133,833,043

* Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his direct substantial shareholding in Muhibbah Engineering (M) Bhd.

Directors' interests (continued)

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Interests in the holding company - Muhibbah Engineering (M) Bhd.				
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	3,000	-	-	3,000
Mac Chung Hui	5,705,000	-	-	5,705,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	74,201,416	-	-	74,201,416
- Indirect	20,917,500	-	-	20,917,500
Lee Poh Kwee				
- Direct	6,046,572	-	-	6,046,572
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000

The options granted to eligible Directors over unissued ordinary shares in the Company and the holding company pursuant to the Company's and the holding company's Share Issuance Scheme ("SIS") are set out below:

	Number of options over ordinary shares			
	At 1.1.2021	Granted	Exercised	At 31.12.2021
The Company				
Mac Chung Hui	1,200,000	-	-	1,200,000
Mac Ngan Boon @ Mac Yin Boon	1,360,000	-	-	1,360,000
Lee Poh Kwee	1,200,000	-	-	1,200,000
Mazlan bin Abdul Hamid	960,000	-	-	960,000

	Number of options over ordinary shares			
	At 1.1.2021	Granted	Exercised	At 31.12.2021
Holding company - Muhibbah Engineering (M) Bhd.				
Mac Chung Hui	1,250,000	-	-	1,250,000
Mac Ngan Boon @ Mac Yin Boon	2,800,000	-	-	2,800,000
Lee Poh Kwee	2,500,000	-	-	2,500,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000

Directors' interests (continued)

By virtue of his direct and indirect interests in shares of the Company, Mac Ngan Boon @ Mac Yin Boon's shareholding of more than 20% is deemed to have interests in the shares of all the subsidiaries during the financial year to the extent that Favelle Favco Berhad has an interest, in accordance with Section 8 of the Companies Act 2016.

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2021 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the financial statements, or the fixed salary of a full time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transaction entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the SIS of the Company.

The details of the directors' remuneration are disclosed in Note 26 to the financial statements.

Holding Company

The holding company during the financial year is Muhibbah Engineering (M) Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Issue of shares and debentures

During the financial year,

(a) there was no change in the issued and paid-up share capital of the Company; and

(b) there was no issuance of debenture by the Company.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the SIS.

The Company operates an SIS that was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 22 June 2017.The main features of the SIS, details of share options offered and exercised during the financial year are disclosed in Note 29. The SIS will be expiring on 9 July 2022.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ensure that:

i) proper action had been taken in relation to the writing off of bad debts and making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts have been written off and adequate allowance had been made for impairment losses on receivables, and

ii) any current assets, which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the Group and in the Company inadequate to any substantial extent, and

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than significant event disclosed in Note 35 to financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any other item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors' remuneration

The auditors' remuneration is disclosed in Note 25 to the financial statements.

Indemnity and insurance cost

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 35 to the financial statements.

Auditors

The auditors, Crowe Malaysia PLT, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Mac Chung Hui	**Lee Poh Kwee**

Klang, Selangor Darul Ehsan

11 April 2022

Statements of Financial Position

as at 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000 Restated	Company 2021 RM'000	Company 2020 RM'000
Assets					
Property, plant and equipment	3	410,671	418,028	192	232
Intangible assets	4	11	18	-	-
Goodwill	5	71,183	71,183	-	-
Investment property	6	-	-	50,150	50,593
Investment in subsidiaries	7	-	-	172,031	172,031
Investment in associates	8	3,198	6,094	6,381	8,133
Deferred tax assets	10	23,595	22,153	2,988	1,624
Receivables, deposits and prepayments	9	4,820	4,536	26,589	50,023
Total non-current assets		513,478	522,012	258,331	282,636
Receivables, deposits and prepayments	9	202,551	184,390	64,325	52,010
Contract assets	11	146,734	126,642	-	-
Inventories	12	183,713	197,804	-	-
Current tax assets		8,332	6,097	-	-
Derivative assets	20	31	-	-	-
Cash and cash equivalents	13	272,972	310,474	34,080	20,657
Total current assets		814,333	825,407	98,405	72,667
Total assets		1,327,811	1,347,419	356,736	355,303

	Note	Group 2021 RM'000	Group 2020 RM'000 Restated	Company 2021 RM'000	Company 2020 RM'000
Equity					
Share capital	14	162,983	162,983	162,983	162,983
Reserves	15	35,732	43,717	4,831	7,229
Retained earnings		561,962	531,745	186,518	159,903
Total equity attributable to owners of the Company		760,677	738,445	354,332	330,115
Non-controlling interests		33,594	33,848	-	-
Total equity		794,271	772,293	354,332	330,115
Liabilities					
Deferred tax liabilities	10	18,179	17,882	-	-
Loans and borrowings	16	14,165	20,485	-	-
Hire Purchase and lease liabilities	17	23,799	28,403	-	-
Total non-current liabilities		56,143	66,770	-	-
Contract liabilities	11	165,706	173,835	-	-
Derivative liabilities	20	265	141	14	-
Loans and borrowings	16	37,050	41,562	-	-
Hire Purchase and lease liabilities	17	14,565	14,742	-	-
Payables and accruals	18	210,799	241,943	2,390	25,185
Provision for warranties	19	42,600	34,698	-	-
Current tax liabilities		6,412	1,435	-	3
Total current liabilities		477,397	508,356	2,404	25,188
Total liabilities		533,540	575,126	2,404	25,188
Total equity and liabilities		1,327,811	1,347,419	356,736	355,303

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Profit or Loss and other Comprehensive Income for the financial year ended 31 December 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	21	610,215	554,453	53,582	45,446
Cost of sales		(458,972)	(422,126)	-	-
Gross profit		151,243	132,327	53,582	45,446
Other income		6,358	11,943	-	29,037
Distribution costs		(13,024)	(16,773)	-	-
Administrative expenses		(80,326)	(81,209)	(3,962)	(2,610)
Results from operating activities		64,251	46,288	49,620	71,873
Finance income	22	5,843	10,035	2,085	1,353
Finance costs	23	(4,928)	(2,813)	(2,581)	(508)
Net impairment reversal/(losses) on financial assets and contract assets	24	533	14,859	(5,682)	910
Operating profit		65,699	68,369	43,442	73,628
Share of loss in associates, net of tax		(1,789)	(3,938)	-	-
Profit before tax	25	63,910	64,431	43,442	73,628
Income tax (expense)/credit	27	(11,147)	(14,071)	1,088	(628)
Profit for the year		52,763	50,360	44,530	73,000

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit for the year		52,763	50,360	44,530	73,000
Other comprehensive income for the financial year, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(5,747)	10,607	-	-
Other comprehensive income for the financial year, net of tax		(5,747)	10,607	-	-
Total comprehensive income for the financial year		47,016	60,967	44,530	73,000
Profit attributable to:					
Owners of the Company		48,120	44,498	44,530	73,000
Non-controlling interests		4,643	5,862	-	-
Total comprehensive income for the financial year		52,763	50,360	44,530	73,000
Total comprehensive income attributable to:					
Owners of the Company		42,545	55,228	44,530	73,000
Non-controlling interests		4,471	5,739	-	-
Total comprehensive income for the financial year		47,016	60,967	44,530	73,000
Earnings per ordinary share (sen)					
- Basic	28	21.52	19.87		
- Diluted	28	21.48	19.87		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2021

Group	Note	Share capital RM'000
At 1 January 2020		162,745
Other comprehensive income		-
Foreign currency translation differences for foreign operations		-
Crystallisation of revaluation reserve		-
Total comprehensive income		-
Contribution by and distribution to owners of the Company:		
- Issue of ordinary shares		183
- Share-based payment	29	-
- Dividend to shareholders	30	-
- Dividend to non-controlling interest		-
- Transfer to share capital for share options exercised		55
At 31 December 2020		162,983
At 1 January 2021		162,983
Other comprehensive income		-
Foreign currency translation differences for foreign operations		-
Crystallisation of revaluation reserve		-
Total comprehensive income		-
Contribution by and distribution to owners of the Company:		
- Purchase of treasury shares		-
- Share-based payment	29	-
- Dividend to shareholders	30	-
- Dividend to non-controlling interest		-
At 31 December 2021		162,983
		Note 14

Attributable to owners of the Company							
	Non-distributable			Distributable			
Treasury shares RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
(21)	3,565	22,217	6,083	520,813	715,402	35,270	750,672
-	-	-	-	44,498	44,498	5,862	50,360
-	10,730	-	-	-	10,730	(123)	10,607
-	-	(24)	-	24	-	-	-
-	10,730	(24)	-	44,522	55,228	5,739	60,967
-	-	-	-	-	183	-	183
-	-	-	1,222	-	1,222	-	1,222
-	-	-	-	(33,590)	(33,590)	-	(33,590)
-	-	-	-	-	-	(7,161)	(7,161)
-	-	-	(55)	-	-	-	-
(21)	14,295	22,193	7,250	531,745	738,445	33,848	772,293
(21)	14,295	22,193	7,250	531,745	738,445	33,848	772,293
-	-	-	-	48,120	48,120	4,643	52,763
-	(5,575)	-	-	-	(5,575)	(172)	(5,747)
-	-	(12)	-	12	-	-	-
-	(5,575)	(12)	-	48,132	42,545	4,471	47,016
(2,985)	-	-	-	-	(2,985)	-	(2,985)
-	-	-	587	-	587	-	587
-	-	-	-	(17,915)	(17,915)	-	(17,915)
-	-	-	-	-	-	(4,725)	(4,725)
(3,006)	8,720	22,181	7,837	561,962	760,677	33,594	794,271
Note 15.1	Note 15.2	Note 15.3	Note 15.4	Note 15.5			

Statement of Changes in Equity

for the financial year ended 31 December 2021

Company	Note	Share capital RM'000	Treasury shares RM'000	*Non-distributable* Share option reserve RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 1 January 2020		162,745	(21)	6,083	120,493	289,300
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	73,000	73,000
Contribution by and distribution to owners of the Company:						
- Issue of ordinary shares		183	-	-	-	183
- Share-based payment	29	-	-	1,222	-	1,222
- Dividend to shareholders	30	-	-	-	(33,590)	(33,590)
- Transfer to share capital for share options exercised		55	-	(55)	-	-
At 31 December 2020		162,983	(21)	7,250	159,903	330,115
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	44,530	44,530
Contribution by and distribution to owners of the Company:						
- Share-based payment	29	-	-	587	-	587
- Dividend to shareholders	30	-	-	-	(17,915)	(17,915)
- Purchase of treasury shares		-	(2,985)	-	-	(2,985)
At 31 December 2021		162,983	(3,006)	7,837	186,518	354,332
		Note 14	Note 15.1	Note 15.4	Note 15.5	

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000 Restated	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit before tax		63,910	64,431	43,442	73,628
Adjustments for:					
Amortisation of intangible assets		6	17	-	-
Amortisation of right-of-use assets		6,603	7,509	-	-
Allowance for impairment losses		27,541	21,442	5,743	493
Bad debts written off		211	17	-	-
Reversal of impairment losses		(28,074)	(36,301)	(61)	(1,403)
Allowance for impairment losses on investment in an associate		1,107	-	1,752	11,133
Allowance for slow moving inventories		3,261	2,129	-	-
Depreciation expenses:					
- investment property		-	-	443	443
- property, plant and equipment		28,566	26,009	40	41
Dividend income from subsidiaries		-	-	(51,964)	(43,325)
Finance costs	23	4,928	2,813	2,581	508
Finance income	22	(5,843)	(10,035)	(2,085)	(1,353)
Gain on disposal of property, plant and equipment		(213)	(563)	-	-
Government loan waived		(915)	-	-	-
Net unrealised loss/(gain) on foreign exchange		195	(6,250)	11	(727)
Net fair value adjustment on derivative instruments		86	329	-	-
Property, plant and equipment written off		460	26	-	-
Provision for warranties		9,320	3,951	-	-
Provision of foreseeable losses		1,400	1,152	-	-
Share-based payments		587	1,222	587	1,222
Share of loss in associates, net of tax		1,789	3,938	-	-
Reversal of provision for warranties		(221)	(8,624)	-	-
Writedown of inventories		2,315	4,651	-	-
Reversal of provision of impairment loss in a subsidiary		-	-	-	(40,170)
Reversal of provision of foreseeable losses		(1,143)	(500)	-	-
Operating profit/(loss) before changes in working capital		115,876	77,363	489	490
Inventories		8,515	(21,204)	-	-
Receivables, deposits and prepayments		(37,880)	68,629	58,415	(14,553)
Payables and accruals		(16,431)	(4,608)	(2,391)	8,247
Interest received		2,457	5,094	1,182	964
Interest paid		(2,604)	(2,249)	-	-
Warranties paid		(335)	(444)	-	-
Income tax paid		(8,956)	(28,067)	(279)	(463)
Net cash generated from/(used in) operating activities		60,642	94,514	57,416	(5,315)

Statements of Cash Flows for the financial year ended 31 December 2021

Cont'd

	Note	Group 2021 RM'000	Group 2020 RM'000 Restated	Company 2021 RM'000	Company 2020 RM'000
Cash flows (for)/from investing activities					
Acquisition of property, plant and equipment	13.2	(24,964)	(40,540)	-	-
Acquisition of investment property	13.2	-	-	-	(22)
Equity restructuring in subsidiary		-	-	-	40,170
Proceeds from disposal of property, plant and equipment		249	5,875	-	-
Net cash (used in)/generated from investing activities		(24,715)	(34,665)	-	40,148
Cash flows (for)/from financing activities					
Dividend paid to shareholders of the Company	30	(17,915)	(33,590)	(17,915)	(33,590)
Dividend paid to non-controlling interest		(4,725)	(7,161)	-	-
Investment in treasury shares		-	-	(2,985)	-
Net (repayment)/drawdown of loans and borrowings		(25,041)	13,925	-	-
Proceeds from issuance of new shares		-	183	-	183
Purchase of treasury shares		(2,985)	-	-	-
Payment for deferred consideration		(22,971)	-	(22,971)	-
Net cash used in financing activities		(73,637)	(26,643)	(43,871)	(33,407)
Exchange differences on translation of the financial statements of foreign operations		(1,859)	5,752	-	-
Net (decrease)/increase in cash and cash equivalents		(39,569)	38,958	13,545	1,426
Effect of exchange rate fluctuations on cash held		149	995	(122)	356
Cash and cash equivalents at beginning of the financial year		303,497	263,544	20,657	18,875
Cash and cash equivalents at end of the financial year	13	264,077	303,497	34,080	20,657

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following:

	Note	Group 2021 RM'000	Group 2020 RM'000 Restated	Company 2021 RM'000	Company 2020 RM'000
Deposits placed with licensed banks	13	61,686	77,224	-	-
Short-term funds	13	88,269	146,296	11,103	18,550
Cash and bank balances	13	123,017	86,954	22,977	2,107
		272,972	310,474	34,080	20,657
Bank overdrafts	16	(8,895)	(6,977)	-	-
Cash and cash equivalents		264,077	303,497	34,080	20,657

Notes to the financial statements

Favelle Favco Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is Lot 586, 2nd Mile, Jalan Batu Tiga Lima 41300 Klang Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2021 do not include other entities.

The Company is principally engaged in the business of investment holding, whilst the principal activities of the subsidiaries and associates are set out in Notes 7 and 8 respectively to the financial statements. There have been no significant changes in nature of these activities during the financial year.

The holding company during the financial year is Muhibbah Engineering (M) Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors on 11 April 2022.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 16: COVID-19-Related Rent Concessions

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements.

The Group and the Company have not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective date
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax relates to Assets and Liabilities arising from a Single Transaction	1 January 2023
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and the Company upon their initial application.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of primary economic environment in which the entity operates, which is the functional currency.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2 (c) – financial instruments
- Note 2 (d) – property, plant and equipment
- Note 2 (e) – leases
- Note 2 (g) – investment property
- Note 2 (h) – inventories
- Note 2 (i) – contract asset/contract liability
- Note 2 (k) – impairment
- Note 2 (o) – provisions - warranties
- Note 2 (q) – revenue from contract with customers
- Note 2 (t) – income tax
- Note 2 (w) – purchase price allocation

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
(a) the fair value of the consideration transferred; plus
(b) the recognised amount of any non-controlling interests in the acquiree; plus
(c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
(d) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising from the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of the influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transaction with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available for sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the company categories financial instruments as follow:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(c) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company adopted the policy to revalue their freehold land and leasehold land every 5 years or at shorter intervals whenever the fair values of the freehold land and leasehold land are expected to differ materially from their carrying values.

Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives are as follows:

• land	Over the lease period of 60 years
• buildings	10 - 50 years
• cranes	10 - 15 years
• plant, equipment and motor vehicles	3 - 13 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Goodwill with indefinite useful lives are not amortised but are tested for impairment at the end of each reporting period and whenever there is an indication that goodwill may be impaired.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) Intellectual property

Intellectual property consists of rights to trade name, knowhow and industrial property rights and is stated at cost less any accumulated amortisation and any impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible asset is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted if appropriate.

(g) Investment property

Investment properties carried at cost

Investment properties are properties which are owned or right-to-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties which are owned are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d). Cost includes expenditure that is directly attributable to the acquisition of the investment property.

The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of crane components comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. Cost of work-in-progress and assembled cranes consists of crane components, direct labour and an appropriate proportion of fixed and variable production overheads. Crane components are determined on a first-in, first-out basis. Cost of work-in-progress and assembled cranes is determined on a specific identification basis.

Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract asset/liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments.*

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three (3) months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Equity instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity and recorded the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury share is applied in the reduction of the share distributable reserves.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. Significant accounting policies (continued)

(m) Loans and borrowings

Loans and borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as asset to the extent that a cash refund or a reduction in future payment is available.

(ii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

2. Significant accounting policies (continued)

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(q) Revenue

Revenue from contract with customers

Revenue from contract with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contract customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sale of spare parts for crane and industrial information technology equipment

Revenue from sale of these products is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of crane and crane maintenance services

Revenue from providing crane maintenance services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2. Significant accounting policies (continued)

(q) Revenue (continued)

Revenue from contract with customers (continued)

(c) Construction of crane

Contracts for construction of crane comprise multiple deliverables which include a significant integration service and are therefore recognised as a single performance obligation. Revenue from construction crane is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

Other revenue

(d) Dividend Income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(r) Other operating income

Interest Income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing cost.

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (continued)

(t) Income tax

(i) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(ii) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(u) Earnings per ordinary shares

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2. Significant accounting policies (continued)

(v) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment result are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

(x) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principle market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The Group recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital Work-in-progress RM'000	Subtotal RM'000	Right-of-use assets RM'000	Total RM'000
Cost/Valuation								
At 1 January 2020	87,286	60,836	270,621	120,781	3	539,527	43,712	583,239
Additions	-	22	33,086	7,429	3	40,540	31,281	71,821
Disposals	-	-	(6,959)	(1,258)	-	(8,217)	-	(8,217)
Transfer	-	-	-	3	(3)	-	-	-
Written off	-	-	-	(54)	-	(54)	-	(54)
Effect of movements in exchange rates	998	1,473	12,282	1,753	-	16,506	2,104	18,610
At 31 December 2020/ 1 January 2021	88,284	62,331	309,030	128,654	3	588,302	77,097	665,399
Additions	-	-	22,276	2,621	67	24,964	11,626	36,590
Disposals	-	-	-	(1,710)	-	(1,710)	-	(1,710)
Transfer	-	-	(13)	16	(3)	-	-	-
Modification of lease liability	-	-	-	-	-	-	(1,338)	(1,338)
Written off	-	-	(569)	(1,085)	-	(1,654)	-	(1,654)
Effect of movements in exchange rates	(552)	(804)	(7,754)	(412)	-	(9,522)	(2,276)	(11,798)
At 31 December 2021	87,732	61,527	322,970	128,084	67	600,380	85,109	685,489
Representing items at:								
Cost	64,897	61,527	322,970	128,084	67	577,545	85,109	662,654
Valuation - 2008	12,291	-	-	-	-	12,291	-	12,291
Valuation - 2012	3,700	-	-	-	-	3,700	-	3,700
Valuation - 2017	6,844	-	-	-	-	6,844	-	6,844
	87,732	61,527	322,970	128,084	67	600,380	85,109	685,489

Notes to the financial statements

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3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital Work-in-progress RM'000	Subtotal RM'000	Right-of-use assets RM'000	Total RM'000
Depreciation and impairment loss								
At 1 January 2020	-	23,664	77,914	94,063	-	195,641	14,017	209,658
Depreciation for the year	-	1,154	17,832	7,023	-	26,009	7,509	33,518
Disposals	-	-	(1,782)	(1,123)	-	(2,905)	-	(2,905)
Written off	-	-	-	(28)	-	(28)	-	(28)
Effect of movements in exchange rates	-	1,190	3,796	1,611	-	6,597	531	7,128
At 31 December 2020/ 1 January 2021	-	26,008	97,760	101,546	-	225,314	22,057	247,371
Depreciation for the year	-	1,163	20,953	6,450	-	28,566	6,603	35,169
Disposals	-	-	-	(1,674)	-	(1,674)	-	(1,674)
Modification of lease liability	-	-	-	-	-	-	(729)	(729)
Transfer	-	5	1	(6)	-	-	-	-
Written off	-	-	(145)	(1,049)	-	(1,194)	-	(1,194)
Effect of movements in exchange rates	-	(655)	(2,677)	(352)	-	(3,684)	(441)	(4,125)
At 31 December 2021	-	26,521	115,892	104,915	-	247,328	27,490	274,818
Carrying amounts								
At 31 December 2020	**87,286**	**37,172**	**192,707**	**26,718**	**3**	**343,886**	**29,695**	**373,581**
At 31 December 2020/ 1 January 2021	**88,284**	**36,323**	**211,270**	**27,108**	**3**	**362,988**	**55,040**	**418,028**
At 31 December 2021	**87,732**	**35,006**	**207,078**	**23,169**	**67**	**353,052**	**57,619**	**410,671**

3. Property, plant and equipment (continued)

Company	Property, plant and equipment RM'000
Cost	
At 1 January 2020	403
Additions	-
At 31 December 2020/1 January 2021	403
Additions	-
At 31 December 2021	403
Accumulated Depreciation	
At 1 January 2020	130
Depreciation for the year	41
At 31 December 2020/1 January 2021	171
Depreciation for the year	40
At 31 December 2021	211
Carrying amounts	
At 31 December 2020	232
At 31 December 2021	192

3.1 Security

The freehold land and buildings of the Group with total net book value of RM31,303,000 (2020 - RM32,269,000) have been charged to certain licensed bank as security for bank facilities granted to the Group (See Note 16).

3.2 Property, plant and equipment under the revaluation model

The Group's freehold land were revalued by independent professional qualified valuers using an open market value method in financial years ended 2017, 2012 and 2008. The surpluses arising from the revaluations have been credited to other comprehensive income and accumulated in equity under the revaluation reserve. Had the freehold land been carried under the cost model, their carrying amounts would have been RM55,206,000 (2020 - RM55,758,000).

Notes to the financial statements
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3. Property, plant and equipment (continued)

Land

Included in the carrying amounts of land are:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Freehold land	87,732	88,284	44,255	44,255
Long term leasehold land*	228	233	-	-
	87,960	88,517	44,255	44,255

Leasehold land are in respect of right-of-use assets of which the Group has land titles.

Right-of-use assets

Included in the carrying amounts of the right-of-use assets are:

Group	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Total RM'000
2021				
At 1 January 2021	6,440	48,546	54	55,040
Addition during the year	4,250	7,376	-	11,626
Depreciation	(2,592)	(3,982)	(29)	(6,603)
Modification of lease liability	(609)	-	-	(609)
Exchange difference	79	(1,914)	-	(1,835)
At 31 December 2021	7,568	50,026	25	57,619
2020				
At 1 January 2020	8,992	20,620	83	29,695
Addition during the year	1,633	29,648	-	31,281
Depreciation	(4,153)	(3,327)	(29)	(7,509)
Exchange difference	(32)	1,605	-	1,573
At 31 December 2020	6,440	48,546	54	55,040

4. Intangible assets

Group	**Development costs RM'000**
Cost	
At 1 January 2020	6,128
Write off	(5,340)
Effect of movement in exchange rates	(92)
At 31 December 2020/1 January 2021	696
Effect of movement in exchange rates	(29)
At 31 December 2021	667
Amortisation and impairment loss	
At 1 January 2020	
Accumulated amortisation	5,623
Accumulated impairment loss	327
	5,950
Amortisation for the year	17
Effect of movements in exchange rates	51
At 31 December 2020/1 January 2021	
Accumulated amortisation	5,640
Accumulated impairment loss	378
	6,018
Write off	(5,340)
At 31 December 2020/1 January 2021	678
Amortisation for the year	6
Effect of movements in exchange rates	(28)
At 31 December 2021	
Accumulated amortisation	357
Accumulated impairment loss	299
At 31 December 2021	656
Carrying amounts	
At 31 December 2020	18
At 31 December 2021	11

Intangible assets mainly comprise development and software costs which were internally generated expenditure by subsidiaries on new or substantially improved major crane projects. It is reasonably anticipated that the cost will be recovered through future commercial activity. The remaining amortisation period is less than 1 year (2020 - 1 year).

5. Goodwill

	Group 2021 RM'000	Group 2020 RM'000
Carrying amounts		
At 31 December	71,183	71,183

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	Average Gross Margin		Average Growth Rate		Discount Rate		Terminal Growth Rate	
Group	**2021 %**	**2020 %**	**2021 %**	**2020 %**	**2021 %**	**2020 %**	**2021 %**	**2020 %**
Intelligent automation group	29	30	6	7	10	10	-	-

The key assumptions represent management's assessment based on past operating results and management's expectations of market conditions and assessment of future trends derived from both external and internal sources.

Management has determined the average gross profit margin and weighted average growth rate based on past performance and its expectation of market development. The discount rate used are computed based on the weighted average cost of capital of the industries that the Group operates in.

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

6. Investment property

	Company 2021 RM'000	2020 RM'000
Cost		
At 1 January	53,819	53,797
Addition	-	22
At 31 December	53,819	53,819
Accumulated Depreciation and impairment loss		
At 1 January	3,226	2,783
Depreciation	443	443
At 31 December	3,669	3,226
Carrying amounts		
At 31 December	50,150	50,593

The investment property is a crane fabrication yard comprising freehold industrial land, building and improvements, located at No. 28, Yarrunga Street, Prestons, New South Wales, 2170 Australia, and is leased to its subsidiary.

7. Investments in subsidiaries

	Company 2021 RM'000	2020 RM'000
Unquoted shares - at cost	235,525	275,695
Less: Equity Restructuring	-	(40,170)
	235,525	235,525
Less: Impairment loss	(63,494)	(63,494)
	172,031	172,031

Notes to the financial statements
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7. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2021 %	Effective ownership interest 2020 %
Favelle Favco Cranes (M) Sdn. Bhd.	Designing, manufacturing, supply, servicing, trading and renting of cranes	Malaysia	100	100
Favelle Favco Cranes Pte. Ltd. #	Supplying, servicing, trading and renting of cranes and sales of spare parts and services	Singapore	100	100
Favelle Favco Cranes (USA), Inc. #	Designing, manufacturing, supplying, servicing, trading and renting of cranes	United States of America	100	100
Favelle Favco Cranes Pty. Limited # and its subsidiaries	Design, manufacture, supply, renting and servicing of industrial cranes	Australia	100	100
FF Management Pty. Limited #	Management services	Australia	100	100
Milperra Blasting and Coating Pty. Limited #	Dormant	Australia	100	100
Kroll Cranes A/S #	Designing, manufacturing, servicing, trading and renting of cranes	Denmark	100	100
Favelle Favco Cranes International Ltd.*	Dormant	Malaysia	-	100
FES Equipment Services Sdn. Bhd.	Supply of spare parts for cranes, provision of crane maintenance services and renting of cranes	Malaysia	100	100
Favelle Favco Winches Pte. Ltd. #	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	100	100
Favelle Favco Management Services Sdn. Bhd. # @	Dormant	Malaysia	-	100
Shanghai Favco Engineering Machinery Manufacturing Co., Ltd. #	Manufacturing of cranes	China	80	80

7. Investments in subsidiaries (continued)

The details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2021 %	Effective ownership interest 2020 %
Exact Automation Sdn. Bhd.	Providing integrated industrial automation solutions on the design, engineering, testing, project management and maintenance of plant instrumentation	Malaysia	70	70
Exact Analytical Sdn. Bhd.	Trading, providing engineering services on the installation, commissioning and maintenance of environmental and process analysers	Malaysia	70	70
Exact Oil & Gas Sdn. Bhd.	Trading, engineering and maintenance of specialised equipment used in the oil and gas industry	Malaysia	70	70
Sedia Teguh Sdn. Bhd.	Trading and maintenance of specialised equipment used in the oil and gas industry	Malaysia	70	70

Not audited by Crowe Malaysia PLT
* During the financial year, the subsidiary has been placed under members' voluntary liquidation and was de-registered from the local Registrar of Companies
@ This company is in the process of strike off

(a) In the previous financial year, the Company restructured a subsidiary's equity by converting a total of RM40,170,000 of equity into debt effective 31 December 2020. The interest is 2% per annum, payable annually.

(b) Summarised financial information of non-controlling interests have not been presented as the non-controlling interests of the subsidiaries are not individually material to the Group.

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8. Investments in associates

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	19,424	19,424	19,424	19,424
Share of post-acquisition reserves	(15,119)	(13,330)	-	-
Less: Impairment loss	(1,107)	-	(13,043)	(11,291)
	3,198	6,094	6,381	8,133

The details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2021 %	Effective ownership interest 2020 %
Favco Offshores Sdn Bhd	Manufacture, supply, servicing and renting of cranes	Malaysia	30	30
Favelle Favco Machinery and Equipment L.L.C	Trading and rental of construction equipment	United Arab Emirates	49	49
Favco Heavy Industry (Changshu) Co., Ltd.	Supply, renting and servicing of lifting equipment and spare parts	China	50	50

Summarised financial information of major associates:

The major associates of the Group, adjusted for any differences in accounting policies and the carrying amounts in the consolidated financial statements, are disclosed below:

	2021 RM'000	2020 RM'000
Gross amount of the major associates		
Non-current assets	81,025	76,223
Current assets	31,974	48,564
Non-current liabilities	13,139	12,511
Current liabilities	84,412	92,386
Revenue	24,725	21,021
Loss for the year	(5,544)	(8,249)
Carrying amount in the consolidated financial statements	3,198	6,094

9. Receivables, deposits and prepayments

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Non-current					
Non-trade					
Advance to a subsidiary	9.1	-	-	28,389	49,595
Less: Allowance for impairment loss		-	-	(6,620)	(4,108)
Advance to an associate	9.2	6,248	6,025	6,248	6,025
Less: Allowance for impairment loss		(1,428)	(1,489)	(1,428)	(1,489)
		4,820	4,536	26,589	50,023
Current					
Trade					
Trade receivables		165,963	137,627	-	-
Less: Allowance for impairment loss		(42,426)	(43,110)	-	-
	9.3	123,537	94,517	-	-
Amount due from holding company	9.4	103	68	-	-
Amount due from related companies	9.5	706	3,350	-	-
Less: Allowance for impairment loss		(74)	(649)	-	-
Amount due from associates	9.6	65,284	56,458	-	-
Less: Allowance for impairment loss		(16,992)	(14,351)	-	-
		49,027	44,876	-	-
Non-trade					
Amount due from subsidiaries	9.7	-	-	68,353	53,113
Less: Allowance for impairment loss		-	-	(4,401)	(1,170)
		-	-	63,952	51,943
Amount due from related companies	9.5	412	16	-	-
Amount due from associates	9.6	122	129	-	-
Other receivables		20,629	12,701	53	-
Less: Allowance for impairment loss		(170)	(840)	-	-
		20,993	12,006	53	-
Deposits		1,376	17,401	261	11
Prepayments		7,618	15,590	59	56
		8,994	32,991	320	67
Current		202,551	184,390	64,325	52,010
Non-current and current		207,371	188,926	90,914	102,033

9. Receivables, deposits and prepayments (continued)

	Trade Receivable RM'000	Amount due from related companies RM'000	Other Receivable RM'000	Amount due from Associate RM'000	Total RM'000
Group					
Allowance for impairment losses:-					
At 1 January 2021	43,110	649	840	15,840	60,439
Addition during the financial year	9,224	62	1	17,997	27,284
Reversal during the financial year	(10,041)	(649)	(671)	(16,325)	(27,686)
Foreign exchange differences	133	12	-	908	1,053
At 31 December 2021	42,426	74	170	18,420	61,090

	Amount due from Associate RM'000	Amount due from Subsidiaries RM'000	Total RM'000
Company			
Allowance for impairment losses:-			
At 1 January 2021	1,489	5,278	6,767
Addition during the financial year	-	5,946	5,946
Reversal during the financial year	(61)	(203)	(264)
At 31 December 2021	1,428	11,021	12,449

9.1 Advance to a subsidiary

The advance to a subsidiary is non-trade in nature, unsecured, subject to interest ranging from 1% - 2% (2020 - 1%) per annum and is not expected to be repaid within the next twelve months.

9.2 Advance to an associate

The advance to an associate is non-trade in nature, unsecured, subject to interest at 1% (2020 - 1%) per annum and is not expected to be repaid within the next twelve months.

9.3 Analysis of foreign currency exposure for significant receivables

Significant trade receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

		Group	
Functional currency	Foreign currency	2021 RM'000	2020 RM'000
RM	AUD	466	3,406
RM	EUR	47	152
RM	GBP	-	53
RM	RMB	19,612	21,693
RM	SGD	198	105
RM	USD	29,636	19,067
AUD	USD	145	-
AUD	SGD	2,007	396

9. Receivables, deposits and prepayments (continued)

9.4 Amount due from holding company

The trade amount due from holding company is subject to the normal trade term of 30 (2020 - 30) days.

The non-trade amount due from holding company is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

9.5 Amount due from related companies

The trade amount due from related companies is subject to the normal trade term of 30 (2020 - 30) days.

The non-trade amount due from related companies is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

9.6 Amount due from associates

The trade amount due from associates is subject to the normal trade term of 30 (2020 - 30) days.

The non-trade amount due from associates is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

9.7 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The advance to a subsidiary is non-trade in nature, unsecured, subject to interest at 2% (2020 - NIL) per annum and the advance is to be settled in cash.

10. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Property, plant and equipment	-	-	33,534	33,863	33,534	33,863
Provisions	(28,407)	(21,800)	-	-	(28,407)	(21,800)
Other temporary differences	(2,749)	(8,565)	(7,794)	(7,769)	(10,543)	(16,334)
Tax (assets)/liabilities	(31,156)	(30,365)	25,740	26,094	(5,416)	(4,271)
Set off	7,561	8,212	(7,561)	(8,212)	-	-
Net tax (assets)/liabilities	(23,595)	(22,153)	18,179	17,882	(5,416)	(4,271)

Company	**2021 RM'000**	**2020 RM'000**
Provisions	(2,988)	(1,624)
Deferred tax assets	(2,988)	(1,624)

10. Deferred tax (assets) and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment	(893)	(978)	-	-
Provisions	48,846	49,488	-	-
Other temporary differences	721	880	-	-
Tax losses carry-forwards	29,899	38,569	-	-
	78,573	87,959	-	-

Deferred tax assets have not been recognised in respect of these items because they are uncertain that future taxable profits will be available against which the Group can utilise the benefits there from.

Movement in deferred tax (assets)/liabilities

Group	Property, plant and equipment RM'000	Provisions RM'000	Other temporary differences RM'000	Total RM'000
As at 1 January 2020	28,224	(25,895)	(9,251)	(6,922)
Recognised in profit or loss (Note 27)	5,455	2,471	(5,678)	2,248
Foreign exchange differences	-	-	403	403
As at 31 December 2020/ 1 January 2021	33,679	(23,424)	(14,526)	(4,271)
Recognised in profit or loss (Note 27)	(1,093)	(4,219)	4,760	(552)
Foreign exchange differences	-	-	(593)	(593)
As at 31 December 2021	32,586	(27,643)	(10,359)	(5,416)

Company	Provisions RM'000	Total RM'000
As at 1 January 2020	(1,842)	(1,842)
Recognised in profit or loss (Note 27)	218	218
As at 31 December 2020/1 January 2021	(1,624)	(1,624)
Recognised in profit or loss (Note 27)	(1,364)	(1,364)
As at 31 December 2021	(2,988)	(2,988)

11. Contract Assets/(Liabilities)

	Group 2021 RM'000	Group 2020 RM'000
Contract Assets		
Contract Assets relating to contracts	147,734	127,772
Allowance for impairment losses	(1,000)	(1,130)
	146,734	126,642
Allowance for impairment losses:-		
At 1 January:	1,130	1,461
Addition during the financial year	257	224
Reversal during the financial year	(388)	(585)
Foreign exchange differences	1	30
At 31 December	1,000	1,130
Contract Liabilities	(165,706)	(173,835)

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. The amount will be invoiced within a year (2020 - a year).

(b) The significant changes to contract assets and contract liabilities during the financial year:-

	Group 2021 RM'000	Group 2020 RM'000
At 1 January	(47,193)	(39,685)
Revenue recognised in profit or loss during the financial year	290,288	265,225
Progress billings	(261,470)	(272,433)
Impairment loss on contract assets	(257)	(652)
Reversal of provision for contract assets	388	361
Exchange difference	(728)	(9)
At 31 December	(18,972)	(47,193)
Represented by:		
Contract assets	146,734	126,642
Contract liabilities	(165,706)	(173,835)
	(18,972)	(47,193)

12. Inventories

	Group 2021 RM'000	Group 2020 RM'000
At cost:		
Crane	271	599
Crane components	78,130	91,748
Work-in-progress	53,909	74,595
	132,310	166,942
At net realisable value:		
Cranes	14,055	12,122
Crane components	25,657	15,893
Work-in-progress	11,691	2,847
	183,713	197,804
Recognised in profit or loss:-		
Inventories recognised as cost of sales	271,060	234,983
Amount written down to net realisable value	2,315	4,651
Allowance for slow moving inventories	3,261	2,129

13. Cash and cash equivalents

13.1 The cash and bank balances comprised the following:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term funds	88,269	146,296	11,103	18,550
Deposits placed with licensed banks	61,686	77,224	-	-
Cash and bank balances	123,017	86,954	22,977	2,107
	272,972	310,474	34,080	20,657
Bank overdrafts (Note 16)	(8,895)	(6,977)	-	-
	264,077	303,497	34,080	20,657

(a) Short-term funds represent investments in highly liquid money market, which are readily convertible to known amounts of cash. The effective interest rates range from 1.21% to 4.94% (2020 – 1.46% to 4.94%) and 1.25% to 2.08% (2020 – 1.82% to 3.27%) per annum for the Group and the Company respectively.

(b) The deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 1.00% to 3.85% (2020 – 1.43% to 3.85%) per annum.

13. Cash and cash equivalents (continued)

13.2 The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group 2021 RM'000	Group 2020 RM'000 Restated	Company 2021 RM'000	Company 2020 RM'000
Cost of property, plant and equipment purchased (Note 3)	36,590	71,821	-	-
Cash disbursed for purchase of investment property (Note 6)	-	-	-	22
Amount financed through hire purchase	(7,376)	(29,647)	-	-
New Lease acquired	(4,250)	(1,634)	-	-
Cash disbursed for purchase of property, plant and equipment	24.964	40,540	-	22

13.3 The reconciliations of liabilities arising from financing activities are as follows:-

Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Lease Liabilities RM'000	Term Loan RM'000	Total RM'000
2021						
At 1 January	21,558	2,765	41,429	1,716	30,747	98,215
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	47,103	3,744	-	-	4,341	55,188
Repayment of borrowing principal	(54,801)	(3,459)	(11,538)	(2,405)	(8,026)	(80,229)
	(7,698)	285	(11,538)	(2,405)	(3,685)	(25,041)
<u>Non-cash Changes</u>						
Foreign exchange adjustments	-	(63)	(1,742)	(114)	(674)	(2,593)
Acquisition of new leases	-	-	7,376	4,250	-	11,626
Modification of lease liability	-	-	-	(608)	-	(608)
Government loan waived	-	-	-	-	(915)	(915)
	-	(63)	5,634	3,528	(1,589)	7,510
At 31 December	13,860	2,987	35,525	2,839	25,473	80,684

13. Cash and cash equivalents (continued)

13.3 The reconciliations of liabilities arising from financing activities are as follows:- (continued)

Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Lease Liabilities RM'000	Term Loan RM'000	Total RM'000
2020						
At 1 January	14,252	3,189	17,517	4,218	10,219	49,395
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	22,968	3,466	-	-	26,528	52,962
Repayment of borrowing principal	(15,662)	(4,143)	(7,173)	(4,122)	(7,937)	(39,037)
	7,306	(677)	(7,173)	(4,122)	18,591	13,925
<u>Non-cash Changes</u>						
Foreign exchange adjustments	-	253	1,438	(14)	1,937	3,614
Acquisition of new leases	-	-	29,647	1,634	-	31,281
	-	253	31,085	1,620	1,937	34,895
At 31 December	21,558	2,765	41,429	1,716	30,747	98,215

The total cash outflows for leases as a lessee are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest paid on lease liabilities	831	663	-	-
Payment of lease liabilities	13,943	11,295	-	-
	14,774	11,958	-	-

14. Share capital

	Group and Company			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid ordinary shares:				
At 1 January	223,945	223,867	162,983	162,745
Issue of ordinary shares	-	78	-	183
Transfer from share options	-	-	-	55
At 31 December	223,945	223,945	162,983	162,983

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(ii) In previous financial year, a total of 78,000 new ordinary shares were issued for cash pursuant to the employees' share issuance scheme ("SIS") of the Company. The details of options granted under the Company's share options are disclosed in Note 29.

15. Reserves

15.1 Treasury shares

This amount represents the acquisition cost for the purchase of the Company's own ordinary shares, net of the proceeds received from their subsequent sale or issuance of the shares repurchased.

None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2021.

15.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

15.3 Revaluation reserve

The revaluation reserve relates to the revaluation of freehold land. Deferred tax liabilities arising upon revaluation of freehold land are recognised directly in equity.

15.4 Share option reserve

The share option reserve of the Group and of the Company comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

15.5 Retained earnings

Under the single tier tax system, tax on the Company's profit is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

16. Loans and borrowings

The note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. For more information about the Group's and Company's exposure to interest rate risk, see Note 32.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non current				
Secured				
Term loan	14,165	20,485	-	-
	14,165	20,485	-	-
Current				
Secured				
Bank overdraft	8,895	6,977	-	-
Term loan	7,144	9,023	-	-
Unsecured				
Insurance premium finance	2,987	2,765	-	-
Bills payable	13,860	21,558	-	-
Term loan	4,164	1,239	-	-
	37,050	41,562	-	-
Non-current and current	51,215	62,047	-	-

Terms and debt repayment schedule

	Year of maturity	Total Carrying amount RM'000	Under 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000
Group					
2021					
Term loans					
- secured	2037	21,309	7,144	8,956	5,209
- unsecured	2022	4,164	4,164	-	-
Bank overdrafts					
- secured	2022	8,895	8,895	-	-
Insurance premium finance					
- unsecured	2022	2,987	2,987	-	-
Bills payable	2022	13,860	13,860	-	-
		51,215	37,050	8,956	5,209

16. Loans and borrowings (continued)

	Year of maturity	Total Carrying amount RM'000	Under 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000
Group					
2020					
Term loans					
- secured	2037	29,508	9,023	14,612	5,873
- unsecured	2021	1,239	1,239	-	-
Bank overdrafts					
- secured	2021	6,977	6,977	-	-
Insurance premium finance					
- unsecured	2021	2,765	2,765	-	-
Bills payable	2021	21,558	21,558	-	-
		62,047	41,562	14,612	5,873

17. Hire purchase and lease liabilities

	Group 2021 RM'000	2020 RM'000
Non-current		
Hire purchase with financial institutions	23,799	28,335
Lease liabilities	-	68
	23,799	28,403
Current		
Hire purchase with financial institutions	11,726	13,094
Lease liabilities	2,839	1,648
	14,565	14,742
Non-current and current	38,364	43,145

The maturity profile of the Group's hire purchase and lease liabilities at the end of the financial year is summarized as follows:

	Group 2021 RM'000	2020 RM'000
Under 1 year	14,565	14,742
1 – 2 years	20,866	28,403
3 – 5 years	2,933	-
Over 5 years	-	-
Total carrying value	38,364	43,145

18. Payables and accruals

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current					
Trade					
Trade payables	18.1	154,980	153,476	-	-
Amount due to holding company	18.2	558	1,564	-	-
Amount due to related companies	18.3	2,445	-	-	-
		157,983	155,040	-	-
Non-trade					
Amount due to holding company	18.2	3,180	2,017	936	865
Amount due to a subsidiary	18.4	-	-	1,321	1,240
Amount due to related companies	18.3	15	192	-	-
Amount due to associates	18.5	3,212	3,046	-	-
Other payables		26,040	26,821	40	14
Accrued expenses		20,369	31,856	93	95
Deferred consideration	18.6	-	22,971	-	22,971
		52,816	86,903	2,390	25,185
Total current		210,799	241,943	2,390	25,185
Non-current and current		210,799	241,943	2,390	25,185

18.1 Analysis of foreign currency exposure for significant payables

Significant trade payables that are not in the functional currencies of the Group are as follows:

Functional currency	Foreign currency	Group 2021 RM'000	Group 2020 RM'000
RM	AUD	230	292
RM	SGD	180	1,275
RM	EUR	4,059	4,971
RM	USD	19,064	10,318
RM	RMB	216	2,585
RM	GBP	298	1,420
AUD	EUR	315	99
AUD	RMB	-	836
AUD	USD	91	15
AUD	WON	115	458

18.2 Amount due to holding company

The trade amount due to the holding company is subject to the normal trade term of 30 (2020 - 30) days.

The non-trade amount due to the holding company is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

18. Payables and accruals (continued)

18.3 Amount due to related companies

The trade amount due to related companies is subject to the normal trade term of 30 (2020 - 30) days.

The non-trade amount due to related companies is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

18.4 Amount due to a subsidiary

The non-trade amount due to a subsidiary is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

18.5 Amount due to associates

The non-trade amount due to associates is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

18.6 Deferred consideration

The deferred consideration of RM22,971,000 had been settled during the current financial year.

Movement of deferred consideration:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	22,971	15,575
Addition	-	7,396
Less: Payment	(22,971)	-
At 31 December	-	22,971

	Group	
	2021 RM'000	2020 RM'000
Analysed as:		
Current	-	22,971
Non-current	-	-

Notes to the financial statements

Cont'd

19. Provision for warranties

	Group 2021 RM'000	Group 2020 RM'000
At 1 January	34,698	37,567
Provision made during the year	9,320	3,951
Utilised during the year	(335)	(444)
Reversal during the year	(221)	(8,624)
Effect of movements in exchange rates	(862)	2,248
At 31 December	42,600	34,698

The provision for warranties relates to provision for defect rectification costs for manufactured cranes sold.

20. Derivative Assets/(Liabilities)

	Contract/ Notional amount RM'000	Derivative Assets RM'000	Derivative Liabilities RM'000
2021			
Group			
Forward foreign currency contracts	30,280	31	(265)
2020			
Group			
Forward foreign currency contracts	19,522	-	(141)
2021			
Company			
Forward foreign currency contracts	2,103	-	(14)
2020			
Company			
Forward foreign currency contracts	-	-	-

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's and the Company's receivables and payables denominated in currencies other than the functional currency of the Group and the Company.

21. Revenue

Revenue comprises the following:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue from contracts with customers	543,745	494,782	-	-
Revenue from other sources				
- rental income	66,470	59,671	1,618	2,121
- dividend income	-	-	51,964	43,325
	610,215	554,453	53,582	45,446

21. Revenue (continued)

Breakdown of the Group's revenue:

	Crane		Intelligent Automation Group	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Sale of spare part for crane	91,310	90,396	-	-
Sale of industrial information technology equipment	-	-	129,098	126,593
Crane maintenance	14,930	18,463	-	-
Rental of crane	66,470	59,671	-	-
Sale of cranes	308,407	259,330	-	-
	481,117	427,860	129,098	126,593
<u>Geographical market</u>				
Inside Malaysia	161,357	120,799	129,098	126,593
Outside Malaysia	319,760	307,061	-	-
	481,117	427,860	129,098	126,593
<u>Timing of revenue recognition</u>				
- at a point of time	226,827	168,530	93,100	120,698
- over time	254,290	259,330	35,998	5,895
	481,117	427,860	129,098	126,593

22. Finance income

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income:				
- Fixed deposit	2,395	5,031	360	732
- Related company	62	63	822	232
Interest income arising on financial assets/(liabilities) measured under MFRS 9	3,386	4,941	903	389
	5,843	10,035	2,085	1,353

23. Finance costs

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Interest expenses:				
- Bills payable	508	404	-	-
- Bank overdrafts	820	755	-	-
- Insurance premium finance	7	11	-	-
- Term loan interest	438	416	-	-
- Lease rental interest	831	663	-	-
Interest expenses arising on financial assets/(liabilities) measured under MFRS 9	2,324	564	2,581	508
	4,928	2,813	2,581	508

24. Net impairment (reversal)/losses on financial assets and contract assets

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Impairment losses during the financial year:				
- Additions under MFRS 9				
- Trade receivable	9,224	4,808	-	-
- Other receivable	1	808	-	-
- Amount due from associate	17,997	15,602	-	-
- Contract assets	257	224	-	-
- Amount due from subsidiaries	-	-	5,946	493
- Amount due from related company	62	-	-	-
Reversal of impairment losses during the financial year:				
- Trade receivable	(10,041)	(20,705)	-	-
- Other receivable	(671)	(34)	-	-
- Amount due from associate	(16,325)	(14,976)	(61)	(202)
- Contract assets	(388)	(585)	-	-
- Amount due from subsidiaries	-	-	(203)	(1,201)
- Amount due from related company	(649)	(1)	-	-
	(533)	(14,859)	5,682	(910)

25. Operating profit

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Operating profit is arrived at after crediting:					
COVID-19-related subsidies from government		2,597	6,123	-	-
Gain on disposal of property, plant and equipment		213	563	-	-
Net realised foreign exchange gain		6,072	2,749	1,867	257
Net unrealised foreign exchange gain		-	6,250	-	727
Reversal of provision for warranties	19	221	8,624	-	-
Reversal of provision for foreseeable losses		1,143	500	-	-
Reversal of impairment loss in a subsidiary		-	-	-	40,170
and after charging:					
Allowance for impairment losses on investment in an associate		1,107	-	1,752	11,133
Allowance for slow moving inventories		3,261	2,129	-	-
Auditors' remuneration:					
- holding company's auditors		255	251	79	78
- other auditors		659	587	-	-
Other services					
- holding company's auditors		10	10	10	10
Amortisation of intangible assets	4	6	17	-	-
Bad debts written off		211	17	-	-
Depreciation expenses:					
- investment property	6	-	-	443	443
- property, plant and equipment	3	28,566	26,009	40	41
- right-of-used assets		6,603	7,509	-	-
Net unrealised foreign exchange loss		195	-	11	-
Net fair value adjustment on derivative instruments		86	329	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		10,531	11,896	142	207
- Share-based payments	29	587	1,222	587	1,222
- Wages, salaries and others		104,576	117,557	890	1,308
Property, plant and equipment written off		460	26	-	-
Provision for foreseeable losses		1,400	1,152	-	-
Provision for warranties	19	9,320	3,951	-	-
Rental expenses on:					
- cranes		38,477	31,738	-	-
- premises		2,734	3,668	44	44
- equipment		366	449	-	-
Writedown of inventories	12	2,315	4,651	-	-

26. Key management personnel compensation

The key management personnel compensations are as follows:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors				
Executive Directors				
Short-term employee benefits:				
- fees	300	388	192	280
- remuneration	1,053	1,531	1,040	1,517
Share-based payments	-	-	-	-
	1,353	1,919	1,232	1,797
Non-executive Directors				
Fees	228	316	192	280
Other benefits	56	61	54	59
	284	377	246	339
	1,637	2,296	1,478	2,136
Other Key Management Personnel				
Short-term employee benefits	4,575	5,483	930	1,104
Defined contribution benefits	326	413	112	132
	4,901	5,896	1,042	1,236

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

27. Income tax expense/(credit)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax expense				
Malaysia - current	5,514	5,445	68	93
- under/(over) provision in prior year	147	1,019	-	(36)
	5,661	6,464	68	57
Overseas - current	7,742	5,416	252	360
- underprovision in prior year	(1,704)	(57)	(44)	(7)
	6,038	5,359	208	353
	11,699	11,823	276	410
Deferred tax expense (Note 10)				
Origination and reversal of temporary differences	(6,712)	(2,007)	(2,988)	(1,624)
Underprovision in prior years	6,160	4,255	1,624	1,842
	(552)	2,248	(1,364)	218
Income tax expense/(credit)	11,147	14,071	(1,088)	628
Reconciliation of tax expense				
Profit for the year	52,763	50,360	44,530	73,000
Total tax expense	11,147	14,071	(1,088)	628
Profit excluding tax	63,910	64,431	43,442	73,628
Tax at Malaysian tax rate of 24% (2020 - 24%)	15,339	15,463	10,426	17,671
Effect of different tax rates in foreign jurisdictions	867	(41)	-	-
Non-deductible expense	3,514	278	800	1,427
Non-taxable gain	(9,919)	(6,179)	(1,343)	(9,790)
Tax exempt income	-	-	(12,551)	(10,479)
Utilisation of deferred tax assets not recognised in previous year	(2,262)	(287)	-	-
Under/(over) provision in prior years	4,603	5,217	1,580	1,799
Others	(995)	(380)	-	-
Total income tax expense	11,147	14,071	(1,088)	628

Domestic income tax is calculated at the Malaysia statutory tax rate 24% (2020 - 24%) of the estimated assessable profit for the financial year.

28. Earnings per ordinary share (sen)

Basic earnings per share

The calculation of basic earnings per share for the financial year ended 31 December 2021 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group 2021 RM'000	Group 2020 RM'000
Profit for the financial year attributable to owners of the Company	48,120	44,498

Weighted average number of ordinary shares

	Group 2021 '000	Group 2020 '000
Number of ordinary shares in issue at 1 January	223,945	223,867
Effect of shares repurchased	(327)	(10)
Effect of ordinary shares issued under SIS	-	70
Total weighted average number of ordinary shares in issue (unit)	223,618	223,927
Basic earnings per ordinary share (sen)	21.52	19.87

Diluted earnings per share

The Group has dilutive potential ordinary shares from the options granted to eligible employees of the Group.

The calculation of diluted earnings per share for the year ended 31 December 2021 was based on profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	Group 2021 RM'000	Group 2020 RM'000
Profit attributable to owners of the Company	48,120	44,498

	Group 2021 '000	Group 2020 '000
Weighted average number of ordinary shares	223,618	223,927
Effect of share options in issue	372	-
Adjusted weighted average number of ordinary shares (diluted) at 31 December	223,990	223,927

28. Earnings per ordinary share (continued)

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

	Group	
	2021	**2020**
Diluted earnings per shares (sen)	21.48	19.87

29. Employee benefits

29.1 Share-based payments

In 2017, a share issuance scheme ("SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017 to the eligible employees including Directors of the Company and its subsidiaries.

The main features of the SIS, and details of the share options offered and exercised during the financial year are as follows:

(i) The maximum number of approved unissued new ordinary shares of RM0.50 each available for allotment under the SIS shall not exceed in aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the SIS;

(ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least one (1) year;

(iii) A grantee shall be allowed to exercise the options granted subject to the following percentage limits based on entitlement granted:

	Year option is granted 2017
Cumulative % of options exercisable during the option period in	
Year 1	-
Year 2	20%
Year 3	40%
Year 4	60%
Year 5	100%

(iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the offer date subject to a discount of not more than ten per cent (10%) or at the par value of the shares of the Company, whichever is higher.

29. Employee benefits (continued)

29.1 Share-based payments (continued)

The following options were granted under the SIS to take up the unissued ordinary shares:

Group and Company

SIS

Grant date	Exercise price	At 1.1.2021 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2021 '000	Expiry date
15.09.2017	RM2.35	13,413	-	-	(901)	12,512	9.7.2022

Grant date	Exercise price	At 1.1.2020 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2020 '000	Expiry date
15.09.2017	RM2.35	14,825	-	(78)	(1,334)	13,413	9.7.2022

Details relating to options exercised during the financial year

	Group and Company 2021 RM'000	2020 RM'000
Fair value of shares issued (based on average exercise price)	2.25	2.27

Value of employee services received for issue of share options

The value of employee services received for issue of share options is as follows:

	Group and Company 2021 RM'000	2020 RM'000
Total expense recognised as share-based payments	587	1,222

29. Employee benefits (continued)

29.1 Share-based payments (continued)

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes Model with the following inputs:

SIS

	Group and Company 2021	2020
Fair value at grant date (RM) - Granted in Year 2017	RM0.48 – RM0.74	RM0.48 – RM0.74
Weighted average share price - Granted in Year 2017	2.62	2.62
Exercise price (RM) - Granted in Year 2017	2.35	2.35
Expected volatility (weighted average volatility)	15.58%	15.58%
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds) - Granted in Year 2017	3.18% - 3.498%	3.18% - 3.498%
Expected staff turnover	10%	10%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur. The SIS will be expiring on 9 July 2022.

30. Dividends

The dividends recognised by the Company is:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2021			
First and final 2020 ordinary	8.00	17,915	2 September 2021
2020			
First and final 2019 ordinary	15.00	33,590	24 November 2020

At the forthcoming Annual General Meeting, the following dividend in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2022.

30. Dividends (continued)

	Sen Per Share (tax exempt)	Total amount RM'000
First and final ordinary	8.00	17,808

Dividend per ordinary share

The calculation of dividend per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2021 of RM17,807,981 (2020 – RM17,914,781) on the issued and paid-up share capital (excluding treasury shares) of 222,599,763 (2020 - 223,934,763) ordinary shares as at the end of the reporting date.

31. Operating segments

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Operating segments

The Group is organised into business units based on their products and services provided.

The Group comprises the following main business segments.

Cranes	Design, manufacture, supply, trading, leasing and services provider of offshore oil and gas pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes.
Intelligent Automation Group	Design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment for various industries.

Geographical segments

The Group's business is managed on a worldwide basis with its head office in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the respective principal operations. Segment assets are also based on the geographical location of assets.

31. Operating segments (continued)

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Geographical segments								
Revenue from external customers	290,455	247,392	319,760	307,061	-	-	610,215	554,453
Inter-segment revenue	159,947	157,008	18,187	20,552	(178,134)	(177,560)	-	-
Total revenue	450,402	404,400	337,947	327,613	(178,134)	(177,560)	610,215	554,453
Operating profit							64,784	61,147
Finance income							5,843	10,035
Finance costs							(4,928)	(2,813)
Share of loss of associates							(1,789)	(3,938)
Profit before tax							63,910	64,431
Segment assets	1,061,736	1,109,446	613,218	625,976	(350,341)	(394,097)	1,324,613	1,341,325
Investments in associates	22	22	6,359	19,244	(3,183)	(13,172)	3,198	6,094
Total assets	1,061,758	1,109,468	619,577	645,220	(353,524)	(407,269)	1,327,811	1,347,419
Segment liabilities	334,954	407,125	447,406	456,824	(248,820)	(288,823)	533,540	575,126
Capital expenditure - Property, plant and equipment	3,644	10,849	21,320	30,533	-	(842)	24,964	40,540
Depreciation	15,380	15,540	13,186	10,469	-	-	28,566	26,009

31. Operating segments (continued)

Business segments

	Cranes		Intelligent Automation Group		Eliminations		Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Geographical segments								
Inside Malaysia	321,304	275,936	129,098	128,464	(159,947)	(157,008)	290,455	247,392
Outside Malaysia	337,947	327,613	-	-	(18,187)	(20,552)	319,760	307,061
Total revenue	659,251	603,549	129,098	128,464	(178,134)	(177,560)	610,215	554,453
Operating profit							64,784	61,147
Finance income							5,843	10,035
Finance costs							(4,928)	(2,813)
Share of loss of associates							(1,789)	(3,938)
Profit before tax							63,910	64,431
Segment assets	1,500,322	1,572,727	174,632	162,695	(350,341)	(394,097)	1,324,613	1,341,325
Investments in associates	6,381	19,266	-	-	(3,183)	(13,172)	3,198	6,094
Total assets	1,506,703	1,591,993	174,632	162,695	(353,524)	(407,269)	1,327,811	1,347,419
Segment liabilities	728,559	822,882	53,801	41,067	(248,820)	(288,823)	533,540	575,126
Capital expenditure								
- Property, plant and equipment	24,669	40,787	295	595	-	(842)	24,964	40,450
Depreciation	28,064	25,553	502	456	-	-	28,566	26,009

32. Financial instruments

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial Assets				
Amortised cost				
Receivables and deposits	199,753	173,336	90,855	101,977
Fixed deposits with licensed banks	61,686	77,224	-	-
Cash and bank balances	123,017	86,954	22,977	2,107
	384,456	337,514	113,832	104,084
Fair Value through Profit or Loss				
Derivative assets	31	-	-	-
Short-term investments	88,269	146,296	11,103	18,550
	88,300	146,296	11,103	18,550
Financial Liabilities				
Other Financial Liabilities				
Loan and borrowings	51,215	62,047	-	-
Payables and accruals	210,799	218,972	2,390	2,214
Provision for warranties	42,600	34,698	-	-
	304,614	315,717	2,390	2,214

32. Financial instruments (continued)

32.2 Gains or losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial Assets				
Amortised cost				
Reversal of impairment on trade receivables	(817)	(15,897)	-	-
(Reversal)/Impairment on other receivables	(670)	774	-	-
Impairment/(reversal) on amount due from associate	1,672	626	(61)	(202)
Reversal of impairment on contract assets	(131)	(361)	-	-
Reversal of impairment on related companies	(587)	(1)	-	-
Impairment/(Reversal) on amount due from subsidiaries	-	-	5,743	(708)
Interest income from deposits with licensed banks	(2,395)	(5,031)	(360)	(732)
Interest income from amount owing by related company	(62)	(63)	(822)	(232)
Interest income arising on financial assets/(liabilities) measured under MFRS 9	(3,386)	(4,941)	(903)	(389)
	(6,376)	(24,894)	3,597	(2,263)
Financial Liabilities				
Amortised cost				
Interest expense on borrowings	2,604	2,249	-	-
Interest expense arising on financial assets/(liabilities) measured under MFRS 9	2,324	564	2,581	508
	4,928	2,813	2,581	508

32.3 Financial risk management

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit, liquidity, interest rate and foreign currency risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from customers.

The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for borrowings granted to subsidiaries.

(i) Risk management objectives, policies and processes for managing the risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

32. Financial instruments (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 to 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables (net of impairment) by geographical region is as follows:

	Group	
	2021 RM'000	2020 RM'000
Asia	88,312	65,266
Africa	64	-
America	5,482	1,381
Australia	7,428	11,395
Europe	22,245	14,407
Middle East	6	2,068
	123,537	94,517

(iii) Assessment of impairment losses

Receivables

The information about the exposure to credit risk and the loss allowance calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2021			
Not past due	58,239	(43)	58,196
Past due 0 - 90 days	44,088	(884)	43,204
Past due 91 -180 days	18,623	(1,103)	17,520
Past due more than 180 days	45,013	(40,396)	4,617
	165,963	(42,426)	123,537
Credit impaired:			
-more than 30 days past due	132,632	(9,095)	123,537
-individually impaired	33,331	(33,331)	-
	165,963	(42,426)	123,537
Contract Assets	147,734	(1,000)	146,734

32. Financial instruments (continued)

(a) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Receivables (continued)

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2020			
Not past due	46,689	(50)	46,639
Past due 0 - 90 days	27,593	(433)	27,160
Past due 91 -180 days	7,970	(1,172)	6,798
Past due more than 180 days	55,375	(41,455)	13,920
	137,627	(43,110)	94,517
Credit impaired:			
-more than 30 days past due	99,513	(4,996)	94,517
-individually impaired	38,114	(38,114)	-
	137,627	(43,110)	94,517
Contract Assets	127,772	(1,130)	126,642

Other receivables

The Group applies the general approach to measuring expected credit losses for the other receivables. Generally, the Group consider the advances to other receivables have low credit risk.

The Group assumes that there is a significant increase in credit risk when the probability of securing that the contract deteriorates significantly. As the Group is able to determine the timing of payments of the other receivables advances when they are payable, the Group considers the advances to be in default when the other receivables are not able to pay when demanded. The Group considers the advances to be credit impaired when the other receivables are unlikely to repay the advances in full.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for the other receivables are summarized below:

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2021			
Low credit risk	19,256	-	19,256
Significant increase in credit risk	1,373	(170)	1,203
	20,629	(170)	20,459
2020			
Low credit risk	11,591	-	11,591
Significant increase in credit risk	1,110	(840)	270
	12,701	(840)	11,861

32. Financial instruments (continued)

(a) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Amount due from subsidiaries and amount due from associates

The Group considers the amount due from subsidiaries and associates to be in default when the subsidiaries and associates were not able to pay when demanded. The Group considers a subsidiary's outstanding balances and an associate's outstanding balances to be credit impaired when the subsidiary and associate are unlikely to repay their loan or advances to the Group in full.

The Group determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount due from subsidiaries and associates are summarised below:

	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
Amount due from subsidiaries			
Company			
2021			
Low credit risk	7,137	-	7,137
Significant increase in credit risk	89,605	(11,021)	78,584
	96,742	(11,021)	85,721
2020			
Low credit risk	57,508	-	57,508
Significant increase in credit risk	45,200	(5,278)	39,922
	102,708	(5,278)	97,430

	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
Amount due from associates			
Group			
2021			
Significant increase in credit risk	71,654	(18,420)	53,234
2020			
Significant increase in credit risk	62,612	(15,840)	46,772

32. Financial instruments (continued)

(a) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Amount due from subsidiaries and amount due from associates (continued)

	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
Amount due from associates			
Company			
2021			
Significant increase in credit risk	6,248	(1,428)	4,820
2020			
Significant increase in credit risk	6,025	(1,489)	4,536

(iv) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to RM 17.2 million (2020 - RM23.4 million) representing the outstanding banking facilities of the subsidiaries as at the end of the financial year.

As at the end of the financial year, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

32. Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity Analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted contractual payment:

Group	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2021				
Secured borrowings				
-Bills payable	2.52	13,860	-	-
-Hire purchase	1.60 - 2.47	11,726	23,799	-
-Bank overdraft	2.50	8,895	-	-
-Term loan	2.21 – 4.68	7,144	8,956	5,209
Unsecured				
-Term loan	2.21	4,164	-	-
-Insurance premium finance	0.96	2,987	-	-
-Payables and accruals		210,799	-	-
		259,575	32,755	5,209
2020				
Secured borrowings				
-Bills payable	2.38 - 3.79	21,558	-	-
-Hire purchase	1.85 - 4.68	13,094	28,335	-
-Bank overdraft	2.50	6,977	-	-
-Term loan	2.00 - 4.59	9,023	14,612	5,873
Unsecured				
-Term loan	2.06	1,239	-	-
-Insurance premium finance	1.10	2,765	-	-
-Payables and accruals		218,972	-	-
		273,628	42,947	5,873

32. Financial instruments (continued)

(b) Liquidity risk (continued)

Maturity Analysis (continued)

Company	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2021			
Unsecured			
Payables and accruals	133	-	-
Financial guarantee	17,246	-	-
	17,379	-	-
2020			
Unsecured			
Payables and accruals	109	-	-
Financial guarantee	23,423	-	-
	23,532	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates that will affect the Group's financial position or cash flows.

(d) Interest rate risk

The Group's interest rate risk arises from its interest bearing financial instruments that could impact fair value and future cash-flow due to fluctuation in market interest rates. Interest rate exposure is managed through the use of fixed and floating rate debts.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

	2021		2020	
Group	Effective interest rate %	Total RM'000	Effective interest rate %	Total RM'000
Financial assets				
Fixed rate instruments				
Deposit placed with licensed banks	1.00 – 3.85	61,686	1.43 - 3.85	77,224
Short-term funds	1.21 – 4.94	88,269	1.46 - 4.94	146,296
		149,955		223,520

32. Financial instruments (continued)

(d) Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Group	2021 Effective interest rate %	2021 Total RM'000	2020 Effective interest rate %	2020 Total RM'000
Financial liabilities				
Fixed rate instruments				
Unsecured insurance premium finance – AUD	0.96	2,987	1.10	2,765
Secured bank overdraft	2.50	8,895	2.50	6,977
Hire purchase payables	1.60 – 2.47	35,525	1.85 - 4.68	41,429
Secured term loan	2.25 – 2.50	13,211	2.00 - 2.25	20,873
Floating rate instrument				
Bills payable	2.38	13,860	2.38 - 3.79	21,558
Secured term loan	4.57 – 4.79	8,098	4.20 - 4.59	8,635
Unsecured term loan	2.21	4,164	2.06	1,239
		86,740		103,476

Company	2021 Effective interest rate %	2021 Total RM'000	2020 Effective interest rate %	2020 Total RM'000
Financial assets				
Fixed rate instruments				
Short-term funds	1.25 – 2.08	11,103	1.82 - 3.27	18,550

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group and the Company's profit after taxation would have decreased by RM198,535 (2020 – RM239,000). A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

32. Financial instruments (continued)

(e) Foreign currency risk

The Group and the Company are exposed to currency risk as a result of transactions that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Australian Dollar ("AUD") and Singapore Dollar ("SGD").

Risk management objectives policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk although the Group does not have a fixed policy to hedge its sales and purchases in forward contracts. The exposure to foreign currency risk of the Group is monitored by the management from time to time. The Group does not hold forward exchange contracts for trading purposes. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. They are entered into with high credit quality financial institutions and monitoring procedures. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

Exposure to foreign currency risk

The Group's exposure to major foreign currency is as follows:

Group	USD RM'000	AUD RM'000	SGD RM'000
2021			
Financial assets	95,030	119,263	12,858
Financial liabilities	(23,236)	(57,491)	(430)
Net financial assets	71,794	61,772	12,428
Less: Net financial liabilities denominated in the respective entities functional currencies	(13,112)	(35,864)	(12,701)
Less: Forward foreign currency contracts (contracted notional principal)	(27,031)	-	(3,249)
Net currency exposure	31,651	25,908	(3,522)
2020			
Financial assets	76,912	107,418	8,117
Financial liabilities	(21,952)	(45,018)	(1,333)
Net financial assets	54,960	62,400	6,784
Less: Net financial liabilities denominated in the respective entities functional currencies	(21,939)	(54,694)	(1,212)
Less: Forward foreign currency contracts (contracted notional principal)	(28,693)	(4,538)	(14,790)
Net currency exposure	4,328	3,168	(9,218)

32. Financial instruments (continued)

(e) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Effects on profit after taxation

	USD RM'000	AUD RM'000	SGD RM'000
2021			
- strengthened by 5%	1,203	984	(134)
- weakened by 5%	(1,203)	(984)	134
2020			
- strengthened by 5%	164	120	(350)
- weakened by 5%	(164)	(120)	350

(f) Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
Group								
2021								
<u>Financial assets</u>								
Short-term funds	88,269	-	-	-	-	-	88,269	88,269
	88,269	-	-	-	-	-	88,269	88,269
2020								
<u>Financial assets</u>								
Short-term funds	146,296	-	-	-	-	-	146,296	146,296
	146,296	-	-	-	-	-	146,296	146,296

33. Related parties

(i) Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

The Group has related party relationships with its holding company, subsidiaries (see Note 7), related companies, associates (see Note 8) and Directors (see Note 26).

The significant related party transaction of the Group and of the Company, other than key management personnel compensation are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Significant transactions with holding company:				
Rental expense payable	1,634	2,846	-	-
Sale of goods and services	(4)	(159)	-	-
Subcontract cost payable	393	1,131	-	-
Share services expenses	2,474	2,000	-	-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Significant transactions with subsidiaries:				
Dividend income receivable	-	-	(51,964)	(43,325)
Rental income receivable	-	-	(1,618)	(2,121)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Significant transactions with related company:				
Purchase of property, plant and equipment	-	50	-	-
Rental expense payable	707	1,436	44	44
Sale of goods and services	(2,429)	(4,496)	-	-
Subcontract cost payable	5,113	-	-	-
Rental income receivable	-	(19)	-	-

33. Related parties (continued)

(i) Identities of related parties (continued)

The significant related party transaction of the Group and of the Company, other than key management personnel compensation are as follows: (continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Significant transactions with associate:				
Interest income receivable	(62)	(63)	(62)	(63)
Sale of goods and services	(6,881)	(9,520)	-	-
Purchase of goods and services	56	246	-	-

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 9 and Note 18 respectively.

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions or expansion plans of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in Group's approach to capital management during the year.

35. Significant event during the financial year

The global pandemic outbreak in the first quarter of 2020 has caused a series of precautionary and movement control measures taken by governments worldwide. This has resulted in material adverse impact to the Group's business activities especially on the crane manufacturing division.

The Group has taken various cost cutting, restructuring measures, adapt business strategy and cautious judgement in the recognition of financial assets. As more countries re-opened their borders in 2021 and ease of movement control measures, this has positive impact to the Group's on-going businesses moving forward.

36. Comparatives

The following figures have been reclassified to conform with the current year's presentation:-

	As Previously Reported RM'000	As Restated RM'000
Statement of financial position:-		
Group		
Non-current liabilities		
Loans and borrowings	48,820	20,485
Payables and accruals	68	-
Hire purchase and lease liabilities	-	28,403
Current liabilities		
Loans and borrowings	54,656	41,562
Payables and accruals	243,591	241,943
Hire purchase and lease liabilities	-	14,742

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 50 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Mac Chung Hui

....

Lee Poh Kwee

Klang, Selangor Darul Ehsan

Date: 11 April 2022

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lee Poh Kwee**, MIA Membership Number: 8033, the Director primarily responsible for the financial management of Favelle Favco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Klang, in Selangor Darul Ehsan on 11 April 2022.

……………………..
Lee Poh Kwee

Before me:

Nadzrul Azali bin Abdul Aziz
Pesuruhjaya Sumpah Malaysia
(No. B548)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Favelle Favco Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition and contract accounting Refer to Note 21 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised.	Our audit procedures included, amongst others: • Read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • Testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements;

Key Audit Matters (Continued)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition and contract accounting Refer to Note 21 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable. In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.	Our audit procedures included, amongst others: (continued) • Assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables and costs incurred on variation orders; • Assessing the reasonableness of percentage of completion by comparing to certification by external parties; • Assessing the estimated profit and costs to completion, adjustments for job costing and potential contract losses; • Performing subsequent event review to support year-end judgements; • Assessing whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards; and • Considering the adequacy of the Group's disclosures in respect of the judgements taken with respect to profit recognition and the key risks relating to these amounts.

Key Audit Matters (Continued)

Recoverability of trade receivables Refer to Note 9 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Trade receivables are a major component of the financial position of the Group. Given the unfavourable macro-economic factors from prolonged weakness in global crude oil prices, the risk of customers becoming insolvent may be high. Accordingly, there is significant judgement involved in the assessment of recoverability of receivables, particularly regarding estimation of future cash collection and in calculating allowance for doubtful debts.	Our audit procedures included, amongst others: • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Enquiring with management on project/receivables status for major customers; • Reviewing collections and sales trends during the financial year for major receivables; and • Reviewing management's basis of estimation on the adequacy of the Group's allowance for impairment losses on trade receivables.

Inventories – Inventories under Work-In-Progress Refer to Note 12 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Inventories are a major component of the financial position of the Group. The unfavourable macro-economic factors from prolonged weakness in global crude oil prices have impacted the demand of cranes which might lead to slow moving stocks. Accordingly, significant judgement is required in the assessment on write-down of slow moving stocks.	Our audit procedures included, amongst others: • Reviewing whether inventories are carried at the lower of costs and net realisable value; and • Assessing adequacy of writedown of inventories.

Key Audit Matters (Continued)

Goodwill impairment Refer to Note 5 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
As at 31 December 2021, the Group has goodwill of RM71.183 million for the acquisition of the Intelligent Automation Group. This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing. The judgement in relation to goodwill impairment relates primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.	Our audit procedures included, amongst others: • Making enquiries and challenging the management on the key assumptions made, including the consistent application of management's methodology, the achievability of the business plans, assumptions in relation to terminal growth in the business at the end of the plan period, and revenue growth, operating margin and discount rates; • Evaluating the reasonableness of the management's estimate of expected future cash flows by taking into consideration the past performance of the Intelligent Automation Group; • Performing sensitivity analysis to assess the impact on the recoverable amount of the cash generating units; and • Reviewing the adequacy of disclosure of goodwill in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report to the Members of Favelle Favco Berhad

Cont'd

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Ung Voon Huay
03233/09/2022 J
Chartered Accountant

Kuala Lumpur
11 April 2022

Group Properties
as at 31 December 2021

No.	Location	Description/ Existing Use	Year of Valuation/ Acquisition	Tenure/ Expiry Date	Land Area	Age of Building	Carrying Value RM'000
1.	4 Mile East, FM 106, Port of Harlingen, Harlingen, Texas, 78551-3049 USA.	Office building cum manufacturing plant	1997	Leasehold expiry 2031	17.826 acres	23 years	1,966
2.	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan.	Factory building with office block	2017#	Freehold	68,846 sq.m.	16 years	38,580
3.	7AL, Nordkranvej, 2 3540, Lynge DK Denmark.	Factory building with office block	2017#	Freehold	59,525 sq.m.	51 years	15,786
4.	PN4072 Lot 3683 & PN4073 Lot 3684 Mukim of Teluk Kalung, District of Kemaman, Terengganu Darul Iman.	Factory building with office block	2010	Leasehold expiry 2057	4,007 sq.m.	7 years	2,763
5.	28, Yarrunga Street, Preston, NSW 2170, Australia.	Office building and factory	2017#	Freehold	11.6 acres	51 years	54,672
6	No.10-G, No.10-H, No.10-E, Jalan Sapir 33/7 Alam Premier Industrial Park, Section 33 40400 Shah Alam, Selangor Darul Ehsan.	Factory building with office block	2018#	Freehold	1.964 sq.m 2,228 sq.m. 2,070 sq.m.	5 years 5 years 5 years	4,190 4,893 4,618
					Total properties		127,468

Note:
Year of Valuation

Analysis of Shareholdings

as at 29 March 2022

Share Capital

Total number of issued shares	:	230,867,763
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Distribution of shareholdings of ordinary shares

Size of Holdings	No of holders*[1]	% of holders*[1]	No. of shares held*[1]	% of issued capital*[1]
Less than 100	219	4.948	1,617	0.001
100 to 1,000	1,268	28.649	839,128	0.366
1,001 to 10,000	2,248	50.791	9,834,713	4.285
10,001 to 100,000	590	13.330	17,497,770	7.623
100,001 to 11,476,137*[2]	99	2.237	62,154,192	27.080
11,476,138*[3] and above	2	0.045	139,195,343	60.645
TOTAL	**4,426**	**100.000**	**229,522,763**	**100.000**

Notes:

* 1. Excluding a total of 1,345,000 shares purchased by the Company and retained as treasury shares as at 29 March 2022.
2. Less than 5% of issued shares.
3. 5% and above of issued shares.

Directors' shareholdings as per the Register of Directors' Shareholdings

Name of Directors	Direct interests (no. of shares)	% of issued capital[8]	Indirect/ Deemed interest (no. of shares)	% of issued capital[8]
1. Tan Sri A. Razak bin Ramli	300,000	0.131	800[1]	-[2]
2. Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000[3]	0.131	-	-
3. Mac Chung Hui	3,842,000[4]	1.674	-	-
4. Mac Ngan Boon @ Mac Yin Boon	10,842,913[5]	4.724	142,487,143[6]	62.080
5. Lee Poh Kwee	1,715,000[7]	0.747	-	-
6. Mazlan bin Abdul Hamid	3,216,800	1.402	-	-

Notes:

1. Deemed interest pursuant to Section 59(11)(c) of the Companies Act, 2016 (" the Act"), held through his spouse and children.
2. Less than 0.001%.
3. Shares held through AllianceGroup Nominees (Tempatan) Sdn Bhd.
4. Certain shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd.
5. Certain shares held through RHB Capital Nominees (Tempatan) Sdn Bhd and HLB Nominees (Tempatan) Sdn Bhd.
6. Deemed interest pursuant to Section 8 of the Act by virtue of his substantial interests in MEB and the shares held by his wife and children pursuant to Section 59(11)(c) of the Act.
7. Shares held through HLB Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd.
8. Excluding a total of 1,345,000 shares purchased by the Company and retained as treasury shares as at 29 March 2022.

Shares in related corporation

There is no change in the deemed interest of directors in related corporation as disclosed in the Directors' Report for the year ended 31 December 2021 from pages 45 to 47 of this Annual Report.

Options in the Company

There is no change in the share options held by the Directors in the Company as disclosed in the Directors' Report for the year ended 31 December 2021 on page 46 of this Annual Report.

Substantial Shareholdings as per the Register of Substantial Shareholders

Name	Direct interests (no. of shares)	% of issued capital[3]	Deemed interest (no. of shares)	% of issued capital[3]
1. Muhibbah Engineering (M) Bhd	140,784,343	61.322	-	-
2. Mac Ngan Boon @ Mac Yin Boon	10,842,913[1]	4.724	140,784,343[2]	61.322

Notes:
1. Certain shares held through RHB Capital Nominees (Tempatan) Sdn Bhd and HLB Nominees (Tempatan) Sdn Bhd.
2. Deemed interest pursuant to Section 8 of the Act by virtue of his substantial interests in MEB.
3. Excluding a total of 1,345,000 shares purchased by the Company and retained as treasury shares as at 29 March 2022.

List of thirty (30) largest shareholders

No.	Name of Shareholders	No. of Shares held	% of issued capital*
1	Muhibbah Engineering (M) Bhd	98,000,000	42.697
2	Muhibbah Engineering (M) Bhd	41,195,343	17.948
3	Aminah binti Mohd Taib	5,368,500	2.339
4	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	5,264,000	2.293
5	Mac Chung Hui	3,742,000	1.630
6	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,716,100	1.619
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	3,618,000	1.576
8	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mazlan Bin Abdul Hamid	2,942,800	1.282
9	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noriyati binti Hassan	2,406,000	1.048
10	Harmony Effective Sdn Bhd	2,180,000	0.950
11	Neoh Choo Ee & Company, Sdn. Berhad	1,530,000	0.667
12	Muhibbah Engineering (M) Bhd	1,436,200	0.626

Analysis of Shareholdings as at 29 March 2022
Cont'd

List of thirty (30) largest shareholders (cont'd)

No.	Name of Shareholders	No. of Shares held	% of issued capital*
13	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	1,435,000	0.625
14	Mac Ngan Boon @ Mac Yin Boon	1,360,913	0.593
15	Ooi Sen Eng	1,356,000	0.591
16	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Shenandoah Chong Shin Kwek	1,270,000	0.553
17	Teo Chang Hock	1,225,000	0.534
18	OREC Engineering Holdings Pty Ltd	900,000	0.392
19	JcbNext Berhad	806,800	0.352
20	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd	781,700	0.341
21	Teoh Yong Churn	718,600	0.313
22	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	700,000	0.305
23	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	600,000	0.261
24	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	600,000	0.261
25	Lim Swee Pheng	594,346	0.259
26	Liew Yoon Yee	585,000	0.255
27	Yap Eng Jin	585,000	0.255
28	Lee Lin Tuan	580,446	0.253
29	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Yoong Kah Yin	550,000	0.240
30	Tew Siew Chong	520,000	0.227
		186,567,748	**81.285**

Note:
* Excluding a total of 1,345,000 shares purchased by the Company and retained as treasury shares as at 29 March 2022.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirtieth Annual General Meeting ("**AGM**") of Favelle Favco Berhad ("**FFB**" or the "**Company**") will be held as a fully virtual meeting entirely through live streaming from the online meeting platform on **Wednesday, 22 June 2022 at 10.30 a.m.** using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online, for the purpose of considering and if thought fit, passing the following resolutions:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon. — Please refer to Explanatory Note 1

2. To approve the declaration of a first and final tax exempt dividend of 8.0 sen per ordinary share in respect of the financial year ended 31 December 2021. — Resolution 1

3. To re-elect the following Directors who retire pursuant to Article 85 of the Constitution of the Company:-

   (i) Encik Mazlan Bin Abdul Hamid; — Resolution 2
   (ii) Encik Sobri Bin Abu; and — Resolution 3
   (iii) Ms. Lee Poh Kwee. — Resolution 4

4. To approve the payment of Directors' fees and benefits payable up to an amount of RM1,000,000.00, from 23 June 2022 until the next AGM of the Company. — Resolution 5

5. To re-appoint Messrs Crowe Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 6

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions :-

6. **Ordinary Resolution**
   Retention of Independent Directors

   "**THAT** the following Directors who have each served for more than twelve (12) years to retain as Independent Directors of the Company:-

   (i) Tan Sri A. Razak Bin Ramli; and — Resolution 7
   (ii) Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor. — Resolution 8

7. **Ordinary Resolution**
Proposed Renewal of Authority for Share Buy-Back Resolution 9

"**THAT** subject to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act 2016 ("the Act"), and the Constitution of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company through Bursa Securities ("Proposed Share Buy-Back"), as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :-

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued share capital of the Company at any point in time; and

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until :-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner :-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

8. **ORDINARY RESOLUTION**
Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature Resolution 10

"**THAT** subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.1.2 of the Statement/Circular to Shareholders ("Circular") dated 27 April 2022 provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

THAT the Proposed Shareholders' Mandate conferred by this resolution shall continue to be in force until:-

a) the conclusion of the next AGM of the Company at which time it will lapse, unless by ordinary resolution passed at the next AGM, the Proposed Shareholders' Mandate is renewed; or

b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

c) revoked or varied by an ordinary resolution passed by the Company's shareholders in a general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

TEW SIEW CHONG (SSM PC No. 202008003861) (MIA 20729)
IRENE CHOE MEE KAM @ IRENE CHOW MEE KAM (SSM PC No. 202008003930) (MIA16775)
TIA HWEI PING (SSM PC No. 202008001687) (MAICSA 7057636)
Company Secretaries

Selangor Darul Ehsan
27 April 2022

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 60(d) or (e) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 15 June 2022 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes :-

1. *As part of the initiatives to curb the spread of COVID-19 and Government of Malaysia's official guidance on social distancing, the AGM of the Company will be conducted on a fully virtual basis where shareholders are only allowed to attend, participate, speak and vote remotely through live streaming from the online meeting platform using the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the AGM available at the Company's website at http://www.favellefavco.com/ or Bursa Malaysia Securities Berhad's website at https://www.bursamalaysia.com on registration, participation, speaking and voting remotely at the AGM.*

2. *The conduct of a fully virtual AGM is in line with the Guidance Note and Frequently Asked Questions ("the Revised Guidance Note and FAQ") by the Securities Commission of Malaysia on 7 April 2022.*

3. *In respect of deposited securities, only members whose names appear on the Record of Depositors as at 15 June 2022 shall be entitled to attend, participate, speak and vote or appoint proxy(ies) to attend, participate, speak and vote remotely on his behalf at the AGM.*

4. *A member entitled to attend, participate, speak and vote remotely at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote remotely in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.*

5. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

7. *The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the AGM:*
   i. *In hardcopy form*
      The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
   ii. *By electronic means*
      The Proxy Form can be electronically lodged with the Company's Share Registrar via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the AGM on the appointment and registration of proxy for the AGM.

8. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

9. *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:*

   i. *If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.*
   ii. *If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, resolutions set out in this Notice will be put to vote by way of poll.*

Explanatory Notes to the Agenda

1. **Audited Financial Statements for the Financial Year Ended 31 December 2021**
   The Audited Financial Statements in Agenda 1 is intended for discussion only as the provision of the Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

2. **Resolutions 2, 3 and 4: Re-election of Directors**
   The profiles of the Directors who are standing for re-election under item 3 of this Agenda are set out in the Board of Directors' profile of the Annual Report 2021.

   Based on the recommendation of the Nominating Committee, the Board is satisfied with the performance and contributions of the following Directors and supports the re-election based on the following justifications:

   (a) Re-election of Encik Mazlan Bin Abdul Hamid as Executive Director
   In accordance with Article 85 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next Annual General Meeting of the Company and shall then be eligible for re-election. Encik Mazlan Bin Abdul Hamid, who was appointed as a Director of the Company on 17 May 2004, retires pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the 30th Annual General Meeting.

   Shareholders' approval is sought for the re-election of Encik Mazlan Bin Abdul Hamid, Ordinary Resolution 2. The profile of Encik Mazlan Bin Abdul Hamid listed in the Profile of Directors section.

   (b) Re-election of Encik Sobri Bin Abu as Independent Non-Executive Director
   In accordance with Article 85 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next Annual General Meeting of the Company and shall then be eligible for re-election. Encik Sobri Bin Abu, who was appointed as a Director of the Company on 15 May 2014, retires pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the 30th Annual General Meeting.

   Shareholders' approval is sought for the re-election of Encik Sobri Bin Abu, Ordinary Resolution 3. The profile of Encik Sobri Bin Abu listed in the Profile of Directors section.

   (c) Re-election of Ms Lee Poh Kwee as Group Finance Director
   In accordance with Article 85 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next Annual General Meeting of the Company and shall then be eligible for re-election. Ms Lee Poh Kwee, who was appointed as a Director of the Company on 24 January 2003, retires pursuant to Article 85 of the Company's Constitution and being eligible, has offered herself for re-election at the 30th Annual General Meeting.

   Shareholders' approval is sought for the re-election of Ms Lee Poh Kwee, Ordinary Resolution 4. The profile of Ms Lee Poh Kwee listed in the Profile of Directors section.

3. **Resolution 5 : Approval for payment of Directors' fees and benefits**
Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the forthcoming Thirtieth Annual General Meeting on the Directors' fees and benefits under Resolution 5. The Director' benefits comprise meeting allowances, travelling allowances and other benefits such as directors' and officers' liability insurance.

4. **Resolutions 7 & 8 : Approval pertaining to the Continuation of Terms of Office as Independent Director**
The Board of Directors has vide the Nominating Committee conducted an assessment of independence of the following directors who have each served as Independent Director for a cumulative term of more than twelve (12) years and recommended them to continue to act as Independent Directors based on the following justifications:

(i) Tan Sri A. Razak Bin Ramli; and
(ii) Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor.

<u>Justifications</u>

(a) They have met the independence criteria set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and are therefore, they would be able to give independent opinion to the Board;
(b) Being directors for more than twelve (12) years have enabled them to contribute positively during deliberations/ discussions at meetings as they are familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;
(c) They have contributed sufficient time and exercised due care during their tenure as Independent Directors;
(d) They have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;
(e) They have vigilantly safeguarded the interests of the minority shareholders of the Company;
(f) They have the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner;
(g) They have never compromised on their independent judgement;
(h) They have provided objective views on the performance of the Executive Director and Management in meeting the agreed goals and objectives; and
(i) They have ensured that there were effective checks and balances in Board proceedings.

5. **Resolution 9: Proposed Renewal of Authority for Share Buy-Back**
For Resolution 9, the detailed information on the Proposed Renewal of Authority for Share Buy-Back Authority is set out in the Statement/Circular to Shareholders dated 27 April 2022.

6. **Resolution 10: Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**
For Resolution 10, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 27 April 2022.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FAVELLE FAVCO BERHAD

Registration No.: 199201017739 (249243-W) **(Incorporated in Malaysia)**

Number of Shares Held	CDS Account Number

PROXY FORM

*I/*We ____

(Full Name as per NRIC/Certificate of Incorporation in Capital letters)

NRIC No. /Passport No. /Company No. ____

of ____

(Full Address)

being a member/members of **FAVELLE FAVCO BERHAD ("the Company"),** hereby appoint Mr/Ms ____________________

______________________________ NRIC No. /Passport No. ____________________

of ____

(Full Address)

with Email Address ______________________________ Mobile No. ____________________

AND Mr/Ms ____

NRIC No. /Passport No. ____

of ____

(Full Address)

with Email Address ______________________________ Mobile No. ____________________

OR failing whom, the Chairman of the Meeting as *my/*our proxy/proxies to participate, speak and to vote remotely for *me/*us on *my/*our behalf at the Thirtieth Annual General Meeting of the Company which will be held as a fully virtual meeting entirely through live streaming from the online meeting platform using Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online on Wednesday, 22 June 2022 at 10.30 a.m. and at any adjournment thereof.

The Proportions of *my/*our holding to be represented by *my/*our proxies are as follows :

Proxy 1	%	Proxy 2	%	100%

*My/*Our proxy(ies) is/are to vote as indicated below :-

Resolution No.	Ordinary Business :	For	Against
1.	To approve the declaration of a first and final tax exempt dividend of 8.0 sen per ordinary share.		
2.	To re-elect Encik Mazlan Bin Abd Hamid as Director of the Company.		
3.	To re-elect Encik Sobri Bin Abu as Director of the Company.		
4.	To re-elect as Ms. Lee Poh Kwee Director of the Company.		
5.	To approve the payment of Directors' Fees and benefits payable of RM1,000,000.00 from 23 June 2022 until the next Annual General Meeting.		
6.	To re-appoint Messrs Crowe Malaysia PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	Special Business :		
7.	To retain Tan Sri A. Razak Bin Ramli as an Independent Non-Executive Director.		
8.	To retain Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor as an Independent Non-Executive Director.		
9.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
10.	To approve the Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2022

[*Delete if not applicable]

....

[Signature/Common Seal of Shareholder(s)]

Notes:

1. As part of the initiatives to curb the spread of COVID-19 and Government of Malaysia's official guidance on social distancing, the AGM of the Company will be conducted on a fully virtual basis where shareholders are only allowed to attend, participate, speak and vote remotely through live streaming from the online meeting platform using the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the AGM available at the Company's website at http://favellefavco.com/ or Bursa Malaysia Securities Berhad's website at https://www.bursamalaysia.com on registration, participation, speaking and voting remotely at the AGM.
2. The conduct of a fully virtual AGM is in line with the Guidance Note and Frequently Asked Questions ("the Revised Guidance Note and FAQ") by the Securities Commission of Malaysia on 7 April 2022.
3. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 15 June 2022 shall be entitled to attend, participate, speak and vote or appoint proxy(ies) to attend, participate, speak and vote remotely on his behalf at the AGM.
4. A member entitled to attend, participate, speak and vote remotely at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote remotely in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
5. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the AGM:
   i. <u>In hardcopy form</u>
   The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
   ii. <u>By electronic means</u>
   The Proxy Form can be electronically lodged with the Company's Share Registrar via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the AGM on the appointment and registration of proxy for the AGM.
8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
9. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
   i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
   ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, resolutions set out in this Notice will be put to vote by way of poll.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Affix
Stamp
Here

FAVELLE FAVCO BERHAD
199201017739 (249243-W)

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia