FAVELLE FAVCO

Annual Report

2022

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

Dato' Sri Khazali bin Haji Ahmad
(Chairman, Senior 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)

Anuar bin Abd Rahman
(Independent Non-Executive Director)

Audit Committee

Sobri bin Abu *(Chairman)*
Dato' Sri Khazali bin Haji Ahmad
Anuar bin Abd Rahman

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

Offshore Crane, North Malay Basin, Malaysia

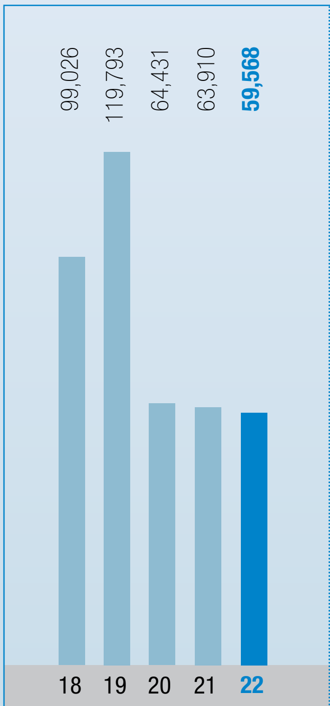
Tower Crane, Queen St Wharf Brisbane, Australia

Tower Crane, Wind Turbine Column Installation, Finland

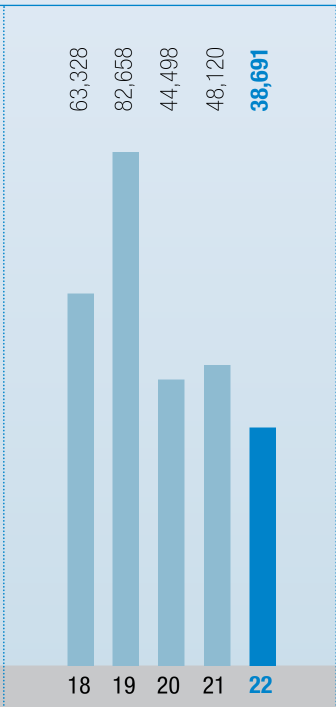
Contents

Group Financial Highlights

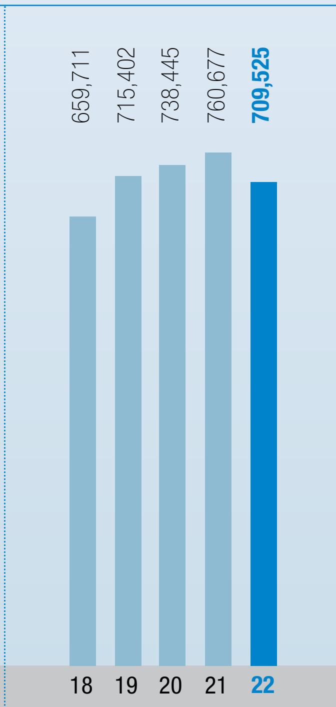
	2018	2019	2020	2021	2022
Turnover (RM'000)	530,590	687,994	554,453	610,215	**594,773**
Profit Before Tax (RM'000)	99,026	119,793	64,431	63,910	**59,568**
Profit After Tax Attributable to Shareholders of the Company (RM'000)	63,328	82,658	44,498	48,120	**38,691**
Total Equity Attributable to Owners of the Company (RM'000)	659,711	715,402	738,445	760,677	**709,525**
Share Capital (RM'000)	155,170	162,745	162,983	162,983	**194,988**
Basic Earnings Per Ordinary Share (Sen)	28.60	37.18	19.87	21.52	**16.76**
Net Assets Per Ordinary Share (RM)	2.98	3.20	3.30	3.42	**3.04**



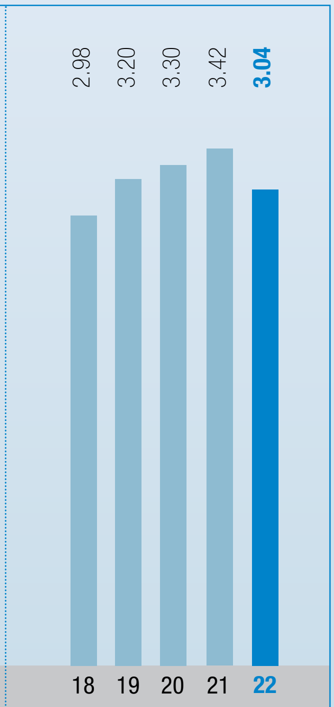
Profit Before Tax
(RM'000)



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 2023

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% **SEDIA TEGUH SDN BHD** (MALAYSIA)
- 70% **STRATA NIAGA SDN BHD** (MALAYSIA)
  - 51% **STRATA NIAGA (B) SDN BHD** (BRUNEI)

* Dormant companies are excluded from the above Group Structure

Management Discussion and Analysis

Market Review and Strategies

The year 2022 was a year that started full of hope. Whilst we were continuing to see the Omicron variant of Covid continue to spread, the severity of the virus no longer warranted physical lockdowns. As such, for the first time since the pandemic started, the economic activity in our key markets were not heavily impacted.

Unfortunately, early in the year, the Russia-Ukraine war caused a large disruption to the global economy. The war unleashed a sudden wave of cost push inflation that we are still seeing the effects of up until today.

The initial market reaction of our customers was to wait and see and review all costings of their projects due to the cost increases during the year. This caused quite a long period of inactivity and order intake initially.

The oil and gas market saw oil prices rise substantially, allowing oil operators to review their projects and eventually approve their investments towards the end of 2022.

The construction market stayed active during the year. Our dealer network stayed very active in the rental market. However, ordering activity for new equipment was not as buoyant.

Review and discussion of financial results

We reported a full year's revenue of RM595 million for 2022 compared to RM610 million for 2021 representing a 2.5% decrease in revenue. The Intelligent Automation Group posted a revenue of RM149 million whilst the crane division posted a revenue of RM446 million.

The combined results provided a Profit After Tax attributable to owners of the Company of RM39 million in 2022 as compared to RM48 million in 2021 representing a 18.75% decrease.

Recovery Crane, PNB 118, Malaysia

Tower Crane, Footscray Hospital, Australia

The results were primarily impacted by the cost inflation and supply chain disruptions that resulted from the Russia-Ukraine War as well as reduced output from Covid disruptions.

We had declared an interim dividend of 85 sen and have proposed a final dividend of 4 sen per share for 2022.

Capex requirements and treasury commentary

For several years, we have been on the lookout for acquisition targets in order to utilise our cash holdings. Unfortunately, no large suitable acquisitions came to fruition in recent times.

As such, during the year, we assessed the efficiency of our use of capital and deemed that we were able to pay out to shareholders the cash in our holding to be more effectively used. After paying out the interim dividend of 85 sen per share during the year, our balance sheet remains strong and liquid.

Furthermore, our ability to seek acquisitions is not diminished as we are able to continue to fund these targets via loan financing. So, our strategic goal of continuing to find growth through acquisitions remains intact.

This was further exhibited by our purchase of a company named Strata Niaga Sdn Bhd during the year. Strata Niaga Sdn Bhd is involved in supplying equipment to both the oil and gas sector as well as the electrical sector.

Cranes division

Whilst we did not encounter any lockdown of any of our factories during the year, we did have disruptions from spreading infections and supply chain disruptions resulting in lower output from the factories. This was not unique to us, and many suppliers globally faced the same challenges.


Offshore Cranes, Exxonmobil Marlin B Oil and Gas Platform, Australia

The main challenge of the year would have been the sudden increase in costs of our components and shipping of the cranes due to the Russia-Ukraine war.

Nevertheless, the team did a formidable job to try and mitigate some of these costs. Whilst it was not possible to fully mitigate them, the team put in place many initiatives to take out as much design and production costs as possible. This would certainly place us in a better position moving forward once everything settles down.

During the year, we made good progress on building our biggest crane. The PC1200 is capable of lifting 1200 tonnes and we are certainly confident that we can manufacture more of these large machines for the offshore and onshore wind turbine markets.

Additionally, we completed an innovative tower crane climber which will be the first in the world to have articulated legs which can climb off building columns. This will be well accepted in various key markets.


TR190 Factory Acceptance Test in Factory


Spider Climber, innovative tower crane climber

Management Discussion and Analysis

Cont'd

Intelligent Automation

The Exact Automation Group saw an increase in revenue as the maintenance activity in the oil and gas industry recovered in line with oil prices.

Remote operations have become a prime focus for oil and gas end users. We have been deploying various new emerging technology in IR 4.0 such as cloud, analytics at the edge and these technologies can be utilized to reduce OPEX. Whether it is reduction in logistic cost, reduced recovery time, reduced mean time to repair (MTTR), preventing a catastrophic failure which cause huge losses in downtime or increased first time fix rate, all these factors contribute to effectiveness in operation and significant savings in OPEX.

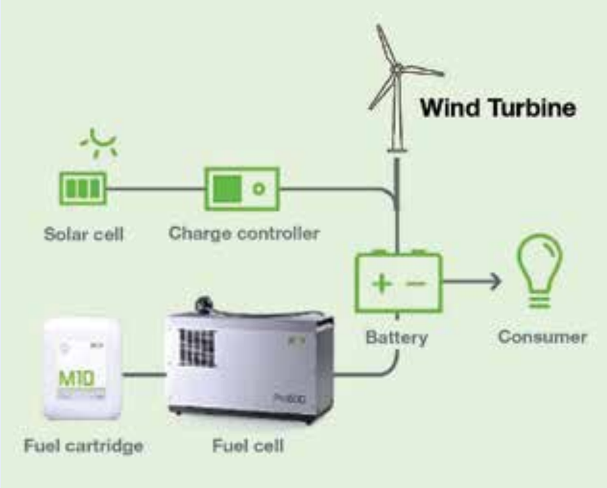
In this pursuit, we have deployed various platforms to cater for a complete autonomous remote operation, moving towards preventive maintenance and adopting new habits in maintaining assets. Our customers have benefitted immensely in reduction of maintenance cost and manhours as well as better cybersecurity with defence-in-depth architecture.

In search of new businesses, Exact Automation has started offering Fuel Cells whereby the only by-product is water, heat and very small traces of carbon dioxide which is significantly lower than conventional generators. These offerings complement our solar wind turbine systems in a push towards increasing our expertise in ESG related systems.

Additionally, we supplied more than 100 units of gas detectors capable of detecting combustible gas, ammonia and carbon monoxide as part of a replacement program for a maintenance package.

As we continued to deliver more IR4.0 systems, we were awarded a project for an Alarm Management System (AMS) for 15 upstream assets operated by PTTEP in Malaysia. The AMS is an essential tool for performance benchmarking across operating fields, aggregating alarm analytics, reporting, alarm rationalization, and metrics to identify problem areas and drive improvements in compliance with process safety standards.

One of the key highlights is the acquisition of Strata Niaga Sdn Bhd. This acquisition positions the Company to diversify into the electrical power sector besides the oil and gas sector. Based on the track record of Strata Niaga Sdn Bhd, the company has supplied over 2,093 units of portable test equipment over a 6-year period. In year 2022 alone, about 625 units of portable test equipment were supplied to Tenaga Nasional Bhd (TNB) in line with the country moving ahead to replace electricity meters with smart meters.



Fuel Cells, Offshore Platforms, Malaysia

Solar and Wind Hybrid Renewable Power System, TIMI Gas Field, Malaysia

Solar Panel, Factory in Klang, Malaysia

Offshore Crane on Khalifa

Offshore Crane, Factory Acceptance Test in Senawang, Malaysia

Current Challenges and Risks

The world's banking interest rates have been on a steady march upwards. As such, we expect that some of the major economies may see a slowdown.

We have been witnessing tensions in the financial markets with several bank closures in the USA and unease in European banks. It remains to be seen how this financial stress will pan out into the general economy.

Whilst we are no longer seeing the sudden significant increase in costs in 2022, we continue to foresee a continued level of cost inflation in our ecosystem. We are seeing further impacts from the increase in minimum wage and electricity rates going up, and foresee other cost increases coming to Malaysia.

Future Expectations

Our base case is that we view an uneven recovery globally in 2023. The main cloud hanging over our heads are tensions in the financial sector.

On the other hand, we have many positives to look forward to. The pandemic is now mostly behind us, and all economies are opening up, including China. This bodes well for Asian and Australian markets.

Oil prices have recovered and investment in oil and gas markets have been much better in line with these increased oil prices. Furthermore, as trade continues to ramp up and recover, shipyards are seeing increased order books and are therefore investing in their yard equipment.

We are therefore hopeful of our orders increasing moving forward in line with this global recovery.

Managing Director/Chief Executive Officer

Profile of Directors

Dato' Sri Khazali bin Haji Ahmad

Aged 68, Male, Malaysian

(Chairman, Senior Independent Non-Executive Director)

Chairman of the Remuneration Committee and Nominating Committee, 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 Favelle Favco Berhad ("FFB") on 16 April 2018. He has been re-designated as Chairman, Senior Independent Non-Executive Director on 4 July 2022 and appointed as Chairman of Remuneration Committee and Nominating Committee on 21 September 2022. He is also an Independent Non-Executive Director of Muhibbah Engineering (M) Bhd ("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 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 an Executive Director of Cuscapi Berhad and Independent Director and Audit Committee member of MEB and Shangri-La Hotels (Malaysia) Berhad. He is also the Chairman of the Nomination and Remuneration Committee in MEB and Shangri-La Hotels (Malaysia) Berhad.

Mac Chung Hui

Aged 44, 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-two (22) years.

Mac Ngan Boon @ Mac Yin Boon

Aged 79, 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 57, 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 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-eight (28) years.

Mazlan bin Abdul Hamid

Aged 60, 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 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 70, 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.

Anuar bin Abd Rahman

Aged 62, Male, Malaysian

(Independent Non-Executive Director)

Member of the Audit Committee, Remuneration Committee and Nominating Committee

Anuar bin Abd Rahman was appointed as an Independent Non-Executive Director and member of the Audit Committee, Remuneration Committee and Nominating Committee of FFB on 21 September 2022.

He graduated with a Masters Degree in Business & Administration from Universiti Teknologi MARA and obtained a Diploma in Petroleum & Natural Gas Engineering from Universiti Teknologi Malaysia.

Anuar bin Abd Rahman has over 30 years of experience in the Oil and Gas Industry, both at the domestic and international arenas. He started his working career with Ranhill Fluor Sdn Bhd, providing engineering services and project management team for the domestic oil & gas industry prior to joining PETRONAS in 1991. Among projects he was involved in were SMDS Bintulu for Shell Malaysia, Esso Refinery product pipeline to Malaysian Carbon in Port Dickson, LPG Gas Reticulation for housing estates in Kuala Lumpur and Johor, and the expansion of Famco Oil Mill Plant in Penang. While in Petronas he held various Technical and Managerial positions locally and at their international outfits, including as General Manager in Petronas' JV company with Pertamina (Indonesia), with PTTEP (Thailand) and PVEP (Vietnam). He was seconded as Manager, Pipeline Operation to Petronas JV Co (Sudan), Greater Nile Petroleum Operating Co. Ltd. He has wide experience in the Detailed design and construction of various types of oil & gas facilities and was directly in charged of the Production Operations and maintenance of assets. Prior to his retirement from Petronas in 2021, he was the Managing Director/Chief Executive Officer of EPOMS, a Petronas Carigali subsidiary company.

Profile of Key Senior Management

Tew Siew Chong

Aged 54, 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, Director of Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd and Sedia Teguh Sdn Bhd in July 2018 and Director of Strata Niaga Sdn Bhd in October 2022. 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 68, 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

61, 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 54, 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 54, 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 57, 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 43, Male, Malaysian

Jack Lee Wai Meng was appointed as General Manager of FFM on 1 January 2021. As General Manager of FFM, 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 company's external auditors for the financial year ended 31 December 2022 were as follows:

	Group RM'000	Company RM'000
Audit services	243	66
Non-audit services - Tax compliance and advisory	20	20

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 2022 or entered into since the end of the previous financial year ended 31 December 2021.

4. Recurrent Related Party Transactions

At the Annual General Meeting held on 22 June 2022, 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 27 April 2022.

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 2022 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 2022 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	5,790
		# 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	7
		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	2,547

Other Information

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Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2022 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	-
		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

Corporate Governance Overview Statement

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 2022.

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 seven (7) members, comprising three (3) 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(1) of the MMLR of Bursa Securities.

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 2022
Tan Sri A. Razak bin Ramli *(Retired on 22 June 2022)*	2/2^
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor *(Retired on 22 June 2022)*	2/2^
Dato' Sri Khazali bin Haji Ahmad	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
Anuar bin Abd Rahman *(Appointed on 21 September 2022)*	1/1^

^ *Reflects the number of meetings held during the period the Director held office*

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 2022 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 Committees 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)*
Dato' Sri Khazali bin Haji Ahmad	Member *(Senior Independent Non-Executive Director)* (Re-designated as Senior Independent Non-Executive Director on 4 July 2022)
Anuar bin Abd Rahman	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 under review.

A report detailing the membership, attendance, roles 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
Dato' Sri Khazali bin Haji Ahmad	Chairman *(Senior Independent Non-Executive Director)* (Re-designated as Senior Independent Non-Executive Director on 4 July 2022)
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Anuar bin Abd Rahman	Member *(Independent Non-Executive Director)*

The Nominating Committee met once during the financial year 2022. 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 and its committees as whole, 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 the 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 is 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
Dato' Sri Khazali bin Haji Ahmad	Chairman *(Senior Independent Non-Executive Director)* (Re-designated as Senior Independent Non-Executive Director on 4 July 2022)
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Anuar bin Abd Rahman	Member *(Independent Non-Executive Director)*

The Remuneration Committee met once during the financial year 2022. 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 their fees.

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 is 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.

Following the amendments made to the MMLR of Bursa Securities, the Board had on 31 May 2022 adopted a Directors' Fit and Proper Policy which set out the approach, guidelines and procedures to ensure that a formal, rigorous and transparent process is adhered to for the appointment, re-appointment and/or re-election of the Directors of the Company. The said policy is available on the Company's corporate website.

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 three (3) 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.

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 have 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.

Corporate Governance Overview Statement

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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 included 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
Energy Efficiency - The Real-World Possibilities	TEEAM
Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	Bursa Malaysia
Key Amendments to Listing Requirements 2022	CKM Advisory Sdn Bhd
Phillip Capital 12th Investment Conference 2022 - Investment Strategies in a VUCA World	Malaysian Financial Planning Council (MFPC)
Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	Bursa Malaysia
Global CFO Forum 2022	Corporate World Intelligence
Invest Malaysia Kuala Lumpur 2022: Pivoting for the Future-Series 2: The Road to EV	Macquarie/Bursa Malaysia
ESG and Climate Trends to Watch for in 2023	Malaysian Investor Relations Association (MIRA)
ESG Phase 1 Project Update - Introduction To ESG And Climate	Bank Islam Malaysia Berhad
Fundamental Disruption of Assets Management And Securities	Bank Islam Malaysia Berhad
Introduction To Metaverse	Bank Islam Malaysia Berhad
Domestic Investment Seminar 2022	MIDA
Mandatory Accreditation Programme	ICDM

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 Directors	1,435	192	1,446	3,073
Non-Executive Directors	-	157	49	206
Total	1,435	349	1,495	3,279

Other Related Companies (within FFB Group)

	Salaries RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Directors	-	84	10	94
Non-Executive Directors	-	23	1	24
Total	-	107	11	118

	Remuneration Received from The Company RM'000	Remuneration Received from Other Related Companies RM'000
Executive Directors		
Mac Chung Hui	1,101	31
Mac Ngan Boon @ Mac Yin Boon	551	16
Lee Poh Kwee	439	17
Mazlan bin Abdul Hamid	982	30
Independent Non-Executive Directors		
Tan Sri A. Razak bin Ramli (Retired on 22 June 2022)	32	11
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor (Retired on 22 June 2022)	29	-
Dato' Sri Khazali bin Haji Ahmad	60	-
Sobri bin Abu	66	13
Anuar bin Abd Rahmand (Appointed on 21 September 2022)	19	-
Total	3,279	118

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.

Corporate Governance Overview Statement

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PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("**AC**") comprises three (3) members who are Independent Non-Executive Directors and is chaired by 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 for 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 the 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 and 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' third virtual AGM on 22 June 2022. The Chairman and Directors we're in attendance to respond to shareholders' queries during the meeting. External auditors had also been invited to attend the AGM 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 2022.

This CG Overview Statement was approved by the Board of Directors on 29 March 2023.

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 2022.

Composition and Attendance

The Audit Committee ("**AC**") comprises solely three (3) Independent Non-Executive Directors. The AC therefore complied with paragraphs 15.09 (1) and 15.10 of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") 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 Securities 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 the record of their attendance at the Committee Meetings held during the financial year ended 31 December 2022 are as follows:

Members	Designation	Attendance at meetings in 2022
Sobri bin Abu	Chairman *(Independent Non-Executive Director)*	4/4
Tan Sri A. Razak bin Ramli	Member (Senior Independent Non-Executive Director) (Retired on 22 June 2022)	2/2^
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)* (Retired on 22 June 2022)	2/2^
Dato' Sri Khazali bin Haji Ahmad	Member *(Senior Independent Non-Executive Director)* (Re-designated as Senior Independent Non-Executive Director on 4 July 2022)	4/4
Anuar bin Abd Rahman	Member *(Independent Non-Executive Director)* (Appointed on 21 September 2022)	1/1^

^ Reflects the number of meetings held during the period the Director held office

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 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 representatives at the subsidiary level also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2022

The AC carried 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 2022. Crowe Malaysia PLT has been the Company's external auditor since 2010 and was recommended for re-appointment for the ensuing year. The financial period ended 31 December 2022 marked the fifth year for the engagement partner;

Summary of Activities in 2022 (continued)

(i) Financial Reporting & External Audit (continued)

- Reviewed and approved the external auditors' audit plan for the financial ended 31 December 2022 inclusive of terms of engagement scope of work at its meeting held on 16 November 2022;
- 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 25 February 2022 and 16 November 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 16 November 2022;
- 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 the 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 Recurrent Related Party Transactions 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 Josephine Ng Soo How, who is a member of the Institute of Internal Auditors Malaysia. She has regular and direct communication with the AC 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 with written assurance confirming their compliance with the code of conduct of the Group and are free from any relationships or conflicts of interest which could impair their objectivity during the course of their audit works.

Internal Audit Function (continued)

Based on the internal audit plan approved by the AC, GIAD performs an independent assessment of 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 objectives and policies and taking into consideration input from the Senior Management and the Board. For the financial year ended 2022, the scope of the review included the following:

- Sales and Collections
- Recurring and Related Party Transactions
- Project Management
- Inventory Management

Findings of the above four (4) internal audit reviews were discussed with the Senior Management and the relevant heads of departments prior to presenting them to the AC 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 results were reported to the AC. In addition, GIAD carried out the following:

- 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 2022 Annual Report.

The total cost incurred by GIAD for the financial year ended 31 December 2022 was approximately RM311,400.

Terms of Reference

The AC Terms of reference is 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 of closely monitoring the Group's risk exposures, a Risk Management Committee ("**RMC**") with its principal roles and responsibilities stated in the risk management policy and the procedure was established at the Group level. The RMC which 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 the 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 the 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 a 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 ("**AC**") 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 Group Internal Audit Department 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 by External Auditors

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 the 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 2023.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 2022.

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.

Sustainability Statement

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 Securities). The format that we have adopted is in line with the Global Reporting Initiative ("GRI") G4 Guidelines.

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

Board of Directors Favelle Favco Berhad

▲

Risk Management Committee Favelle Favco Berhad
(The RMC will undertake the responsibilities of the Group's sustainability development)

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Favelle Favco Cranes (M) Sdn Bhd	Favelle Favco Cranes (USA) Inc	Favelle Favco Cranes Pty Ltd	Kroll Cranes A/S	FES Equipment Services Sdn Bhd	Shanghai Favco Engineering Machinery Manufacturing Co Ltd	Exact Group

Maintaining Good Stakeholders Engagement

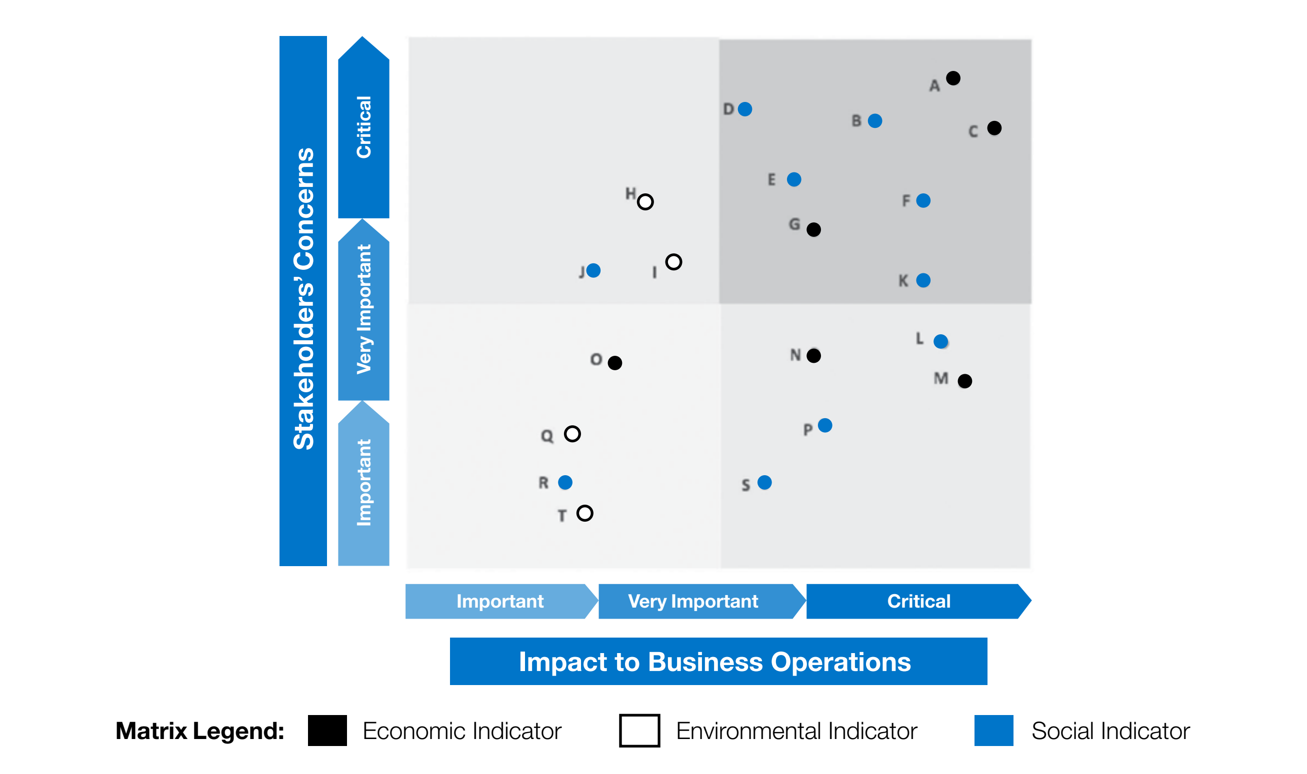
The Group's stakeholders comprise internal and external groups that are directly or indirectly impacted by our organisation and the crane industry. Through multi-platform communication channels, we engage our stakeholders, and their respective concerns, to effectively address and manage their issues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

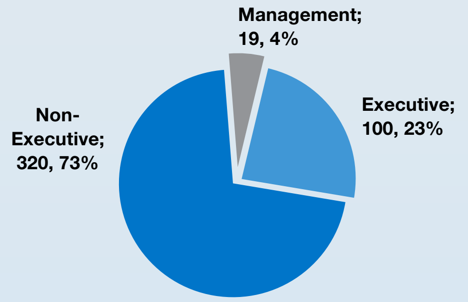
Employment Level
The Group employs a total of 439 individuals consisting primarily of non-executives who make up 73% of the total workforce. The executive level employees account for 23% and the remaining 4% are employed at management level.

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.

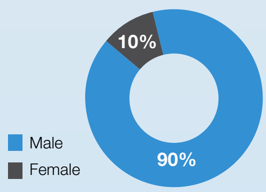
The employee age distribution is made up of 72% employees within the 30 to 50 years old age range, followed by 18% and 10% in the less than 30 years old and more than 50 years old age ranges respectively.

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 2022
Quality Policy 2017
Drug and Alcohol Policy 2015
Environment Policy 2021

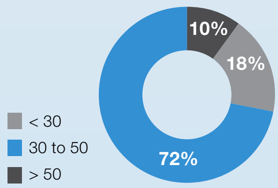
Favelle Favco's Employment Levels Based on Number of Individuals



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 that 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 70 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 FY2022. We further sponsored 25 employees for specialized health and safety training and conferences held by Department of Occupational Safety and Health ("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

We believe in giving back to society, as such we have provided free safety training and crane familiarization for new entrants to the DOSH under the Ministry of Human Resources Malaysia. Furthermore, we contributed to funds raised for research into stem cell for stroke recovery. On 14 December 2022, Favelle Favco Cranes (M) Sdn Bhd, a member of the Group continued its corporate social responsibility programme by organising a Blood Donation Drive. The Blood Donation Drive with the support from Hospital Tuanku Ja'afar, Seremban aims to replenish the blood supplies for the blood bank.

We will continue with our charitable contributions by supporting community development, providing monetary grants to non-profit organisations for public benefits and conduct business and investment practices ethically.

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 a policy related to alcohol & drug abuse policy.

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 a 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 a regular basis.

We have provided an 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.

The 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 of Scheduled Waste by contractors licensed by the Department of Environment (DOE). Our premises at Senawang have been equipped with five units of oil interceptors to capture the waste oil.

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 Environmental, Health and Safety (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.
iii) Implemented timer-system for the light fixtures that lights the outside of our factory.
iv) Control usage of electricity when the plant is not in operation.
v) Not allowed for open burning in our premises.

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 2022 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 2022

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 2022.

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	38,691	96,615
Non-controlling interests	3,877	-
Profit after taxation for the financial year	42,568	96,615

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 RM18,685,421 in respect of the financial year ended 31 December 2021 on 21 September 2022.

The first interim tax exempt dividend of 85.00 sen per ordinary share totaling RM198,532,599 in respect of the current financial year ended 31 December 2022, declared on 5 May 2022 and paid on 10 June 2022.

The final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2022 is 4.00 sen per ordinary share totaling RM9,342,711 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:

Dato' Sri Khazali bin Haji Ahmad
Mac Chung Hui
Mac Ngan Boon @ Mac Yin Boon
Lee Poh Kwee
Mazlan bin Abdul Hamid
Sobri bin Abu
Anuar bin Abd Rahman (Appointed on 21.9.2022)
Tan Sri A. Razak bin Ramli (Retired on 22.6.2022)
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor (Retired on 22.6.2022)

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 1.1.2022	Bought	Sold	At 31.12.2022
Interests in the Company				
Mac Chung Hui	2,642,000	1,200,000	-	3,842,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,482,913	1,360,000	-	10,842,913
- Indirect	1,738,800	-	-	1,738,800
Lee Poh Kwee	1,715,000	1,200,000	-	2,915,000
Mazlan bin Abdul Hamid	2,256,800	960,000	(380,700)	2,836,100

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	133,833,043	7,799,200	-	141,632,243

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

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Interests in the holding company - Muhibbah Engineering (M) Bhd.				
Mac Chung Hui	5,705,000	2,852,500	-	8,557,500
Mac Ngan Boon @ Mac Yin Boon				
- Direct	74,201,416	49,436,708	-	123,638,124
- Indirect	20,917,500	10,458,750	-	31,376,250
Lee Poh Kwee				
- Direct	6,046,572	4,165,736	-	10,212,308
- Indirect	650,000	325,000	-	975,000
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:

Directors' Report for the financial year ended 31 December 2022
Cont'd

Directors' interests (continued)

	Number of options over ordinary shares At 1.1.2022	Granted	Exercised	At 31.12.2022
The Company				
Mac Chung Hui	1,200,000	1,750,000	(1,200,000)	1,750,000
Mac Ngan Boon @ Mac Yin Boon	1,360,000	1,600,000	(1,360,000)	1,600,000
Lee Poh Kwee	1,200,000	1,450,000	(1,200,000)	1,450,000
Mazlan bin Abdul Hamid	960,000	1,450,000	(960,000)	1,450,000

	Number of options over ordinary shares At 1.1.2022	Granted	Exercised	Expired	At 31.12.2022
Holding company - Muhibbah Engineering (M) Bhd.					
Mac Chung Hui	1,250,000	-	-	(1,250,000)	-
Mac Ngan Boon @ Mac Yin Boon	2,800,000	7,000,000	-	(2,800,000)	7,000,000
Lee Poh Kwee	2,500,000	5,000,000	-	(2,500,000)	5,000,000
Mazlan bin Abdul Hamid	500,000	-	-	(500,000)	-

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 2022 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 34 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.

Directors' remuneration

The details of the directors' remuneration paid or payable to the Directors of the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Executive Directors		
- Fees	276	192
- Remunerations	2,891	2,881
Total short term employees benefits	3,167	3,073
Non Executive Directors		
- Fees	180	157
- Other benefits	50	49
Total short term employees benefits	230	206
	3,397	3,279

Holding Company

The holding company during the financial year is Muhibbah Engineering (M) Bhd, 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) the Company issued 10,968,000 new ordinary shares for cash arising from the exercise of employees' share option at the exercise price of RM2.35 per ordinary share; and

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

Treasury shares

The treasury shares are disclosed in Note 16 to the financial statements.

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 a SIS that was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017. The SIS is to be in force for a period of 5 years effective from 10 July 2017. The SIS has expired on 9 July 2022.

The Company operates a new SIS that was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2022. The main features of the new SIS, details of share options offered and exercised during the financial year are disclosed in Note 30. The SIS expires on 26 July 2027.

Directors' Report for the financial year ended 31 December 2022

Cont'd

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 38 to financial statements, the financial statements and the financial performance of the Group and of the Company for the financial year ended 31 December 2022 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.

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 38 to the financial statements.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	Group RM'000	Company RM'000
Audit fees	870	66
Non audit fees	20	20
	890	86

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

14 April 2023

Statements of Financial Position

as at 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000 Restated	Company 2022 RM'000	Company 2021 RM'000
Assets					
Property, plant and equipment	3	548,104	410,671	165	192
Intangible assets	4	6	11	-	-
Goodwill	5	75,283	71,183	-	-
Investment property	6	-	-	49,707	50,150
Investment in subsidiaries	7	-	-	179,497	172,031
Investment in associates	8	3,035	3,198	6,381	6,381
Deferred tax assets	10	25,337	23,595	1,634	2,988
Receivables, deposits and prepayments	9	5,033	4,820	19,185	26,589
Long-term funds	11	7,625	6,053	-	-
Total non-current assets		664,423	519,531	256,569	258,331
Receivables, deposits and prepayments	9	238,437	202,551	2,331	64,325
Contract assets	12	133,209	146,734	-	-
Inventories	13	206,089	183,713	-	-
Current tax assets		4,457	8,332	-	-
Derivative assets	21	426	31	-	-
Cash and cash equivalents	14	121,837	266,919	3,051	34,080
Total current assets		704,455	808,280	5,382	98,405
Total assets		1,368,878	1,327,811	261,951	356,736

Statements of Financial Position as at 31 December 2022

Cont'd

	Note	Group 2022 RM'000	Group 2021 RM'000 Restated	Company 2022 RM'000	Company 2021 RM'000
Equity					
Share capital	15	194,988	162,983	194,988	162,983
Reserves	16	129,483	35,732	(2,156)	4,831
Retained earnings		385,054	561,962	67,522	186,518
Total equity attributable to owners of the Company		709,525	760,677	260,354	354,332
Non-controlling interests		23,342	33,594	-	-
Total equity		732,867	794,271	260,354	354,332
Liabilities					
Deferred tax liabilities	10	58,744	18,179	-	-
Loans and borrowings	17	9,609	14,165	-	-
Hire Purchase and lease liabilities	18	12,775	23,799	-	-
Total non-current liabilities		81,128	56,143	-	-
Contract liabilities	12	154,229	165,706	-	-
Derivative liabilities	21	-	265	-	14
Loans and borrowings	17	105,433	37,050	-	-
Hire Purchase and lease liabilities	18	20,085	14,565	-	-
Payables and accruals	19	237,057	210,799	1,597	2,390
Provision for warranties	20	33,368	42,600	-	-
Current tax liabilities		4,711	6,412	-	-
Total current liabilities		554,883	477,397	1,597	2,404
Total liabilities		636,011	533,540	1,597	2,404
Total equity and liabilities		1,368,878	1,327,811	261,951	356,736

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 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	22	594,773	610,215	91,464	53,582
Cost of sales		(437,062)	(458,972)	-	-
Gross profit		157,711	151,243	91,464	53,582
Other income		7,486	6,358	3,384	-
Distribution costs		(17,690)	(13,024)	-	-
Administrative expenses		(84,262)	(80,326)	(2,249)	(3,962)
Results from operating activities		63,245	64,251	92,599	49,620
Finance income	23	3,984	5,843	1,006	2,085
Finance costs	24	(6,753)	(4,928)	(885)	(2,581)
Net impairment reversal/(losses) on financial assets and contract assets	25	(745)	533	5,642	(5,682)
Operating profit		59,731	65,699	98,362	43,442
Share of loss in associates, net of tax		(163)	(1,789)	-	-
Profit before tax	26	59,568	63,910	98,362	43,442
Income tax (expense)/credit	28	(17,000)	(11,147)	(1,747)	1,088
Profit for the year		42,568	52,763	96,615	44,530

Statements of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2022
Cont'd

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit for the year		42,568	52,763	96,615	44,530
Other comprehensive income for the financial year, net of tax					
Item that may be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		101,356	-	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		348	(5,747)	-	-
Other comprehensive income for the financial year, net of tax		101,704	(5,747)	-	-
Total comprehensive income for the financial year		144,272	47,016	96,615	44,530
Profit attributable to:					
Owners of the Company		38,691	48,120	96,615	44,530
Non-controlling interests		3,877	4,643	-	-
Total comprehensive income for the financial year		42,568	52,763	96,615	44,530
Total comprehensive income attributable to:					
Owners of the Company		139,441	42,545	96,615	44,530
Non-controlling interests		4,831	4,471	-	-
Total comprehensive income for the financial year		144,272	47,016	96,615	44,530
Earnings per ordinary share (sen)					
- Basic	29	16.76	21.52		
- Diluted	29	16.55	21.48		

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 2022

Group	Note	Share capital RM'000
At 1 January 2021		162,983
Profit after taxation for the financial year		-
Other comprehensive income for the financial year:		
- 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	30	-
- Dividend to shareholders	31	-
- Dividend to non-controlling interest		-
At 31 December 2021		162,983
At 1 January 2022		162,983
Profit after taxation for the financial year		-
Other comprehensive income for the financial year:		
- Foreign currency translation differences for foreign operations		-
- Movement in revaluation of property, plant and equipment, net of tax		-
- Crystallisation of revaluation reserve		-
Total comprehensive income		-
Contribution by and distribution to owners of the Company:		
- Acquistion of subsidiaries		-
- Disposal of a subsidiary		-
- Expiry of SIS		-
- Issue of ordinary shares		25,775
- Purchase of treasury shares		-
- Share-based payment	30	-
- Transfer of share capital for share options exercised		6,230
- Dividend to shareholders	31	-
- Dividend to non-controlling interest		-
At 31 December 2022		194,988
		Note 15

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2022
Cont'd

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)	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
(3,006)	8,720	22,181	7,837	561,962	760,677	33,594	794,271
-	-	-	-	38,691	38,691	3,877	42,568
-	203	-	-	-	203	145	348
-	-	100,547	-	-	100,547	809	101,356
-	-	(12)	-	12	-	-	-
-	203	100,535	-	38,703	139,441	4,831	144,272
-	-	-	-	-	-	1,788	1,788
-	-	-	-	-	-	(142)	(142)
-	-	-	(1,607)	1,607	-	-	-
-	-	-	-	-	25,775	-	25,775
-	-	-	-	-	-	-	-
-	-	-	850	-	850	-	850
-	-	-	(6,230)	-	-	-	-
-	-	-	-	(217,218)	(217,218)	-	(217,218)
-	-	-	-	-	-	(16,729)	(16,729)
(3,006)	8,923	122,716	850	385,054	709,525	23,342	732,867
Note 16.1	Note 16.2	Note 16.3	Note 16.4	Note 16.5			

Statement of Changes in Equity

for the financial year ended 31 December 2022

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 2021		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	30	-	-	587	-	587
- Dividend to shareholders	31	-	-	-	(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
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	96,615	96,615
Contribution by and distribution to owners of the Company:						
- Expiry of SIS		-	-	(1,607)	1,607	-
- Issue of ordinary shares		25,775	-	-	-	25,775
- Share-based payment	30	-	-	850	-	850
- Transfer to share capital for share options exercised		6,230	-	(6,230)	-	-
- Dividend to shareholders	31	-	-	-	(217,218)	(217,218)
- Purchase of treasury shares		-	-	-	-	-
At 31 December 2022		194,988	(3,006)	850	67,522	260,354
		Note 15	Note 16.1	Note 16.4	Note 16.5	

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 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from operating activities					
Profit before tax		59,568	63,910	98,362	43,442
Adjustments for:					
Amortisation of intangible assets		6	6	-	-
Amortisation of right-of-use assets		7,536	6,603	-	-
Allowance for impairment losses		21,119	27,541	124	5,946
Bad debts written off		22	211	-	-
Allowance for impairment losses on investment in an associate		-	1,107	-	1,752
Allowance for slow moving inventories		4,184	3,261	-	-
Depreciation expenses:					
- investment property		-	-	443	443
- property, plant and equipment		29,254	28,566	41	40
Dividend income from subsidiaries		-	-	(90,339)	(51,964)
Finance costs	24	6,753	4,928	885	2,581
Finance income	23	(3,984)	(5,843)	(1,006)	(2,085)
Gain on disposal of property, plant and equipment		(456)	(213)	-	-
Government loan waived		-	(915)	-	-
Capital gain on short-term funds		(483)	-	(483)	-
Loss/(gain) on disposal of a subsidiary		193	-	(1)	-
Net unrealised loss/(gain) on foreign exchange		5,610	195	(2,633)	11
Net fair value adjustment on derivative instruments		(649)	86	-	-
Property, plant and equipment written off		151	460	-	-
Provision for warranties		4,493	9,320	-	-
Provision of foreseeable losses		7,563	1,400	-	-
Reversal of impairment losses		(20,374)	(28,074)	(5,766)	(264)
Reversal of provision for warranties		(13,280)	(221)	-	-
Reversal of provision of foreseeable losses		(688)	(1,143)	-	-
Share-based payments		850	587	850	587
Share of loss in associates, net of tax		163	1,789	-	-
Writedown of inventories		1,452	2,315	-	-
Operating profit/(loss) before changes in working capital		109,003	115,876	477	489
Inventories		(27,992)	8,515	-	-
Receivables, deposits and prepayments		(36,736)	(43,933)	166,423	58,415
Payables and accruals		13,891	(16,431)	(793)	(2,391)
Interest received		1,361	2,457	464	1,182
Interest paid		(4,150)	(2,604)	-	-
Warranties paid		(159)	(335)	-	-
Income tax paid		(16,431)	(8,956)	(393)	(279)
Net cash generated from/(used in) operating activities		38,787	54,589	166,178	57,416

Statements of Cash Flows for the financial year ended 31 December 2022

Cont'd

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows (for)/from investing activities					
Acquisition of property, plant and equipment	14.2	(24,898)	(24,964)	(14)	-
Acquisition of subsidiary	36	(4,925)	-	(7,607)	-
Capital gain on short-term funds		483	-	483	-
Proceeds from disposal of investment in a subsidiary	37	(449)	-	140	-
Proceeds from disposal of property, plant and equipment		4,489	249	-	-
Increase in long term fund		(1,572)	-	-	-
Net cash (used in)/generated from investing activities		(26,872)	(24,715)	(6,998)	-
Cash flows (for)/from financing activities					
Dividend paid to shareholders of the Company	31	(217,218)	(17,915)	(217,218)	(17,915)
Dividend paid to non-controlling interest		(16,729)	(4,725)	-	-
Investment in treasury shares		-	-	-	(2,985)
Net (repayment)/drawdown of loans and borrowings		33,442	(25,041)	-	-
Proceeds from issuance of new shares	15	25,775	-	25,775	-
Purchase of treasury shares		-	(2,985)	-	-
Payment for deferred consideration		-	(22,971)	-	(22,971)
Net cash used in financing activities		(174,730)	(73,637)	(191,443)	(43,871)
Exchange differences on translation of the financial statements of foreign operations		1,572	(1,859)	-	-
Net (decrease)/increase in cash and cash equivalents		(161,243)	(45,622)	(32,263)	13,545
Effect of exchange rate fluctuations on cash held		2,339	149	1,234	(122)
Cash and cash equivalents at beginning of the financial year		258,024	303,497	34,080	20,657
Cash and cash equivalents at end of the financial year	14	99,120	258,024	3,051	34,080

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 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Deposits placed with licensed banks	14	24,453	61,686	-	-
Short-term funds	14	19,080	82,216	2,073	11,103
Cash and bank balances	14	78,304	123,017	978	22,977
		121,837	266,919	3,051	34,080
Bank overdrafts	17	(22,717)	(8,895)	-	-
Cash and cash equivalents		99,120	258,024	3,051	34,080

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 Lama, 41300 Klang, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 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 2022 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) Bhd, 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 14 April 2023.

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 3: Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020

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 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
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 related to Assets and Liabilities arising from a Single Transaction	1 January 2023

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
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

Notes to the financial statements
Cont'd

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 the 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	Sub-total RM'000	Right-of-use assets RM'000	Total RM'000
Cost/Valuation								
At 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/ 1 January 2022	87,732	61,527	322,970	128,084	67	600,380	85,109	685,489
Additions	-	504	21,003	2,203	1,188	24,898	12,388	37,286
Acquisition of new subsidiaries	-	-	-	584	-	584	575	1,159
Disposals	-	(147)	(8,271)	(1,514)	-	(9,932)	-	(9,932)
Reclassification	-	-	-	395	-	395	(395)	-
Revaluation	142,383	-	-	-	-	142,383	-	142,383
Transfer	-	-	567	3	(600)	(30)	-	(30)
Modification of lease liability	-	-	-	-	-	-	(2,702)	(2,702)
Written off	-	-	-	(1,861)	-	(1,861)	-	(1,861)
Effect of movements in exchange rates	(64)	(99)	(1,010)	212	-	(961)	(44)	(1,005)
At 31 December 2022	230,051	61,785	335,259	128,106	655	755,856	94,931	850,787
Representing items at:								
Cost	64,833	61,785	335,259	128,106	655	590,638	94,931	685,569
Valuation - 2008	12,291	-	-	-	-	12,291	-	12,291
Valuation - 2012	3,700	-	-	-	-	3,700	-	3,700
Valuation - 2017	6,844	-	-	-	-	6,844	-	6,844
Valuation - 2022	142,383	-	-	-	-	142,383	-	142,383
	230,051	61,785	335,259	128,106	655	755,856	94,931	850,787

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	Sub-total RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation and impairment loss								
At 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)
Transfer	-	5	1	(6)	-	-	-	-
Modification of lease liability	-	-	-	-	-	-	(729)	(729)
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/ 1 January 2022	-	26,521	115,892	104,915	-	247,328	27,490	274,818
Acquisition of new subsidiary	-	-	-	377	-	377	133	510
Depreciation for the year	-	1,208	22,128	5,918	-	29,254	7,536	36,790
Disposals	-	(26)	(4,455)	(1,418)	-	(5,899)	-	(5,899)
Transfer	-	-	(10)	-	-	(10)	-	(10)
Modification of lease liability	-	-	-	-	-	-	(1,998)	(1,998)
Reclassification	-	-	(17)	395	-	378	(378)	-
Written off	-	-	-	(1,710)	-	(1,710)	-	(1,710)
Effect of movements in exchange rates	-	(81)	(119)	223	-	23	159	182
At 31 December 2022	-	27,622	133,419	108,700	-	269,741	32,942	302,683
Carrying amounts								
At 1 January 2021	**88,284**	**36,323**	**211,270**	**27,108**	**3**	**362,988**	**55,040**	**418,028**
At 31 December 2021/ 1 January 2022	**87,732**	**35,006**	**207,078**	**23,169**	**67**	**353,052**	**57,619**	**410,671**
At 31 December 2022	**230,051**	**34,163**	**201,840**	**19,406**	**655**	**486,115**	**61,989**	**548,104**

3. Property, plant and equipment (continued)

Company	Property, plant and equipment RM'000
Cost/Valuation	
At 1 January 2021	403
Additions	-
At 31 December 2021/1 January 2022	403
Additions	14
At 31 December 2022	417
Accumulated depreciation	
At 1 January 2021	171
Depreciation for the year	40
At 31 December 2021/1 January 2022	211
Depreciation for the year	41
At 31 December 2022	252
Carrying amounts	
At 31 December 2021	192
At 31 December 2022	165

3.1 Security

The freehold land and buildings of the Group with total net book value of RM34,536,000 (2021 - RM31,303,000) have been charged to certain licensed banks as security for bank facilities granted to the Group (See Note 17).

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 2022, 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 RM64,833,000 (2021 - RM55,206,000).

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		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Freehold land	230,051	87,732	44,255	44,255
Long term leasehold land*	224	228	-	-
	230,275	87,960	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	Land and Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Total RM'000
2022				
At 1 January 2022	7,568	50,026	25	57,619
Addition during the year	7,189	5,199	-	12,388
Acquisition of subsidiary	442	-	-	442
Depreciation	(2,999)	(4,512)	(25)	(7,536)
Modification of lease liability	(704)	-	-	(704)
Reclassification	-	(17)	-	(17)
Exchange difference	127	(330)	-	(203)
At 31 December 2022	11,623	50,366	-	61,989
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

4. Intangible assets

Group	Development costs RM'000
Cost	
At 1 January 2021	696
Effect of movement in exchange rates	(29)
At 31 December 2021/1 January 2022	667
Effect of movement in exchange rates	(4)
At 31 December 2022	663
Amortisation and impairment loss	
At 1 January 2021	
Accumulated amortisation	5,640
Accumulated impairment loss	378
	6,018
Write off	(5,340)
At 1 January 2021	678
Amortisation for the year	6
Effect of movements in exchange rates	(28)
At 31 December 2021/1 January 2022	
Accumulated amortisation	357
Accumulated impairment loss	299
At 31 December 2021/1 January 2022	656
Amortisation for the year	6
Effect of movements in exchange rates	(5)
At 31 December 2022	
Accumulated amortisation	358
Accumulated impairment loss	299
At 31 December 2022	657
Carrying amounts	
At 31 December 2021	11
At 31 December 2022	6

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 (2021 - 1 year).

Notes to the financial statements

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5. Goodwill

Group	Group 2022 RM'000	2021 RM'000
Cost		
At 1 January	71,183	71,183
Acquisition of a subsidiary (Note 36)	4,100	-
At 31 December	75,283	71,183
Carrying amounts		
At 31 December	75,283	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	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Intelligent automation group	24 - 29	29	5 - 7	6	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 2022 RM'000	Company 2021 RM'000
Cost		
At 1 January/ 31 December	53,819	53,819
Accumulated Depreciation and impairment loss		
At 1 January	3,669	3,226
Depreciation	443	443
At 31 December	4,112	3,669
Carrying amounts		
At 31 December	49,707	50,150

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 2022 RM'000	Company 2021 RM'000
Unquoted shares – at cost	235,525	235,525
Addition	7,607	-
Less: Disposal	(141)	-
Less: Written off	(100)	-
	242,891	235,525
Less: Impairment loss	(63,394)	(63,494)
	179,497	172,031

The movements in the allowance for impairment losses of investments in subsidiaries during the financial year were:

	Company 2022 RM'000	Company 2021 RM'000
Allowance for impairment losses:-		
At 1 January	63,494	63,494
Written off	(100)	-
At 31 December	63,394	63,494

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 2022 %	Effective ownership interest 2021 %
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
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
Shanghai Favco Engineering Machinery Manufacturing Co., Ltd. #	Manufacturing of cranes	China	80	80
Exact Automation Sdn. Bhd.	Providing integrated industrial automation solutions on the design, engineering, testing, project management and maintenance of plant instrumentation	Malaysia	70	70

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 2022 %	Effective ownership interest 2021 %
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, providing engineering services and maintenance of specialised equipment used in the oil and gas industry	Malaysia	-	70
Sedia Teguh Sdn. Bhd.	Trading and maintenance of specialised equipment used in the oil and gas industry	Malaysia	70	70
Strata Niaga Sdn. Bhd. **	Trading and providing engineering services in the oil & gas and power industry	Malaysia	70	-
Strata Niaga (B) Sdn. Bhd. ** @ ^	Trading and providing engineering services in the oil & gas and power industry	Brunei	36	-

Not audited by Crowe Malaysia PLT

* During the current financial year, the Company has disposed of its entire equity interest in Exact Oil & Gas Sdn. Bhd. The details of the disposal are disclosed in Note 37 to the financial statements.

** During the current financial year, the Company has acquired 70% equity interest in Strata Niaga Sdn. Bhd. and its subsidiary Strata Niaga (B) Sdn. Bhd. The details of the acquisition are disclosed in Note 36 to the financial statements.

@ The subsidiary is not required to be audited under the laws of the country incorporated.

^ The subsidiary's interest is held under Strata Niaga Sdn. Bhd.

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.

8. Investments in associates

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Unquoted shares, at cost	19,424	19,424	19,424	19,424
Share of post-acquisition reserves	(15,282)	(15,119)	-	-
Less: Impairment loss	(1,107)	(1,107)	(13,043)	(13,043)
	3,035	3,198	6,381	6,381

Notes to the financial statements

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8. Investments in associates (continued)

The details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	Effective ownership interest 2021 %
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:

	Group 2022 RM'000	Group 2021 RM'000
Gross amount of the major associates		
Non-current assets	71,216	81,025
Current assets	33,937	31,974
Non-current liabilities	16,846	13,139
Current liabilities	77,951	84,412
Revenue	28,154	24,725
Loss for the year	(5,098)	(5,544)
Carrying amount in the consolidated financial statements	3,035	3,198

9. Receivables, deposits and prepayments

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current					
Non-trade					
Advance to subsidiaries	9.1	-	-	18,732	28,389
Less: Allowance for impairment loss		-	-	(4,580)	(6,620)
Advance to an associate	9.2	6,585	6,248	6,585	6,248
Less: Allowance for impairment loss		(1,552)	(1,428)	(1,552)	(1,428)
		5,033	4,820	19,185	26,589

9. Receivables, deposits and prepayments (continued)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Current					
Trade					
Trade receivables		196,899	165,963	-	-
Less: Allowance for impairment loss		(42,698)	(42,426)	-	-
	9.3	154,201	123,537	-	-
Amount due from holding company	9.4	120	103	-	-
Amount due from related companies	9.5	873	706	-	-
Less: Allowance for impairment loss		-	(74)	-	-
Amount due from associates	9.6	62,275	65,284	-	-
Less: Allowance for impairment loss		(16,932)	(16,992)	-	-
		46,336	49,027	-	-
Non-trade					
Amount due from subsidiaries	9.7	-	-	2,773	68,353
Less: Allowance for impairment loss		-	-	(675)	(4,401)
		-	-	2,098	63,952
Amount due from related companies	9.5	36	412	-	-
Amount due from associates	9.6	101	122	-	-
Other receivables		28,519	20,629	162	53
Less: Allowance for impairment loss		(178)	(170)	-	-
		28,478	20,993	162	53
Deposits		1,442	1,376	11	261
Prepayments		7,980	7,618	60	59
		9,422	8,994	71	320
Current		238,437	202,551	2,331	64,325
Non-current and current		243,470	207,371	21,516	90,914

	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 2022	42,426	74	170	18,420	61,090
Addition during the financial year	6,214	-	19	14,749	20,982
Reversal during the financial year	(6,078)	(74)	-	(14,187)	(20,339)
Foreign exchange differences	136	-	(11)	(498)	(373)
At 31 December 2022	42,698	-	178	18,484	61,360

Notes to the financial statements
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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 2022	1,428	11,021	12,449
Addition during the financial year	124	-	124
Reversal during the financial year	-	(5,766)	(5,766)
At 31 December 2022	1,552	5,255	6,807
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% (2021 - 1% - 2%) 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% (2021 - 1%) per annum and is not expected to be repaid within the next twelve months.

9. Receivables, deposits and prepayments (continued)

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:

Functional currency	Foreign currency	Group 2022 RM'000	Group 2021 RM'000
RM	AUD	543	466
RM	EUR	498	47
RM	RMB	15,066	19,612
RM	SGD	85	198
RM	USD	69,421	29,636
AUD	USD	531	145
AUD	SGD	-	2,007

9.4 *Amount due from holding company*

The trade amount due from holding company is subject to the normal trade term of 30 (2021 - 30) days.

9.5 *Amount due from related companies*

The trade amount due from related companies is subject to the normal trade term of 30 (2021 - 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 (2021 - 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.

10. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

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

Group	Assets 2022 RM'000	Assets 2021 RM'000	Liabilities 2022 RM'000	Liabilities 2021 RM'000	Net 2022 RM'000	Net 2021 RM'000
Property, plant and equipment	8,506	-	67,237	33,534	75,743	33,534
Provisions	(30,434)	(28,407)	(2,102)	-	(32,536)	(28,407)
Other temporary differences	(3,409)	(2,749)	(6,391)	(7,794)	(9,800)	(10,543)
Tax (assets)/liabilities	(25,337)	(31,156)	58,744	25,740	33,407	(5,416)
Set off	-	7,561	-	(7,561)	-	-
Net tax (assets)/liabilities	(25,337)	(23,595)	58,744	18,179	33,407	(5,416)

Notes to the financial statements
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10. Deferred tax (assets) and liabilities (continued)

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

Company	2022 RM'000	2021 RM'000
Provisions	(1,634)	(2,988)
Deferred tax assets	(1,634)	(2,988)

Unrecognised deferred tax assets

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	(501)	(893)	-	-
Provisions	43,616	48,846	-	-
Other temporary differences	1,149	671	-	-
Tax losses carry-forwards	32,516	31,344	-	-
	76,780	79,968	-	-

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 therefrom.

Movement in temporary differences during the financial year

Group	Property, plant and equipment RM'000	Provisions RM'000	Other temporary differences RM'000	Total RM'000
As at 1 January 2021	33,679	(23,424)	(14,526)	(4,271)
Recognised in profit or loss (Note 28)	(1,093)	(4,219)	4,760	(552)
Foreign exchange differences	-	-	(593)	(593)
As at 31 December 2021/ 1 January 2022	32,586	(27,643)	(10,359)	(5,416)
Recognised in profit or loss (Note 28)	2,053	(4,893)	559	(2,281)
Effect of revaluation of property, plant and equipment	41,027	-	-	41,027
Foreign exchange differences	77	-	-	77
As at 31 December 2022	75,743	(32,536)	(9,800)	33,407

Company	Provisions RM'000	Total RM'000
As at 1 January 2021	(1,624)	(1,624)
Recognised in profit or loss	(1,364)	(1,364)
As at 31 December 2021/1 January 2022	(2,988)	(2,988)
Recognised in profit or loss	1,354	1,354
As at 31 December 2022	1,634	1,634

11. Long-term funds

11.1 Investments at fair value through other comprehensive income:-

	Group	
	2022 RM'000	2021 RM'000
Non-current		
Unquoted bonds, at fair value	7,625	6,053

(a) The Group has designated the below equity investments at fair value through other comprehensive income because the Group intends to hold for long-term strategic purposes.

12. Contract Assets/(Liabilities)

	Group	
	2022 RM'000	2021 RM'000
Contract Assets		
Contract Assets relating to contracts	134,315	147,734
Allowance for impairment losses	(1,106)	(1,000)
	133,209	146,734
Allowance for impairment losses:-		
At 1 January:	1,000	1,130
Addition during the financial year	137	257
Reversal during the financial year	(35)	(388)
Foreign exchange differences	4	1
At 31 December	1,106	1,000
Contract Liabilities	(154,229)	(165,706)

(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 (2021 - a year).

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

	Group	
	2022 RM'000	2021 RM'000
At 1 January	(18,972)	(47,193)
Revenue recognised in profit or loss during the financial year	281,353	290,288
Progress billings	(284,915)	(261,470)
Impairment loss on contract assets	(137)	(257)
Reversal of impairment loss on contract assets	35	388
Exchange difference	1,616	(728)
At 31 December	(21,020)	(18,972)
Represented by:		
Contract assets	133,209	146,734
Contract liabilities	(154,229)	(165,706)
	(21,020)	(18,972)

Notes to the financial statements
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13. Inventories

	Group 2022 RM'000	Group 2021 RM'000
At cost:		
Crane	285	271
Crane components	91,354	78,130
Work-in-progress	62,496	53,909
	154,135	132,310
At net realisable value:		
Cranes	21,855	14,055
Crane components	22,679	25,657
Work-in-progress	7,420	11,691
	206,089	183,713
Recognised in profit or loss:-		
Inventories recognised as cost of sales	199,040	216,554
Amount written down to net realisable value	1,452	2,315
Allowance for slow moving inventories	4,184	3,261

14. Cash flow information

14.1 The cash and bank balances comprised the following:

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Short-term funds	19,080	82,216	2,073	11,103
Deposits placed with licensed banks	24,453	61,686	-	-
Cash and bank balances	78,304	123,017	978	22,977
	121,837	266,919	3,051	34,080
Bank overdrafts (Note 17)	(22,717)	(8,895)	-	-
	99,120	258,024	3,051	34,080

(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 1.14% to 3.42% (2021 - 1.21% to 4.94%) and 1.25% to 3.42% (2021 - 1.25% to 2.08%) 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 1.85% to 3.85% (2021 - 1.00% to 3.85%) per annum.

14. Cash flow information (continued)

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

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cost of property, plant and equipment purchased (Note 3)	37,286	36,590	14	-
Amount financed through hire purchase	(5,199)	(7,376)	-	-
New lease acquired	(7,189)	(4,250)	-	-
Cash disbursed for purchase of property, plant and equipment	24,898	24,964	14	-

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

The Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Lease Liabilities RM'000	Term Loan RM'000	Revolving Credit RM'000	Total RM'000
2022							
At 1 January	13,860	2,987	35,525	2,839	25,473	-	80,684
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	102,550	4,160	-	-	10,926	19,500	137,136
Repayment of borrowing principal	(71,199)	(3,722)	(14,167)	(2,843)	(11,763)	-	(103,694)
Interest paid	(1,257)	(12)	(1,016)	(115)	(600)	(258)	(3,258)
	30,094	426	(15,183)	(2,958)	(1,437)	19,242	30,184
<u>Non-cash Changes</u>							
Foreign exchange adjustments	-	(41)	(182)	4	(406)	-	(625)
Acquisition of new leases	-	-	5,199	7,189	-	-	12,388
Modification of lease liability	-	-	-	(704)	-	-	(704)
Interest expense	1,257	12	1,016	115	600	258	3,258
	1,257	(29)	6,033	6,604	194	258	14,317
At 31 December	45,211	3,384	26,375	6,485	24,230	19,500	125,185

Notes to the financial statements
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14. Cash flow information (continued)

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

The 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
Changes in Financing Cash Flows						
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)
Interest paid	(508)	(7)	-	(831)	(438)	(1,784)
	(8,206)	278	(11,538)	(3,236)	(4,123)	(26,825)
Non-cash Changes						
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)
Interest expense	508	7	-	831	438	1,784
	508	(56)	5,634	4,359	(1,151)	9,294
At 31 December	13,860	2,987	35,525	2,839	25,473	80,684

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

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest paid on lease liabilities	1,131	831	-	-
Payment of lease liabilities	17,010	13,943	-	-
	18,141	14,774	-	-

15. Share capital

	Group and Company			
	Number of shares		Amount	
	2022	2021	2022	2021
	'000	'000	RM'000	RM'000
Issued and fully paid ordinary shares:				
At 1 January	223,945	223,945	162,983	162,983
Issue of ordinary shares	10,968	-	25,775	-
Transfer from share options	-	-	6,230	-
At 31 December	234,913	223,945	194,988	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 the current financial year, 10,968,000 (2021 - NIL) 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 30.

16. Reserves

16.1 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 2022.

16.2 Translation reserve

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

16.3 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.

16.4 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.

16.5 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.

Notes to the financial statements
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17. 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 33.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Secured				
Term loan	9,609	14,165	-	-
	9,609	14,165	-	-
Current				
Secured				
Bank overdraft	22,717	8,895	-	-
Term loan	14,621	7,144	-	-
Unsecured				
Insurance premium finance	3,384	2,987	-	-
Bills payable	45,211	13,860	-	-
Revolving credits	19,500	-	-	-
Term loan	-	4,164	-	-
	105,433	37,050	-	-
Non-current and current	115,042	51,215	-	-

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					
2022					
Term loans					
- secured	2037	24,230	14,621	5,080	4,529
Bank overdrafts					
- secured	2023	22,717	22,717	-	-
Insurance premium finance					
- unsecured	2023	3,384	3,384	-	-
Bills payable	2023	45,211	45,211	-	-
Revolving credits	2023	19,500	19,500	-	-
		115,042	105,433	5,080	4,529

17. 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					
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

18. Hire purchase and lease liabilities

	Group 2022 RM'000	2021 RM'000
Non-current		
Hire purchase with financial institutions	8,862	23,799
Lease liabilities	3,913	-
	12,775	23,799
Current		
Hire purchase with financial institutions	17,513	11,726
Lease liabilities	2,572	2,839
	20,085	14,565
Non-current and current	32,860	38,364

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

	Group 2022 RM'000	2021 RM'000
Under 1 year	20,085	14,565
1 – 2 years	5,682	20,866
3 – 5 years	7,093	2,933
Over 5 years	-	-
Total carrying value	32,860	38,364

Notes to the financial statements
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19. Payables and accruals

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Current					
Trade					
Trade payables	19.1	176,323	154,980	-	-
Amount due to holding company	19.2	542	558	-	-
Amount due to related companies	19.3	4,318	2,445	-	-
Amount due to associates	19.5	201	-	-	-
		181,384	157,983	-	-
Non-trade					
Amount due to holding company	19.2	1,333	3,180	-	936
Amount due to subsidiaries	19.4	-	-	1,470	1,321
Amount due to related companies	19.3	37	15	-	-
Amount due to associates	19.5	3,491	3,212	-	-
Other payables		21,577	26,040	39	40
Accrued expenses		29,235	20,369	88	93
		55,673	52,816	1,597	2,390
		237,057	210,799	1,597	2,390

19.1 *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 2022 RM'000	Group 2021 RM'000
RM	AUD	546	230
RM	SGD	476	180
RM	EUR	9,117	4,059
RM	USD	25,433	19,064
RM	RMB	1,243	216
RM	GBP	1,161	298
AUD	EUR	343	315
AUD	RMB	242	-
AUD	USD	895	91
AUD	WON	2,196	115

19.2 *Amount due to holding company*

The trade amount due to the holding company is subject to the normal trade term of 30 (2021 - 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.

19. Payables and accruals (continued)

19.3 Amount due to related companies

The trade amount due to related companies is subject to the normal trade term of 30 (2021 - 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.

19.4 Amount due to subsidiaries

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

19.5 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.

20. Provision for warranties

	Group	
	2022 RM'000	2021 RM'000
At 1 January	42,600	34,698
Provision made during the year	4,493	9,320
Utilised during the year	(159)	(335)
Reversal during the year	(13,280)	(221)
Effect of movements in exchange rates	(286)	(862)
At 31 December	33,368	42,600

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

Notes to the financial statements

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21. Derivative assets/(liabilities)

	Contract/ Notional amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
2022			
Group			
Forward foreign currency contracts	110,210	426	-
2021			
Group			
Forward foreign currency contracts	30,280	31	(265)
2022			
Company			
Forward foreign currency contracts	-	-	-
2021			
Company			
Forward foreign currency contracts	2,103	-	(14)

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.

22. Revenue

Revenue comprises the following:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers	530,129	543,745	-	-
Revenue from other sources				
- rental income	64,644	66,470	1,125	1,618
- dividend income	-	-	90,339	51,964
	594,773	610,215	91,464	53,582

22. Revenue (continued)

Breakdown of the Group's revenue:

	Crane		Intelligent Automation Group	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sale of spare part for crane	73,679	91,310	-	-
Sale of industrial information technology equipment	-	-	149,015	129,098
Crane maintenance	18,320	14,930	-	-
Rental of crane	64,644	66,470	-	-
Sale of cranes	289,115	308,407	-	-
	445,758	481,117	149,015	129,098
Geographical market				
Inside Malaysia	192,407	161,357	147,760	129,098
Outside Malaysia	253,351	319,760	1,255	-
	445,758	481,117	149,015	129,098
Timing of revenue recognition				
- at a point of time	156,643	226,827	75,039	93,100
- over time	289,115	254,290	73,976	35,998
	445,758	481,117	149,015	129,098

23. Finance income

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income:				
- Fixed deposit	749	615	-	-
- Advance to subsidiaries	-	-	299	760
- Advance to an associate	67	62	67	62
- Short-term funds	545	1,780	98	360
Interest income arising on financial assets/(liabilities) measured under MFRS 9	2,623	3,386	542	903
	3,984	5,843	1,006	2,085

Notes to the financial statements
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24. Finance costs

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest expenses:				
- Bills payable	1,257	508	-	-
- Bank overdrafts	892	820	-	-
- Insurance premium finance	12	7	-	-
- Revolving credit interest	258	-	-	-
- Term loan interest	600	438	-	-
- Lease rental interest	1,131	831	-	-
Interest expenses arising on financial assets/(liabilities) measured under MFRS 9	2,603	2,324	885	2,581
	6,753	4,928	885	2,581

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

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Impairment losses during the financial year:				
- Trade receivable	6,214	9,224	-	-
- Other receivable	19	1	-	-
- Amount due from associate	14,749	17,997	124	-
- Contract assets	137	257	-	-
- Amount due from subsidiaries	-	-	-	5,946
- Amount due from related company	-	62	-	-
Reversal of impairment losses during the financial year:				
- Trade receivable	(6,078)	(10,041)	-	-
- Other receivable	-	(671)	-	-
- Amount due from associate	(14,187)	(16,325)	-	(61)
- Contract assets	(35)	(388)	-	-
- Amount due from subsidiaries	-	-	(5,766)	(203)
- Amount due from related company	(74)	(649)	-	-
	745	(533)	(5,642)	5,682

26. Operating profit

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Operating profit is arrived at after crediting:					
COVID-19-related subsidies from government		1,192	2,597	-	-
Capital gain on short-term funds		483	-	483	-
Gain on disposal of property, plant and equipment		456	213	-	-
Gain on disposal of a subsidiary		-	-	1	-
Net realised foreign exchange gain		2,540	6,072	282	1,867
Net unrealised foreign exchange gain		-	-	2,633	-
Reversal of provision for warranties	20	13,280	221	-	-
Reversal of provision for foreseeable losses		688	1,143	-	-
and after charging:					
Allowance for impairment losses on investment in an associate		-	1,107	-	1,752
Allowance for slow moving inventories	13	4,184	3,261	-	-
Auditors' remuneration:					
- holding company's auditors		243	255	66	79
- other auditors		627	659	-	-
Other services					
- holding company's auditors		20	10	20	10
Amortisation of intangible assets	4	6	6	-	-
Bad debts written off		22	211	-	-
Depreciation expenses:					
- investment property	6	-	-	443	443
- property, plant and equipment	3	29,254	28,566	41	40
- right-of-use assets		7,536	6,603	-	-
Loss on disposal of a subsidiary	37	193	-	-	-
Net unrealised foreign exchange loss		5,610	195	-	11
Net fair value adjustment on derivative instruments		(649)	86	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		11,730	10,531	206	142
- Share-based payments	30	850	587	850	587
- Wages, salaries and others		104,609	104,576	1,359	890
Property, plant and equipment written off		151	460	-	-
Provision for foreseeable losses		7,563	1,400	-	-
Provision for warranties	20	4,493	9,320	-	-
Rental expenses on:					
- cranes		32,433	38,477	-	-
- premises		2,569	2,734	44	44
- equipment		386	366	-	-
Writedown of inventories	13	1,452	2,315	-	-

Notes to the financial statements

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27. Key management personnel compensation

The key management personnel compensations are as follows:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors				
Executive Directors				
Short-term employee benefits:				
- fees	276	300	192	192
- remuneration	2,891	1,053	2,881	1,040
	3,167	1,353	3,073	1,232
Non-executive Directors				
- fees	180	228	157	192
- other benefits	50	56	49	54
	230	284	206	246
	3,397	1,637	3,279	1,478
Other Key Management Personnel				
Short-term employee benefits	4,708	4,575	1,021	930
Defined contribution benefits	364	326	123	112
Share-based payment	517	-	439	-
	5,589	4,901	1,583	1,042

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.

28. Income tax expense/(credit)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
Malaysia				
- current	12,251	5,514	45	68
- under provision in prior year	1,693	147	-	-
	13,944	5,661	45	68
Foreign				
- current	6,468	7,742	299	252
- (over)/under provision in prior year	(1,131)	(1,704)	49	(44)
	5,337	6,038	348	208
	19,281	11,699	393	276
Deferred tax expense (Note 10)				
Origination and reversal of temporary differences	(2,324)	(6,712)	1,354	(2,988)
Under provision in prior years	43	6,160	-	1,624
	(2,281)	(552)	1,354	(1,364)
Income tax expense/(credit)	17,000	11,147	1,747	(1,088)
Reconciliation of tax expense				
Profit for the year	42,568	52,763	96,615	44,530
Total tax expense/(credit)	17,000	11,147	1,747	(1,088)
Profit excluding tax	59,568	63,910	98,362	43,442
Tax at Malaysian tax rate of 24% (2021 - 24%)	14,296	15,339	23,607	10,426
Effect of different tax rates in foreign jurisdictions	1,271	867	-	-
Non-deductible expense	2,890	3,514	4	800
Non-taxable gain	(2,791)	(9,919)	(218)	(1,343)
Tax exempt income	-	-	(21,695)	(12,551)
Tax incentives	(13)	-	-	-
Utilisation of deferred tax assets not recognised in previous year	(765)	(2,262)	-	-
Under provision in prior years	605	4,603	49	1,580
Others	1,507	(995)	-	-
Total income tax expense	17,000	11,147	1,747	(1,088)

Domestic income tax is calculated at the Malaysia statutory tax rate 24% (2021 - 24%) of the estimated assessable profit for the financial year.

Notes to the financial statements
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29. Earnings per ordinary share (sen)

Basic earnings per share

The calculation of basic earnings per share for the financial year ended 31 December 2022 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2022 RM'000	2021 RM'000
Profit for the financial year attributable to owners of the Company	38,691	48,120

Weighted average number of ordinary shares

	Group	
	2022 '000	2021 '000
Number of ordinary shares in issue at 1 January	223,945	223,945
Effect of shares repurchased	(1,345)	(327)
Effect of ordinary shares issued under SIS	8,206	-
Total weighted average number of ordinary shares in issue (unit)	230,806	223,618
Basic earnings per share (sen)	16.76	21.52

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 2022 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	
	2022 RM'000	2021 RM'000
Profit attributable to owners of the Company	38,691	48,120

	Group	
	2022 '000	2021 '000
Weighted average number of ordinary shares	230,806	223,618
Effect of share options in issue	3,041	372
Adjusted weighted average number of ordinary shares (diluted) at 31 December	233,847	223,990

29. Earnings per ordinary share (sen) (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	
	2022	2021
Diluted earnings per shares (sen)	16.55	21.48

30. Employee benefits

30.1 Share-based payments

In 2022, a new share issuance scheme ("New SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2022 to the eligible employees including Directors of the Company and its subsidiaries. The existing employees' share option scheme ("Existing SIS") which was previously established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017, had expired on 9 July 2022.

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 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 2022
Cumulative % of options exercisable during the option period in	
Year 1	-
Year 2	15%
Year 3	30%
Year 4	45%
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%).

Notes to the financial statements
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30. Employee benefits (continued)

30.1 Share-based payments (continued)

The following options were granted under the Option scheme:

Group and Company

New SIS

Grant date	Exercise price	At 1.1.2022 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2022 '000	Expiry date
21.9.2022	RM1.45	-	20,168	-	(423)	19,745	26.7.2027

Existing SIS

Grant date	Exercise price	At 1.1.2022 '000	Granted '000	Exercised '000	Forfeited/ Expired '000	At 31.12.2022 '000	Expiry date
15.9.2017	RM2.35	12,512	-	(10,968)	(1,544)	-	9.7.2022

Existing SIS

Grant date	Exercise price	At 1.1.2021 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2021 '000	Expiry date
15.9.2017	RM2.35	13,413	-	-	(901)	12,512	9.7.2022

Details relating to options exercised during the financial year

	Group and Company 2022 RM'000	2021 RM'000
Fair value of shares issued (based on average exercise price)	1.99	2.25

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 2022 RM'000	2021 RM'000
Expenses recognised as share-based payments	850	587

30. Employee benefits (continued)

30.1 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:

Existing SIS

	Group and Company
Fair value at grant date (RM) - Granted in Year 2017	RM0.48 - RM0.74
Weighted average share price - Granted in Year 2017	2.62
Exercise price (RM) - Granted in Year 2017	2.35
Expected volatility (weighted average volatility)	15.58%
Option life	5 years
Risk-free interest rate (based on Malaysian Government bonds) - Granted in Year 2017	3.18% - 3.498%
Expected staff turnover	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 existing SIS will had expired on 9 July 2022.

New SIS

	Group and Company
Fair value at grant date (RM) - Granted in Year 2022	RM0.36 – RM0.56
Weighted average share price - Granted in Year 2022	1.71
Exercise price (RM) - Granted in Year 2022	1.45
Expected volatility (weighted average volatility)	24.798%
Option life	5 years
Risk-free interest rate (based on Malaysian Government bonds) - Granted in Year 2022	3.395% - 3.944%
Expected staff turnover	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 26 July 2027.

Notes to the financial statements
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31. Dividends

The dividends recognised by the Company is:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2022			
First interim 2022 ordinary	85.00	198,533	10 June 2022
First and final 2021 ordinary	8.00	18,685	21 September 2022
		217,218	
2021			
First and final 2020 ordinary	8.00	17,915	2 September 2021

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 2023.

	Sen Per Share (tax exempt)	Total amount RM'000
Final ordinary	4.00	9,343

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 2022 of RM9,342,711 (2021 - RM18,685,421) on the issued and paid-up share capital (excluding treasury shares) of 233,567,763 (2021 - 233,567,763) ordinary shares as at the end of the reporting date.

32. 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.

32. Operating segments (continued)

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.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Geographical segments								
Revenue from external customers	340,166	290,455	254,607	319,760	-	-	594,773	610,215
Inter-segment revenue	165,212	159,947	22,199	18,187	(187,411)	(178,134)	-	-
Total revenue	505,378	450,402	276,806	337,947	(187,411)	(178,134)	594,773	610,215
Operating profit							62,500	64,784
Finance income							3,984	5,843
Finance costs							(6,753)	(4,928)
Share of loss of associates							(163)	(1,789)
Profit before tax							59,568	63,910
Segment assets	1,033,568	1,061,736	551,816	613,218	(219,541)	(350,341)	1,365,843	1,324,613
Investments in associates	22	22	6,359	6,359	(3,346)	(3,183)	3,035	3,198
Total assets	1,033,590	1,061,758	558,175	619,577	(222,887)	(353,524)	1,368,878	1,327,811
Segment liabilities	442,168	334,954	398,563	447,406	(204,710)	(248,820)	636,021	533,540
Capital expenditure - Property, plant and equipment	8,719	3,644	17,104	21,320	(925)	-	24,898	24,964
Depreciation	15,255	15,380	13,999	13,186	-	-	29,254	28,566

Notes to the financial statements
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32. Operating segments (continued)

Business segments

	Cranes		Intelligent Automation Group		Eliminations		Consolidated	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Geographical segments								
Inside Malaysia	353,393	321,304	151,986	129,098	(165,212)	(159,947)	340,167	290,455
Outside Malaysia	275,550	337,947	1,255	-	(22,199)	(18,187)	254,606	319,760
Total revenue	628,943	659,251	153,241	129,098	(187,411)	(178,134)	594,773	610,215
Operating profit							62,500	64,784
Finance income							3,984	5,843
Finance costs							(6,753)	(4,928)
Share of loss of associates							(163)	(1,789)
Profit before tax							59,568	63,910
Segment assets	1,426,908	1,500,322	158,476	174,632	(219,541)	(350,341)	1,365,843	1,324,613
Investments in associates	6,381	6,381	-	-	(3,346)	(3,183)	3,035	3,198
Total assets	1,433,289	1,506,703	158,476	174,632	(222,887)	(353,524)	1,368,878	1,327,811
Segment liabilities	773,005	728,559	67,726	53,801	(204,710)	(248,820)	636,021	533,540
Capital expenditure								
- Property, plant and equipment	24,826	24,669	997	295	(925)	-	24,898	24,964
Depreciation	28,605	28,064	649	502	-	-	29,254	28,566

33. Financial instruments

33.1 Categories of financial instruments

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Assets				
Amortised cost				
Receivables and deposits	235,490	199,753	21,456	90,855
Fixed deposits with licensed banks	24,453	61,686	-	-
Cash and bank balances	78,304	123,017	978	22,977
	338,247	384,456	22,434	113,832
Fair Value through Profit or Loss				
Derivative assets	426	31	-	-
Short-term investments	19,080	82,216	2,073	11,103
Long-term funds	7,625	6,053	-	-
	27,131	88,300	2,073	11,103

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Liabilities				
Other Financial Liabilities				
Loan and borrowings	115,042	51,215	-	-
Payables and accruals	237,057	210,799	1,597	2,390
Provision for warranties	33,368	42,600	-	-
	385,467	304,614	1,597	2,390

33.2 Gains or losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Assets				
Amortised cost				
Impairment/(Reversal of impairment) loss on trade receivables	136	(817)	-	-
Impairment/(Reversal of impairment) loss on other receivables	19	(670)	-	-
Impairment/(Reversal of impairment) loss on amount due from associate	562	1,672	124	(61)
Impairment/(Reversal of impairment) loss on contract assets	102	(131)	-	-
Reversal of impairment loss on amount due from related companies	(74)	(587)	-	-
(Reversal of impairment)/Impairment loss on amount due from subsidiaries	-	-	(5,766)	5,743
Interest income from deposits with licensed banks	(749)	(615)	-	-
Interest income from advance to subsidiaries	-	-	(299)	(760)
Interest income from advance to an associate	(67)	(62)	(67)	(62)
Interest income from short-term funds	(545)	(1,780)	(98)	(360)
Interest income arising on financial assets/(liabilities) measured under MFRS 9	(2,623)	(3,386)	(542)	(903)
	(3,239)	(6,376)	(6,648)	3,597
Financial Liabilities				
Amortised cost				
Interest expense on borrowings	4,150	2,604	-	-
Interest expense arising on financial assets/(liabilities) measured under MFRS 9	2,603	2,324	885	2,581
	6,753	4,928	885	2,581

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33. Financial instruments (continued)

33.3 Financial risk management policies

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

(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.

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

(ii) Exposure to credit risk, credit quality and collateral

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	
	2022 RM'000	2021 RM'000
Asia	75,880	88,312
Africa	-	64
America	598	5,482
Australia	11,040	7,428
Europe	53,955	22,245
Middle East	12,728	6
	154,201	123,537

(iii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost and contract assets at fair value through other comprehensive income are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

33. Financial instruments (continued)

33.3 Financial risk management policies (continued)

(a) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Company concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having significant balances and more than a year overdue are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

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
2022			
Not past due	72,301	(779)	71,522
Past due 0 - 90 days	60,037	(1,392)	58,645
Past due 91 - 180 days	17,883	(2,177)	15,706
Past due more than 180 days	46,678	(38,350)	8,328
	196,899	(42,698)	154,201
Credit impaired:			
- more than 30 days past due	169,598	(15,397)	154,201
- individually impaired	27,301	(27,301)	-
	196,899	(42,698)	154,201
Contract assets	134,315	(1,106)	133,209

33. Financial instruments (continued)

33.3 Financial risk management policies (continued)

(a) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Trade Receivables and Contract Assets (continued)

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

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 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
2022			
Low credit risk	13,504	-	13,504
Significant increase in credit risk	15,015	(178)	14,837
	28,519	(178)	28,341
2021			
Low credit risk	19,256	-	19,256
Significant increase in credit risk	1,373	(170)	1,203
	20,629	(170)	20,459

33. Financial instruments (continued)

33.3 Financial risk management policies (continued)

(a) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Amount due from subsidiaries and amount due from associates

The Group and the Company consider 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 and the Company consider 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 and the Company in full.

The Group and the Company determine 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			
2022			
Significant increase in credit risk	21,505	(5,255)	16,250
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

	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
Amount due from associates			
Group			
2022			
Significant increase in credit risk	68,961	(18,484)	50,477
2021			
Significant increase in credit risk	71,654	(18,420)	53,234

Notes to the financial statements
Cont'd

33. Financial instruments (continued)

33.3 Financial risk management policies (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			
2022			
Significant increase in credit risk	6,585	(1,552)	5,033
2021			
Significant increase in credit risk	6,248	(1,428)	4,820

Short-term funds, fixed deposits placed with licensed banks, cash and bank balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Financial guarantees

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.

The maximum exposure to credit risk amounted to RM82 million (2021 - RM17.2 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.

33. Financial instruments (continued)

33.3 Financial risk management policies (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
2022				
Secured borrowings				
-Bills payable	1.96 - 4.80	45,211	-	-
-Bank overdraft	4.83	22,717	-	-
-Hire purchase and lease liabilities	1.60	20,085	12,775	-
-Term loan	3.11 - 4.83	14,621	5,080	4,529
Unsecured				
-Insurance premium finance	0.96 - 2.59	3,384	-	-
-Revolving credits	3.58	19,500	-	-
-Payables and accruals		237,057	-	-
		362,575	17,855	4,529
2021				
Secured borrowings				
-Bills payable	2.52	13,860	-	-
-Bank overdraft	2.50	8,895	-	-
-Hire purchase and lease liabilities	1.60 - 2.47	14,565	23,799	-
-Term loan	2.21 - 4.68	7,144	8,956	5,209
Unsecured				
-Insurance premium finance	0.96	2,987	-	-
-Term loan	2.21	4,164	-	-
-Payables and accruals		210,799	-	-
		262,414	32,755	5,209

Notes to the financial statements
Cont'd

33. Financial instruments (continued)

33.3 Financial risk management policies (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
2022			
Unsecured			
Payables and accruals	127	-	-
Financial guarantee	81,556	-	-
	81,683	-	-
2021			
Unsecured			
Payables and accruals	133	-	-
Financial guarantee	17,246	-	-
	17,379	-	-

(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.

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.

	2022		2021	
Group	Effective interest rate %	Total RM'000	Effective interest rate %	Total RM'000
Financial assets				
Fixed rate instruments				
Deposits placed with licensed banks	1.14 - 2.70	24,453	1.00 - 3.85	61,686
Short-term funds	1.14 - 3.42	19,080	1.21 - 4.94	82,216
Long-term funds	4.37	7,625	4.37	6,053
		51,158		149,955

33. Financial instruments (continued)

33.3 Financial risk management policies (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Group	2022 Effective interest rate %	2022 Total RM'000	2021 Effective interest rate %	2021 Total RM'000
Financial liabilities				
Fixed rate instruments				
Unsecured insurance premium finance – AUD	3.59	3,384	2.21	2,987
Secured bank overdraft	4.83	22,717	2.50	8,895
Hire purchase payables	1.60	26,375	1.60 - 2.47	35,525
Secured term loan	4.58 - 4.83	6,762	2.25 - 2.50	13,211
Floating rate instrument				
Bills payable	1.96 - 4.80	45,211	2.38	13,860
Revolving credits	3.58	19,500		-
Secured term loan	3.11 - 4.83	17,468	4.57 - 4.79	8,098
Unsecured term loan		-	2.21	4,164
		141,417		86,740

Company	2022 Effective interest rate %	2022 Total RM'000	2021 Effective interest rate %	2021 Total RM'000
Financial assets				
Fixed rate instruments				
Short-term funds	1.25 - 3.42	2,073	1.25 - 2.08	11,103

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 RM625,000 (2021 - RM198,000). A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

33. Financial instruments (continued)

33.3 Financial risk management policies (continued)

(c) Market risk (continued)

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
2022			
Financial assets	57,921	36,953	13,743
Financial liabilities	(34,923)	(50,629)	(760)
Net financial assets	22,998	(13,676)	12,983
Less: Net financial liabilities denominated in the respective entities functional currencies	(3,803)	15,725	(14,894)
Less: Forward foreign currency contracts (contracted notional principal)	(110,210)	-	-
Net currency exposure	(91,015)	2,049	(1,911)
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)

33. Financial instruments (continued)

33.3 Financial risk management policies (continued)

(c) Market risk (continued)

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
2022			
- strengthened by 5%	(3,459)	78	(73)
- weakened by 5%	3,459	(78)	73
2021			
- strengthened by 5%	1,203	984	(134)
- weakened by 5%	(1,203)	(984)	134

33.4 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								
2022								
Financial assets								
Short-term funds	19,080	-	-	-	-	-	19,080	19,080
Forward currency contract	-	426	-	-	-	-	426	426
	19,080	426	-	-	-	-	19,506	19,506
2021								
Financial assets								
Short-term funds	82,216	-	-	-	-	-	82,216	82,216
Forward currency contract	-	31	-	-	-	-	31	31
	82,216	31	-	-	-	-	82,247	82,247
Financial liabilities								
Forward currency contract	-	(265)	-	-	-	-	(265)	(265)

Notes to the financial statements
Cont'd

34. 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, related companies, associates and Directors are in Note 7, Note 8 and Note 27 respectively.

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Significant transactions with holding company:				
Rental expense payable	1,615	1,634	-	-
Sale of goods and services	(131)	(4)	-	-
Subcontract cost payable	37	393	-	-
Share services expenses	2,474	2,474	-	-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Significant transactions with subsidiaries:				
Dividend income receivable	-	-	(90,339)	(51,964)
Rental income receivable	-	-	(1,125)	(1,618)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Significant transactions with related company:				
Purchase of property, plant and equipment	-	-	-	-
Rental expense payable	706	707	44	44
Sale of goods and services	(2,416)	(2,429)	-	-
Subcontract cost payable	5,600	5,113	-	-
Rental income receivable	(7)	-	-	-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Significant transactions with associate:				
Interest income receivable	(66)	(62)	(66)	(62)
Sale of goods and services	(4,669)	(6,881)	-	-
Purchase of goods and services	419	56	-	-

34. Related parties (continued)

(i) Identities of related parties (continued)

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 19 respectively.

35. 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.

36. Acquisition of subsidiaries

On 31 October 2022, the Group completed acquisitions of 70% of Strata Niaga Sdn. Bhd. and its subsidiary Strata Niaga (B) Sdn. Bhd. which provides engineering and trading in oil & gas and power industry.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Group RM'000
Property, plant and equipment	649
Cash and cash equivalents	2,682
Receivables and other receivables	3,836
Current tax assets	676
Contract liabilities	(1,050)
Trade payables and other payables	(1,498)
Non-controlling interest	(285)
Net identifiable assets acquired	5,010
Add: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	(1,503)
Goodwill from the acquisition (Note 5)	4,100
Total purchase consideration	7,607
Less: Cash and bank balances of subsidiaries acquired	(2,682)
Total net cash outflow from the acquisition of subsidiaries	4,925

(a) The goodwill is attributable mainly to the control premium paid. In addition, the purchase consideration also included benefits derived from the expected revenue growth of the subsidiary, its future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for tax purposes.

(b) The acquired subsidiaries have contributed revenue of RM4.8 million and profit after taxation of RM0.7 million to the Group since the date of acquisition.

Notes to the financial statements
Cont'd

37. Disposal of a subsidiary

On 1 April 2022, the Company disposed of its entire equity interests in Exact Oil & Gas Sdn. Bhd. for RM140,683 in cash.

	Group RM'000
Trade and other receivables	1,544
Cash and bank balances	589
Trade and other payables	(1,658)
Carrying amount of net assets disposed of	475
Less: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	(142)
	333
Loss on disposal of a subsidiary	(193)
Consideration received, satisfied in cash	140
Less: Cash and bank balances of a subsidiary disposed of	(589)
Net cash outflow from the disposal of a subsidiary	(449)

There were no disposals of subsidiaries in the previous financial year.

38. Significant event during the financial year

Significant events during the financial year are as follows:-

(a) On 1 April 2022, the Company disposed its 70% equity interest in its subsidiary, Exact Oil & Gas Sdn. Bhd. for a total cash consideration of RM0.14 million. The disposal has been completed on 22 June 2022 and did not give any material effect on the earnings per share, net assets per share, gearing and share capital of the Group for the year ended 31 December 2022.

(b) The Company had on 8 March 2022 entered into a Share Purchase Agreement with group of individual vendors to purchase 70% of the shares held by the relevant vendors in Strata Niaga Sdn. Bhd. and its subsidiary, Strata Niaga (B) Sdn. Bhd. for a total cash consideration of RM7.6 million. The acquisition has been completed on 31 October 2022.

39. Comparative figures

	As Previously Reported RM'000	As Restated RM'000
Statements of Financial Position (Extract)		
Long-term funds	-	6,053
Cash and bank balances	272,972	266,919

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 2022 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: 14 April 2023

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 14 April 2023.

……………………..
Lee Poh Kwee

Before me:

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

Independent Auditors' Report

to the Members of Favelle Favco Berhad

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 2022 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 2022, 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 of the 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 22 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;

Independent Auditors' Report to the Members of Favelle Favco Berhad

Cont'd

Key Audit Matters (Continued)

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

<table>
<tr><th colspan="2">Revenue recognition and contract accounting (cont'd)
Refer to Note 22 to the financial statements</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>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.</td><td>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.</td></tr>
</table>

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. The Group assessed at each reporting date whether the trade receivables carried at amortised cost are credit-impaired. The Group have applied simplified method to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, economic factors and historical credit behaviour of trade receivables. We identified the expected credit loss on trade receivables as a key audit matter due to estimation and judgements significantly used by management in the calculation of expected credit loss, risk of default and the inherent uncertainties during the estimation process.	Our audit procedures included, amongst others: • Evaluating the methodologies of expected credit loss model developed by the Group; • Testing the accuracy and completeness of the underlying data used in the model and the arithmetical accuracy of the calculation of expected credit loss; • Challenging the reasonableness of the key assumptions and judgements used to calculate the likelihood of default and estimation on the adequacy of the Group’s expected credit loss allowance on trade receivables; • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; and • Reviewing collections and sales trends during financial year of major receivables.

Inventories – Inventories under Work-In-Progress Refer to Note 13 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 Group assessed at each reporting date whether the inventories are carried at the lower of costs and net realisable value. There are significant degrees of management’s assumptions and estimates used for determining the net realisable value, including the stage of completion, expected costs to complete, and expected selling price. Possible changes in judgments and related estimates of the net realisable value may result in material adjustments to the inventories’ carrying amounts.	Our audit procedures included, amongst others: • Reviewing whether inventories are carried at the lower of costs and net realisable value; and • Assessing the adequacy of write-down of inventories.

Independent Auditors' Report to the Members of Favelle Favco Berhad

Cont'd

Key Audit Matters (Continued)

<table>
<tr><th colspan="2">Goodwill impairment
Refer to Note 5 to the financial statements</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>As at 31 December 2022, the Group has goodwill of RM75.283 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.</td><td>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.</td></tr>
</table>

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
03233/09/2024 J
Chartered Accountant

Kuala Lumpur
14 April 2023

Group Properties

as at 31 December 2022

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	24 years	1,988
2.	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan.	Factory building with office block	2022#	Freehold	68,846 sq.m.	17 years	42,879
3.	7AL, Nordkranvej, 2 3540, Lynge DK Denmark.	Factory building with office block	2022#	Freehold	59,525 sq.m.	52 years	16,809
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.	8 years	2,700
5.	28, Yarrunga Street, Preston, NSW 2170, Australia.	Office building and factory	2022#	Freehold	11.6 acres	52 years	187,921
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	2022#	Freehold	1.964 sq.m 2,228 sq.m. 2,070 sq.m.	6 years 6 years 6 years	5,009 5,943 5,680
7	612, Block A, Kelana Square, No 17, Jalan SS7/26 47301 Petaling Jaya, Selangor Darul Ehsan	Leasehold office	2011	Leasehold Expiry 2089	219 sq.m.	24years	440
					Total properties		269,369

Note:
Year of Valuation

Analysis of Shareholdings

as at 29 March 2023

Share Capital

Total number of issued shares	:	234,912,763
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	227	4.633	1,887	0.001
100 to 1,000	1,463	29.857	1,000,304	0.428
1,001 to 10,000	2,476	50.531	10,596,913	4.537
10,001 to 100,000	643	13.122	18,790,350	8.045
100,001 to 11,678,387*2	89	1.816	63,912,966	27.364
11,678,388*3 and above	2	0.041	139,265,343	59.625
TOTAL	**4,900**	**100.000**	**233,567,763**	**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 2023.

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(6)	Indirect/ Deemed interest (no. of shares)	% of issued capital(6)
1. Mac Chung Hui	3,842,000(1)	1.645	-	-
2. Mac Ngan Boon @ Mac Yin Boon	10,842,913(2)	4.642	149,592,243(3)	64.047
3. Lee Poh Kwee	2,915,000(4)	1.248	-	-
4. Mazlan bin Abdul Hamid	2,586,100(5)	1.107	-	-

Notes:

1. Certain shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd.
2. Shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, HLB Nominees (Tempatan) Sdn Bhd and Affin Hwang Nominees (Tempatan) Sdn. Bhd.
3. 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 Companies Act 2016.
4. Shares held through HLB Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd.
5. Certain shares held through Maybank Nominees (Tempatan) Sdn Bhd.
6. Excluding a total of 1,345,000 shares purchased by the Company and retained as treasury shares as at 29 March 2023.

Shares in related corporation

The interest of the Company's Directors in related companies are disclosed in the Directors' Report for the year ended 31 December 2022 enclosed in this Annual Report.

Options in the Company

The employee's share options held by the Directors in the Company are disclosed in Directors' Report for the year ended 31 December 2022 enclosed in 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	147,853,443	63.302	-	-
2. Mac Ngan Boon @ Mac Yin Boon	10,842,913(1)	4.642	147,853,443(2)	63.302

Notes:
1. Shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, HLB Nominees (Tempatan) Sdn Bhd and Affin Hwang 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 2023.

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	41.958
2	Muhibbah Engineering (M) Bhd	41,265,343	17.667
3	Muhibbah Engineering (M) Bhd	8,588,100	3.677
4	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	5,264,000	2.254
5	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	4,100,000	1.755
6	Mac Chung Hui	3,742,000	1.602
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,582,700	1.534
8	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	2,635,000	1.128
9	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mazlan Bin Abdul Hamid	2,520,100	1.079
10	Harmony Effective Sdn Bhd	2,170,000	0.929
11	Teo Chang Hock	2,043,700	0.875
12	Neoh Choo Ee & Company, Sdn. Berhad	1,530,000	0.655

Analysis of Shareholdings as at 29 March 2023

Cont'd

List of thirty (30) largest shareholders (cont'd)

No.	Name of Shareholders	No. of Shares held	% of issued capital*
13	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	1,360,913	0.583
14	Ooi Sen Eng	1,356,000	0.581
15	Noriyati Binti Hassan	1,331,200	0.570
16	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noriyati binti Hassan	1,044,700	0.447
17	Aminah binti Mohd Taib	956,200	0.409
18	OREC Engineering Holdings Pty Ltd	900,000	0.385
19	JcbNext Berhad	806,800	0.345
20	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd	804,700	0.345
21	Liew Yoon Yee	720,000	0.308
22	Teoh Yong Churn	718,600	0.308
23	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	700,000	0.300
24	Harmony Effective Sdn Bhd	679,500	0.291
25	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	600,000	0.257
26	Lee Lin Tuan	580,446	0.249
27	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Yoong Kah Yin	554,000	0.237
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hung Yew Loong (E-JBU)	500,000	0.214
29	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Neoh Choo Ee & Company Sdn.Berhad (SL)	470,000	0.201
30	Shenandoah Chong Shin Kwek	470,000	0.201
		189,994,002	**81.344**

Note:

* Excluding a total of 1,345,000 shares purchased by the Company and retained as treasury shares as at 29 March 2023.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-First 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 **Monday, 26 June 2023 at 11.00 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 2022 and the Reports of the Directors and Auditors thereon.	Please refer to Explanatory Note 1
2.	To approve the declaration of a final tax exempt dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2022.	**Ordinary Resolution 1**
3.	To re-elect the following Directors who retire by rotation pursuant to Article 85 of the Constitution of the Company:-	
	(i) Dato' Sri Khazali Bin Haji Ahmad; and	**Ordinary Resolution 2**
	(ii) Mr Mac Chung Hui.	**Ordinary Resolution 3** (Explanatory Note 2)
4.	To re-elect Encik Anuar Bin Abd Rahman who retires pursuant to Article 91 of the Constitution of the Company.	**Ordinary Resolution 4** (Explanatory Note 2)
5.	To approve the payment of Directors' fees and benefits payable up to an amount of RM1,000,000.00, from 27 June 2023 until the next AGM of the Company.	**Ordinary Resolution 5** (Explanatory Note 3)
6.	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.	**Ordinary Resolution 6**

As Special Business

To consider and, if thought fit, with or without modification to pass, the following resolutions:-

7.	**Authority for Encik Sobri Bin Abu to continue in office as an Independent Director of the Company**	**Ordinary Resolution 7** (Explanatory Note 4)
	"**THAT** authority be and is hereby given for Encik Sobri Bin Abu, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company until the conclusion of the next AGM, in accordance with the Malaysian Code on Corporate Governance ("**MCCG**").	

Notice of Annual General Meeting
Cont'd

8. **Proposed Renewal of Authority for Share Buy-Back**

Ordinary Resolution 8
(Explanatory Note 5)

"**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 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."

9. **Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

Ordinary Resolution 9
(Explanatory Note 6)

"**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 2023 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; and

THAT a New Shareholders' Mandate be and is hereby granted for the Company and/or its subsidiaries to enter into additional recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day-to-day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Section 2.1.2 of the Circular dated 27 April 2023; (collectively known as the "Proposed Shareholders' Mandate")

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."

10. 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 2023

Notice of Annual General Meeting

Cont'd

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 16 June 2023 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. *The Thirty-First AGM shall be conducted fully virtual and the broadcast venue is strictly for the purpose of compliance with Section 327(2) of the Act which requires the Chairman to be present at the meeting venue. Members who wish to attend the Thirty-First AGM will have to register online and attend remotely. Please follow the procedures provided in the Administrative Notes for the Thirty-First AGM on the registration and voting process for the meeting.*

2. *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.*

3. *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.*

4. *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.*

5. *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.

6. *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.*

7. *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.*

8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, resolutions set out in this Notice will be put to vote by way of poll.*

Explanatory Notes to the Agenda

1. **Agenda Item 1 - Audited Financial Statements for the Financial Year Ended 31 December 2022**
   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. **Ordinary Resolutions 2, 3 and 4: Re-election of Directors**
   The profiles of the Directors who are standing for re-election under items 3 and 4 of this Agenda are set out in the Board of Directors' Profiles of the Annual Report 2022.

   Based on the recommendation of the Nominating Committee, the Board of Directors ("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 Dato' Sri Khazali Bin Haji Ahmad as 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 AGM of the Company and shall then be eligible for re-election. Dato' Sri Khazali Bin Haji Ahmad, who was appointed as a Director of the Company on 16 April 2018, retires by rotation pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the Thirty-First AGM.

   Shareholders' approval is sought for the re-election of Dato' Sri Khazali Bin Haji Ahmad, Ordinary Resolution 2. The profile of Dato' Sri Khazali Bin Haji Ahmad is listed in the Profile of Directors section.

   (b) Re-election of Mr Mac Chung Hui as 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 AGM of the Company and shall then be eligible for re-election. Mr Mac Chung Hui, who was appointed as a Director of the Company on 5 May 2004, retires by rotation pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the Thirty-First AGM.

   Shareholders' approval is sought for the re-election of Mr Mac Chung Hui, Ordinary Resolution 3. The profile of Mr Mac Chung Hui is listed in the Profile of Directors section.

   (c) Re-election of Encik Anuar Bin Abd Rahman as Director
   In accordance with Article 91 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall then be eligible for re-election. Encik Anuar Bin Abd Rahman, who was appointed as a Director of the Company on 21 September 2022, retires pursuant to Article 91 of the Company's Constitution and being eligible, has offered himself for re-election at the Thirty-First AGM.

   Shareholders' approval is sought for the re-election of Encik Anuar Bin Abd Rahman, Ordinary Resolution 4. The profile of Encik Anuar Bin Abd Rahman is listed in the Profile of Directors section.

Notice of Annual General Meeting
Cont'd

3. **Ordinary Resolution 5: Approval for payment of Directors' fees and benefits**
Section 230(1) of the Act 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 Thirty-First AGM on the Directors' fees and benefits under Ordinary Resolution 5. The Director' benefits comprise meeting allowances, travelling allowances and other benefits such as directors' and officers' liability insurance.

4. **Ordinary Resolution 7: Authority for Encik Sobri Bin Abu to continue in office as Independent Director of the Company**
Encik Sobri Bin Abu ("Encik Sobri") was appointed as an Independent Non-Executive Director of the Company on 15 May 2014 and has served for a cumulative term of more than nine (9) years. In accordance with the MCCG, the Nominating Committee and the Board, after having assessed the independence of Encik Sobri, consider him to be independent based on amongst others, the following justifications and recommend that Encik Sobri be retained as an Independent Director of the Company:-

    (a) He has met the independence criteria set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and therefore, he would be able to give independent opinion to the Board;
    (b) Being director for more than nine (9) years has enabled him to contribute positively during deliberations/discussions at meetings as he is familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;
    (c) He has contributed sufficient time and exercised due care during his tenure as Independent Director;
    (d) He has discharged his professional duty in good faith and also in the best interest of the Company and shareholders;
    (e) He has vigilantly safeguarded the interests of the minority shareholders of the Company;
    (f) He has the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner;
    (g) He has never compromised on his independent judgement;
    (h) He has provided objective views on the performance of the Executive Directors and Management in meeting the agreed goals and objectives; and
    (i) He has ensured that there were effective checks and balances in Board proceedings.

    Encik Sobri has abstained from deliberating on any decision on his own retention as Independent Director at the relevant Nominating Committee and Board meetings.

    Pursuant to the MCCG, the Company would adopt a two-tier voting process in seeking the annual shareholders' approval to retain an Independent Director beyond nine (9) years for best practice of corporate governance.

5. **Ordinary Resolution 8: Proposed Renewal of Authority for Share Buy-Back**
For Ordinary Resolution 8, the detailed information on the Proposed Renewal of Authority for Share Buy-Back Authority is set out in the Circular to Shareholders dated 27 April 2023.

6. **Ordinary Resolution 9: Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
For Ordinary Resolution 9, the detailed information on the Proposed Shareholders' Mandate is set out in Circular to Shareholders dated 27 April 2023.

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 Thirty-First 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 Monday, 26 June 2023 at 11.00 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 final tax exempt dividend of 4.0 sen per ordinary share.		
2.	To re-elect Dato' Sri Khazali Bin Haji Ahmad as Director of the Company.		
3.	To re-elect Mr Mac Chung Hui as Director of the Company.		
4.	To re-elect Encik Anuar Bin Abd Rahman as Director of the Company.		
5.	To approve the payment of Directors' Fees and benefits payable of RM1,000,000.00, from 27 June 2023 until the next Annual General Meeting of the Company.		
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.	Authority for Encik Sobri Bin Abu to continue in office as an Independent Director of the Company.		
8.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
9.	To approve the Proposed Renewal of the Existing Shareholders' Mandate and Proposed New 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 2023

[*Delete if not applicable]

....

[Signature/Common Seal of Shareholder(s)]

Notes:

1. *The Thirty-First Annual General Meeting ("**AGM**") shall be conducted fully virtual and the broadcast venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 ("**the Act**") which requires the Chairman to be present at the meeting venue. Members who wish to attend the Thirty-First AGM will have to register online and attend remotely. Please follow the procedures provided in the Administrative Notes for the Thirty-First AGM on the registration and voting process for the meeting.*
2. *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.*
3. *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.*
4. *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.*
5. *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.
6. *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.*
7. *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.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, 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