2019 ANNUAL REPORT

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

A MEMBER OF MUHIBBAH ENGINEERING (M) BHD

Corporate Information

Board of Directors

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

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

Mac Chung Hui
(Managing Director/Chief Executive Officer)

Mac Ngan Boon @ Mac Yin Boon
(Executive Director)

Lee Poh Kwee
(Executive Director)

Mazlan bin Abdul Hamid
(Executive Director)

Sobri bin Abu
(Independent Non-Executive Director)

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

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

Company Secretaries
Tew Siew Chong
(SSM PC No. 202008003861) (MIA 20729)
Woo Siau Shen
(SSM PC No. 20200526000001) (MIA 33077)
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
OCBC Bank (Malaysia) 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

The Men From Marr's M2480D HLL working on construction of the 1915 Çanakkale Bridge, Gallipoli, Turkey (2019).

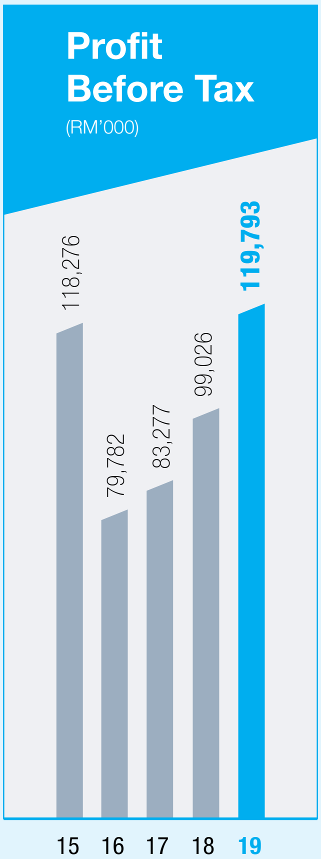
Tower CRANE, KL118, Malaysia

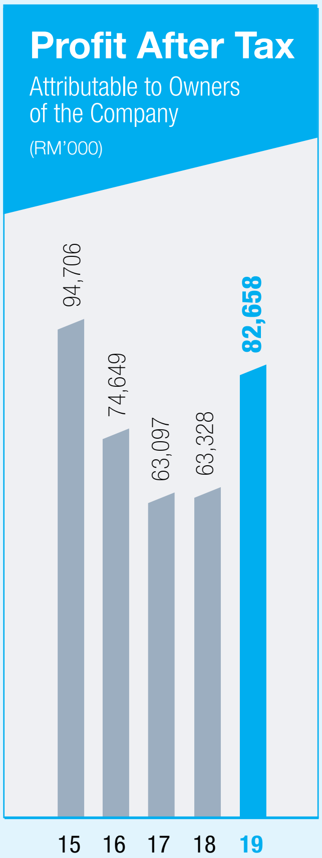
Contents

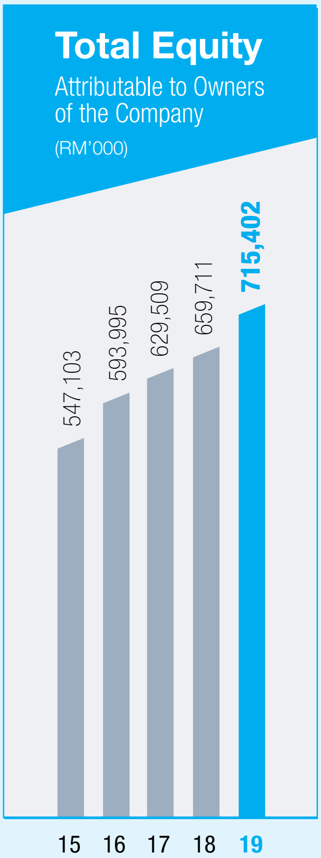
Tower Crane, Posten, Denmark

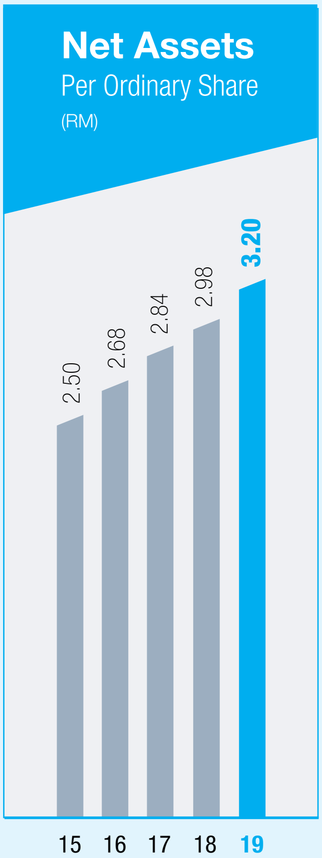
Group Financial Highlights

	2015	2016	2017	2018	2019
Turnover (RM'000)	867,348	582,273	526,484	530,590	**687,994**
Profit Before Tax (RM'000)	118,276	79,782	83,277	99,026	**119,793**
Profit After Tax Attributable to Owners of the Company (RM'000)	94,706	74,649	63,097	63,328	**82,658**
Total Equity Attributable to Owners of the Company (RM'000)	547,103	593,995	629,509	659,711	**715,402**
Share Capital (RM'000)	109,568	110,701	110,701	155,170	**162,745**
Basic Earnings Per Ordinary Share (Sen)	43.40	33.83	28.50	28.60	**37.18**
Net Assets Per Ordinary Share (RM)	2.50	2.68	2.84	2.98	**3.20**









Group Structure as at 29 April 2020

FAVELLE FAVCO BERHAD

CRANES

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

INTELLIGENT AUTOMATION

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

* Dormant companies are excluded from the above Group Structure

Management Discussion and Analysis

The Favelle Favco Group comprises 2 main divisions, the Crane division and the Intelligent Automation division.

Cranes

For over 40 years the crane division has been driving crane technology forward and pushing the envelopes of tailor-made, high speed heavy lifting.

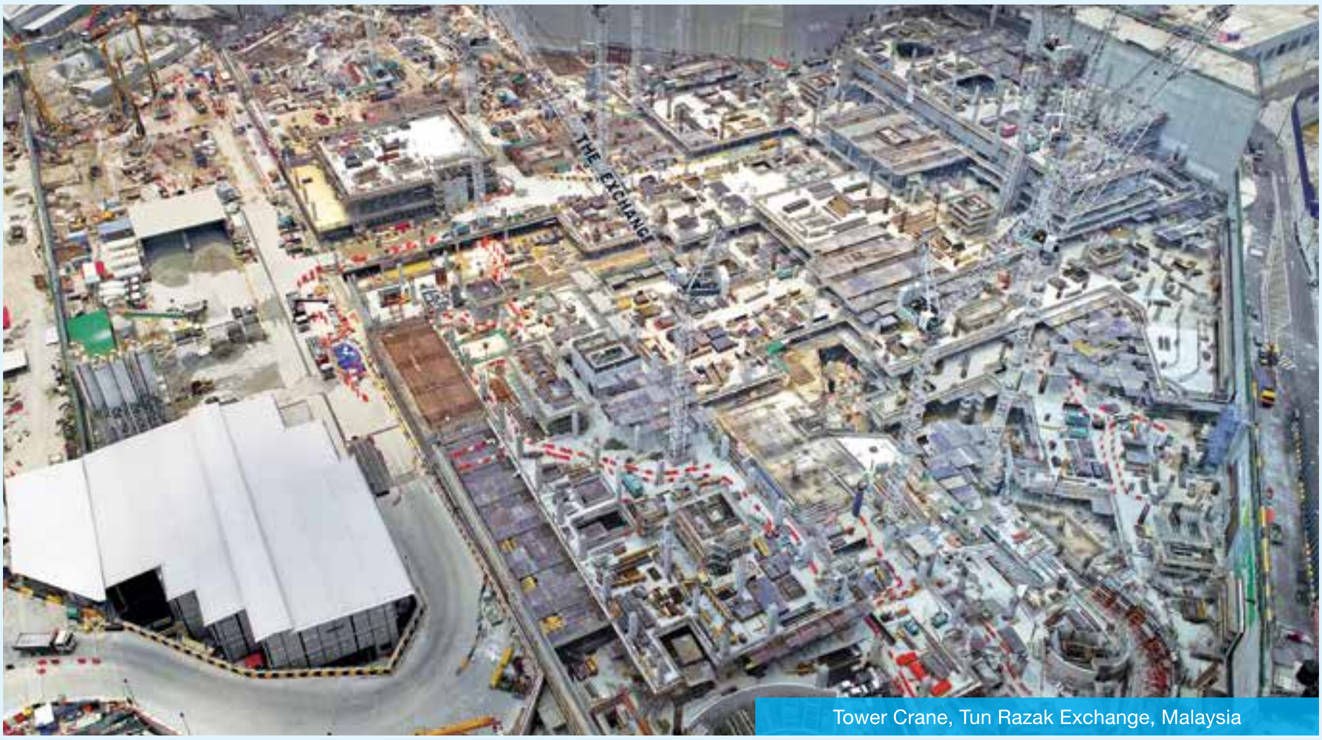
Comprising 2 international brands, Favelle Favco and Kroll, the Group is home to the largest hammerhead crane in the world, the Kroll K10,000, and the largest luffing tower crane in the world, the Favelle Favco M2480.

Our reputation for building the world's fastest cranes has cemented our position in the market for super high-rise buildings, having constructed 8 out of 10 of the world's tallest buildings ever built.

Our full range of products includes offshore cranes, tower cranes, wharf cranes, rental of cranes, service and maintenance. We have 7 operating facilities (Malaysia, Australia, Denmark, the USA, China, Singapore and the UAE) with a total workforce of approximately 1050 teammates spanning the globe. This global structure allows us to build these heavy lift cranes as close to the delivery point as economically feasible.

Clean Emission Monitoring Systems, Miri Power Plant

Tower Crane, Jewel, Gold Coast, Australia



Tower Crane, Tun Razak Exchange, Malaysia

Intelligent Automation

The Intelligent Automation division ("Exact Group") comprises many business segments which include Automation, Control and Instrumentation, Rotating Machinery systems, Renewable Energy systems, Gas and Liquid Analysis systems, Valves Automation and Industrial Information Digital systems.

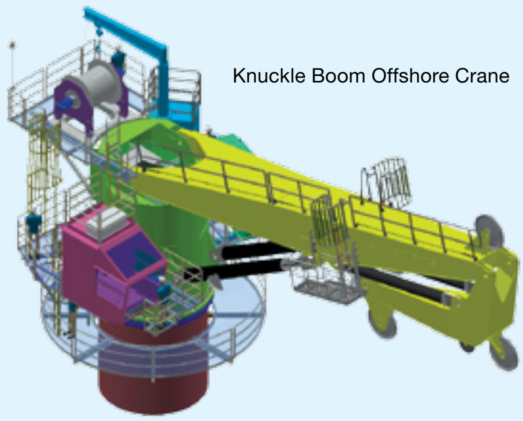
Exact Group currently holds more than 20 live maintenance contracts established with most of the oil majors in Malaysia. We not only provide systems for Rotating Machinery like compressors and turbines but also supply hybrid solar and wind turbine solutions for offshore facilities.

Furthermore, we provide various gas and liquid analytical equipment including portable and fixed detection systems as well as fire and gas systems.

The Industrial Information systems supplied by Exact Group include pipeline monitoring and plant intelligence solutions. Exact Group will be our way of penetrating the intersection of industrial processes and the automation world, generally coined today as Industry 4.0.

Crane Market Review and Strategies

The offshore crane market was relatively neutral at a low level for the full year. Whilst we do see investments moving in the platform market, there is still a clear inventory overhang in the rig market. We don't expect that to change dramatically in the near future with many stalled jobs still unable to activate. These low levels of activity actually resulted in the Company booking more construction crane revenue than offshore crane revenue for the first time in many years.


Knuckle Boom Offshore Crane


Rotating Machinery

Offshore Crane, WP 42, Thailand

Offshore Crane, FSO Benchamas 2

Tower Crane, Romklau Wind Farm, Thailand

The construction crane market was relatively good. This was mostly driven by the Australian market. Additionally, we continued our penetration into the smaller sized crane market entering some new markets in Europe in combination with some new crane models in this segment.

The onshore wind turbine market also seemed to be seeing increased enquiries from the North American continent. Our presence is now felt with a delivery of our wind turbine crane into Canada. We anticipate this will help develop our presence in the continent.

Review and discussion of financial results

I am pleased to report our full year's result of RM688 million revenue for the Favelle Favco Group. This includes a full year's consolidation of the revenue for the Exact Group of RM158 million. Hence the crane division increased its revenue from RM458 million (year 2018) to RM530 million (year 2019). The combined revenue resulted in a Profit After Tax of RM90 million which would be our second best results ever . It is nice to see our efforts to combat the oil and gas crisis of 2014 come to fruition and come back to our near peak performance.

In line with the results, we have declared a dividend of 15 sen per share representing approximately 40% of our Earnings Per Share.

Capex requirements and treasury commentary

During the year 2019, we further allocated RM15 million towards the acquisition of the Exact Group under a progressive payment plan tied to performance targets. As the Exact Group had achieved their profit targets for the prior year 2018, we were then obliged to put aside RM15 million as an extra payment.

We further invested RM55 million in crane assets for our tower crane rental fleet, mainly in the European region.

After the above investments and paying a dividend of RM30 million to shareholders during the year, Favelle Favco Group had cash and cash equivalents of RM289 million as at 31st December 2019.

Moving forward, we are likely to hold any further major acquisitions till we get further visibility from the current Covid-19 crisis. Furthermore, we are likely to take a pause in our crane rental fleet expansion whilst we review the development of the crane and credit markets.

Operational review

Cranes

We recorded an increase in crane order book intake for the year 2019 (RM340 million) and year 2018 (RM311 million) compared with year 2017 (RM210 million). This was the main reason for our increase in revenue in this


Tower Crane, CGS Offshore Oil Platform, Newfoundland Canada

division. The revenue was driven mostly by the Australian construction markets.

We had several new model developments during the year. The most notable is our first order for a Knuckle Boom offshore crane. This order widens our product offering to the oil and gas market, in particular to the floating rig and vessel market. This crane is currently under development and will be delivered in year 2020.

Other cranes of note are our latest recovery cranes, the M50R and the 243R. These cranes are used for the dismantling of the main construction crane at the top of a building. Designed to be able to fully slew and be self-dismantled without another derrick crane, we expect this new generation of cranes to set the benchmark for us in our recovery cranes series.

We have started work on an upgraded model MK380 which will be delivered in year 2020. This new model features an electric winch, upgraded structural features and a very cost-conscious design mindset. This is again part of our strategy of entering the smaller sized market which has a large addressable market.

Our tower crane rental fleet remained well utilized during the year. Furthermore, Kroll delivered 2 new models in 2019, the K1230F to Canada and the K860F to Singapore.

Exact Automation Group

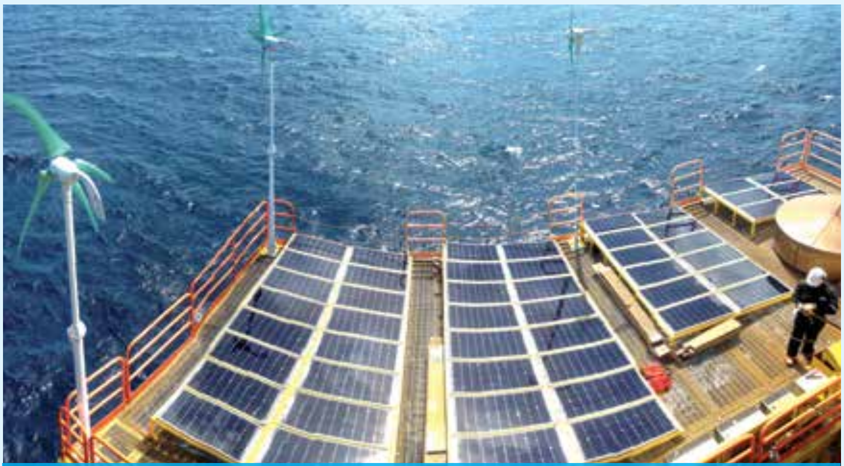
Year 2019 was our first full year consolidation of the Exact Group putting in a Profit after tax of RM23 million.

The Industrial Automation business still drove the majority of this segment. Notable projects include the provision of Supervisory Control and Data Acquisition (SCADA) and Brownfield Tie-in for Hess on the Bergading RWHP.

In addition, we made progress with our solar hybrid wind turbine systems installing a system for the Tembikai project as well as several wind turbine systems for several platforms in Malaysia. These were driven by a customer who was having consistent shutdowns due to loss of power during the monsoon season. After installing several units of turbines, they never reported any power losses again during monsoon seasons, showcasing the solutions we have brought to the table.

In our analytical business, some of the highlights include installation of Clean Emission Monitoring systems which measure various gases like carbon monoxide, nitrous oxide and sulphur oxide for two power plants in Kuching and Miri, Malaysia.


Donation of protective coveralls and masks to Sungai Buloh hospital in Malaysia


Renewable Energy (Solar Hybrid Wind Turbine System)

We had some good activity with our Gas Pipeline Monitoring systems. Here, we upgraded a Gas Management System for Petronas Gas Berhad which includes Alarm Management and Control Loop Performance Monitoring across 5 of their plants.

Another highlight here was the implementation of a Gas Management system for Gas Malaysia which supports the entire gas business cycle from nomination, scheduling, certification, allocation, invoicing to reporting.

Current challenges and risks

As at the time of writing, in March 2020, the COVID-19 crisis was declared a pandemic. Many countries are seeing increasing number of infections and a large majority of countries are in a lockdown of some degree.

This has affected the Favelle Favco Group in several ways. Firstly, a few of our facilities have had full shutdowns, being Singapore, China, the USA and more importantly, Malaysia. A shutdown in Malaysia hurts us the most as that is where the bulk of our manufacturing occurs. This Covid-19 crisis has affected our factory deliveries as well as our supply chain as we source from several countries which have had to face lockdowns themselves. Overall, everyone is in the same boat and all global supply will be affected somewhat.

It is currently not possible to anticipate how this COVID-19 crisis may develop from here. It may turn out to be either a short economic hiccup with a quick recovery or a prolonged recession scenario.

In addition to the Covid-19 crisis, there is the sudden collapse in oil prices. This may affect the Company more directly as it will curtail our oil and gas customers' investment plans. If we follow the pattern in the oil and gas crisis of year 2014, we can anticipate a slowdown of orders moving forward. Again, it is difficult to predict if the current sudden drop is merely a blip in the market due to the sudden, but temporary, lockdowns or if it will be a prolonged downturn due to the supply demand imbalances.

Nevertheless, it will appear that the Favelle Favco Group faces headwinds as at the time of writing. We will react the same way we did in year 2014, with caution and financial prudence. It has worked well for us before and I believe it will work well for us this time as well.

Future expectations

It is hard to predict where the market will go as we go to print. It is just too early to tell how it will pan out.

Nevertheless, we do have some positives carrying us through. We currently have an order book of RM521 million (including the Intelligent Automation division) as at 29 April 2020 giving us about one year's visibility. We also have cash and cash equivalents of RM 289 million as at 31st December 2019. These two combined put us in a very good position to weather any storm that may come by and also give us dry powder to make any good acquisitions should these come up.

The same thinking goes for the Intelligent Automation division. There are a lot of opportunities to further implement all the Industrial Revolution (IR4.0) ideas people are having. It is our intention to position ourselves to weather any storm that may come and seize all opportunities as they present themselves.

Managing Director/Chief Executive Officer

Tan Sri A. Razak bin Ramli

Aged 71, Male, Malaysian

(Chairman, Senior Independent Non-Executive Director)

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

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

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor

Aged 76, Male, Malaysian

(Vice Chairman, Independent Non-Executive Director)

Member of the Audit Committee, Nominating Committee and Remuneration Committee

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

Mac Chung Hui

Aged 41, 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 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 nineteen (19) years.

Mac Ngan Boon @ Mac Yin Boon

Aged 76, 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 54, Female, Malaysian
(Executive Director)

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

She is currently the Group Finance Director of MEB and 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 five (25) years.

Mazlan bin Abdul Hamid

Aged 57, Male, Malaysian
(Executive Director)

Mazlan bin Abdul Hamid was appointed as Executive Director of FFB on 17 May 2004 and heads the Marketing & Business Development Department of the FFB Group. He is also a Director of FFM, FES Equipment Services Sdn Bhd, Favco Offshores Sdn Bhd, Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd, Sedia Teguh Sdn Bhd and Muhibbah Marine Engineering Sdn Bhd, a subsidiary of MEB. 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.

Sobri bin Abu

Aged 67, Male, Malaysian
(Independent Non-Executive Director)

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

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

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

Dato' Sri Khazali bin Haji Ahmad

Aged 65, Male, Malaysian
(Independent Non-Executive Director)

Member of the Audit Committee

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

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

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

Profile of Key Senior Management

Tew Siew Chong

Aged 51, 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. On July 2018, he was also appointed as Director of Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd and Sedia Teguh Sdn Bhd. He is involved in the formulation and implementation of the Group's financial and accounting policies. He was previously the Group Accountant of Favelle Favco Cranes (M) Sdn. Bhd. ("FFM"). Prior to joining the FFB Group, he was attached to MOL Berhad as the Group Management Accountant. He was also the Cost Accountant in LKH Power Transformer Sdn Bhd for two years, from 1995 to 1997. He is a member of the Chartered Institute of Management Accountants, United Kingdom and the Malaysian Institute of Accountants.

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

Teo Kai Sze, Henry

Aged 65, 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

58, 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 on 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.

Shenandoah Chong Shin Kwek

Aged 51, 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.

Yap Eng Jin

Aged 62, Male, Malaysian

Yap Eng Jin is the General Manager of FFM. As General Manager of FFM, he assumes all functions of the operations of the business unit of FFM, except for sales/marketing, service and spare parts. He started his career as a QC Engineer at Hong Leong Yamaha Motor in 1981. In 1991, he became the Engineering Manager at Allied Auto Parts, and subsequently, the Operating Manager at Kolok (M) Sdn.Bhd. Prior to joining the FFB Group, he was General Manager at Greenworld (M) Sdn. Bhd. Subsequently, he joined FFM in 1996 as the Production Manager and was promoted as the Works Manager in 2005 and re-designated as General Manager on 15 July 2015. He obtained his Bachelor's Degree in Mechanical Engineering from University of Malaya in 1981.

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 51, 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 54, 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 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.

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 MEB) and is also the father of Mac Chung Hui, the Managing Director/ Chief Executive Officer of Favelle Favco Berhad.

2. Conflict of interest

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

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

None of the Directors have been convicted for offences.

Additional Compliance Information

1. Utilisation of Proceeds from Corporate Proposals

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

2. Fees for services rendered by External Auditors

The amount of fees payable/paid to the external auditors for the financial year ended 31 December 2019 were as follows:

	Group RM'000	Company RM'000
Audit services	237	72
Non-audit services		
- Tax compliance and advisory	29	10
- Financial Due Diligence	30	30

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 2019 or entered into since the end of the previous financial year ended 31 December 2018.

4. Recurrent Related Party Transactions

At the Annual General Meeting held on 12 June 2019, the Company had obtained a shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 30 April 2019.

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 2019 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 2019 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	837
		Sales, rental of cranes and provision of maintenance and services by FFB Group to MEB Group	1,763
		# 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	1,349
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	87
		# 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.	2,566
		# Rental of plant and equipment and scaffolding service by FFB Group to MEB Group	-
		Shared services expenses/charges by MEB Group to FFB Group which includes amongst others legal, information technology and internal audit by MEB Group to FFB Group	2,000

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2019 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	680
		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, its subsidiaries and associated companies collectively
"MEB Group"	:	MEB, its subsidiaries and associated 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 2017 ("**MCCG 2017**") issued by the Securities Commission of Malaysia and; except where stated otherwise, its compliance with the recommended practices of the MCCG 2017 for the financial year ended 31 December 2019

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 2017 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 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 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 implementation of appropriate systems for recruitment, training and retention; and
- Deliberate on the market outlook, corporate and business strategies.

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 and 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 lead and control the Group. This brings insightful depth and diversity to the leadership and management of the Group's businesses.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of eight (8) members, comprising four (4) Independent Non-Executive Directors and four (4) Executive Directors. As such, more than one third (1/3) of the Board comprises Independent Non-Executive Directors. This present composition complies with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and MCCG 2017.

The Board believes that the current composition is 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 experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge of and experience 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 responsibility 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, 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 2019
Tan Sri A. Razak bin Ramli	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	3/4
Mac Chung Hui	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Lee Poh Kwee	4/4
Mazlan bin Abdul Hamid	4/4
Sobri bin Abu	4/4
Dato‘ Sri Khazali bin Haji Ahmad	4/4

All Board members are required to declare their directorship in other companies to the Board and are expected to devote sufficient time and attention to carry out their roles and responsibilities as Board members. The Board is of the opinion the requirements under the Companies Act, 2016 and MMLR of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated. This is evidenced by the Directors' attendance at Board meetings as shown above. Schedule for the Company's Board meeting was formulated and is shared with the Directors prior to the beginning of each financial year to ensure the Directors' time 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 are 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 are 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 2019 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. The final decision on all matters, however, lies with the entire Board. During the Board meetings, the Chairmen of the various Board committees will present the respective committee's recommendations and seek Board approval where appropriate.

(i) Audit Committee ("AC")

The present members of the AC are as follows:-

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

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.

The AC met four (4) times during the year.

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

(ii) Nominating Committee

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

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

The Nominating Committee met once during the financial year 2019. In accordance with its Terms of Reference, the Nominating Committee reviewed the Board structure, size, composition in the Board has the appropriate mix of skills, experience and other core competencies in fulfilling the relevant requirements or guidelines of Bursa Securities.

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

- Reviewed and assessed the performance of each Independent Director including the requirements under the MMLR of Bursa Securities. All assessments and evaluations carried out by the Nominating Committee are properly documented whereby the Nominating Committee was satisfied by the level of independence demonstrated by all the Independent Directors;
- Reviewed the existing balance, size and composition of the Board of Directors and its committees, the performance of individual Directors and AC members through an evaluation survey questionnaire known as Board and Board Committee Assessment Questionnaire. The duly completed questionnaire was compiled with and used as a guidance for recommendation of appropriate actions for further improvement;
- Reviewed and discussed the criteria to be used for effective composition of the Board including appointment of new Directors, gender diversity, diversity of ethnicity and age as well as the proposed measures to be taken to fulfill the recommended practices of MCCG 2017; and
- Identified and recommended to the Board, the Directors who were due for retirement by rotation and subject to re-election at the forthcoming Annual General Meeting.

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

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

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

(iii) *Remuneration Committee (continued)*

The Remuneration Committee met once during the financial year 2019. In accordance with its Terms of Reference, the Remuneration Committee reviewed the remuneration packages of the Executive Directors in accordance with their performance, contribution and level of responsibilities undertaken for the Board and benchmarked against other companies with similar industries to ensure the Company's remuneration packages remain competitive to attract and retain high calibre executives to run the Company successfully. Directors do not participate in deliberations and decisions on their own remuneration.

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

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

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

III. Board Evaluation

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

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

The Board evaluation comprises Board and Board committee assessments as well as an assessment of the independence of the 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 includes 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. The board has one (1) woman Director and the Board is comfortable with its current composition. Nevertheless, to ensure effective appointment of female Directors, the Board does not set any specific target for female Directors but continues to work actively towards having more female Directors on the Board, all things being equal.

V. Reinforcement of Independence

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

In line with the recommendation of MCCG 2017, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Should the Board intend to retain a Director as Independent Director after serving beyond nine (9) years, shareholders' approval shall be sought. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

Currently, there are two (2) Board Members who have served as Independent Directors for more than twelve (12) years. The Nominating Committee and the Board have performed the assessment on the independence of the Independent Directors and noted that Tan Sri A. Razak bin Ramli and Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor, who have served the Board for more than twelve (12) years as Independent Directors. The Board on the recommendation of the Nominating Committee proposed their re-appointment as Independent Directors at the forthcoming Annual General Meeting based on their independence, vast experience cumulated from the relevant industries, networking and ability to continue to provide valuable contributions and independent insights to support the Board.

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 4.2 of the MCCG 2017 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.

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

VI. Directors' Training

The Board is cognizant of the added value that can be brought by the Directors when they are kept up to date with the industry and regulatory developments. All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities. During the financial year, the seminars and training programmes attended include topics relating to corporate governance, risk management, corporate strategy, finance, taxation, leadership management and new legislations, rules and guidelines. 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
Practical Approach and Guidelines for Risk Management and Internal Control	Bursatra Sdn. Bhd.
Labuan : New Regulations and Rules From 2019	Malaysian Institute of Accountants
Optimising Tax Benefits for Companies & Related Entities	Malaysian Institute of Accountants
Transfer Pricing Documentation & Country-by-Country Reporting	Malaysian Institute of Accountants
Budget 2020 : Key Updates and Changes for Corporate Accountants	Malaysian Institute of Accountants
Section 17A of the MACC Act 2009 (Amendment 2018)	Securities Industry Development Corporation
CG Basic Fundamental and Reporting Frame Work - Understand the Essential Insights and Disclosure Requirements	Bursatra Sdn. Bhd.
Corporate Liability Provision (Section 17A) of the MACC Act 2009	Bursa Malaysia
- Directors' Duties and Responsibilities - A Refresher - Anti-Money Laundering in Malaysia	PPB Corporate Services Sdn Bhd
Islamic Finance for Board of Directors Programme	ISRA
Cryptocurrency & Blockchain	Affin Bank Group
Directors duties and responsibilities - A Refresher	PPB Group Berhad
Anti-Money Laundering in Malaysia	PPB Group Berhad
Cyber attacks and You	PPB Group Berhad
Members resource series	Entrepreneurs' Organization Malaysia

VII. Directors' Remuneration

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

	Group RM	Company RM
Executive:		
Fees	396,000	288,000
Other emoluments	1,855,260	1,842,120
	2,251,260	2,130,320
Independent Non-Executive:		
Fees	324,000	288,000
Other emoluments	58,160	55,280
	382,160	343,280
Total Directors' remuneration	2,633,420	2,473,400

The number of Directors in each remuneration band for the financial year 2019 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM50,001 to RM100,000	-	2	2
RM100,001 to RM150,000	-	2	2
RM150,001 to RM200,000	1	-	1
RM300,001 to RM350,000	1	-	1
RM850,001 to RM900,000	2	-	2
	4	4	8

The Board has considered the disclosures of details of the remuneration of each Director as required in MMLR of Bursa Securities and Practice 7.1 of the MCCG 2017. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "band disclosure" as above.

The Company departs from Practices 7.2 and 7.3 of the MCCG 2017 in view that there would be adverse implication including dissatisfaction and animosity among the staff in the event that the Company disclose salaries, bonuses, benefits in-kind and other emoluments of Senior Management on a named basis.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("AC") comprises four (4) members who are Independent Non-Executive Directors and is chaired by Encik Sobri bin Abu. All members of the AC possess the required skills and experience to effectively discharge their duties and responsibilities as members of the AC. None of the members were former key audit partners for the Company or the Group in the past two (2) 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 in issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the AC also meets the external auditors, without the presence of Executive Board members and Management, at least twice a year.

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

III. Internal Audit Function

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

IV. Recurring Related Party Transactions

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

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

V. Risk Management Framework and Internal Control

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

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

I. Corporate Disclosure Policy

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

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

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

II. Communication with Investors and Shareholders

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

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

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

III. Annual General Meeting

The Annual General Meeting ("AGM") is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at 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 Chairman and Directors are in attendance to respond to shareholders' queries during the meeting. External auditors have also been invited to attend the Annual General Meeting to provide independent clarification on issues relating to the conduct of audit and Auditors' Report, if any.

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 2017 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 2019.

This CG Overview Statement was approved by the Board of Directors on 29 April 2020.

The Board of Directors ("Board") of Favelle Favco Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

Composition and Attendance

The Audit Committee ("AC") comprises four (4) Independent Non-Executive Directors. The AC therefore complied with paragraphs 15.09 (1) and 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which state 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 being a qualified accountant and the Chairman, an Independent Director.

During the financial year under review, the AC held four (4) meetings. The members of the AC and record of their attendance at the Committee Meetings held during the financial year ended 31 December 2019 are as follows:

Members	Designation	Attendance at meetings in 2019
Sobri bin Abu	Chairman *(Independent Non-Executive Director)*	4/ 4
Tan Sri A. Razak bin Ramli	Member *(Senior Independent Non-Executive Director)*	4/ 4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*	2/ 4
Dato' Sri Khazali bin Haji Ahmad	Member *(Independent Non-Executive Director)*	4/ 4

Whilst the AC reported to the Board on principal matters deliberated during the four (4) AC meetings, minutes of the meetings had also been circulated to each member of the Board.

The Group's Finance Director, Group Financial Controller and the Group Internal Audit Manager attended all meetings by invitation. Representatives of the External Auditors and other Board members also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2019

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

(i) Financial Reporting & External Audit

- Reviewed the quarterly financial results as well as the year end financial statements of the Group before recommending them to the Board of Directors for consideration and approval for announcement. The AC deliberated on book orders, budgeted revenue, profitability and cash position.
- Reviewed the external auditors' audit plan, scope of work and results of the annual audit for the Group and the Management Letter, including Management's response.
- Convened two (2) meetings with the External Auditors without the presence of the Executive Directors and Management to discuss relevant issues and obtain feedbacks.

(ii) Internal Audit

- Reviewed and approved the internal audit plan to ensure adequacy of the scope of coverage;
- Reviewed the recurrent related party transactions review report;
- Reviewed the internal audit reports presented by the Internal Auditors which comprise Internal Auditors' recommendations and Management's committed action plans; and
- 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.

Summary of Activities in 2019 (continued)

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

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

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

Internal Audit Function

The Group Internal Audit Department ("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 Foo Sek Thai who is a member of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia. He has regular and direct communication with the Audit Committee and unrestricted access to the members of the Board and Senior Management. He is supported by four (4) auditors who have university degrees and/or professional qualifications. All the internal auditors have signed a written confirmation that they comply with the code of conduct of the Group and are free from any form of conflicts of interest which could impair their objectivity.

Based on the internal audit plan approved by the Audit Committee, GIAD performs independent assessment on the adequacy and effectiveness of the Group's system of internal control, risk management and governance processes. GIAD is guided by the International Professional Practice Framework (IPPF) in their works and the approach is risk based. For the financial year ended 2019, the scope of review included the following:

- Crane Assets Management
- Sales and Collection
- Procurement Management
- Inventory Management
- Recurrent and Related Party Transactions
- Project Management

GIAD reported the findings of the above audits to the Audit Committee for their deliberation where the reports included recommendations and mitigation action plans established by Management to mitigate the issues of concerns. In addition, GIAD:

- facilitated 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 2019 Annual Report.

For the financial year ended 31 December 2019, the total cost incurred for internal audit services was approximately RM237,000.

Terms of Reference

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

Board's Responsibilities

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

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

Risk Management

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

The RMC is supported by RMUs set up at the respective business entities. The RMU within each business entity meets on a quarterly basis to review the status of the risks profile and the results of their reviews are documented in the report that comprises risk profile and risk matrix.

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

Key Elements of Internal Control

- Organisation Structure & Authorisation Procedures

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

- Authority Limits

  Each business entity 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)

- Group Policies and Procedures

  Policies, objectives, quality procedures and safety 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 and ISO/TS29001:2010 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.

- Budgetary Review on Profit & Loss

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

- Quality Assurance / Quality Control

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

- Health, Safety and Environment

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

- Information and Communication

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

- External Audit

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

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

Review of Internal Controls

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

Review of this Statement

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control, and reported to the Board that nothing has come to their attention that has caused them to believe that the Statement on Risk Management and Internal Control, in all materials aspects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guideline 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 ("AAPG3") (formerly known as Recommended Practice Guide ("RPG") 5 (Revised 2015)) issued by the Malaysian Institute of Accountants.

Conclusion

The Board is of the view that the Group's system of internal control is reasonably adequate 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.

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 Securities, and that these financial statements provide a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2019.

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

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

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

About this Statement

LIFTING THE SCENE TO KEEPING IT SUSTAINABLE

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

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

Scope and Boundary

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

Governing Our Sustainability Efforts

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

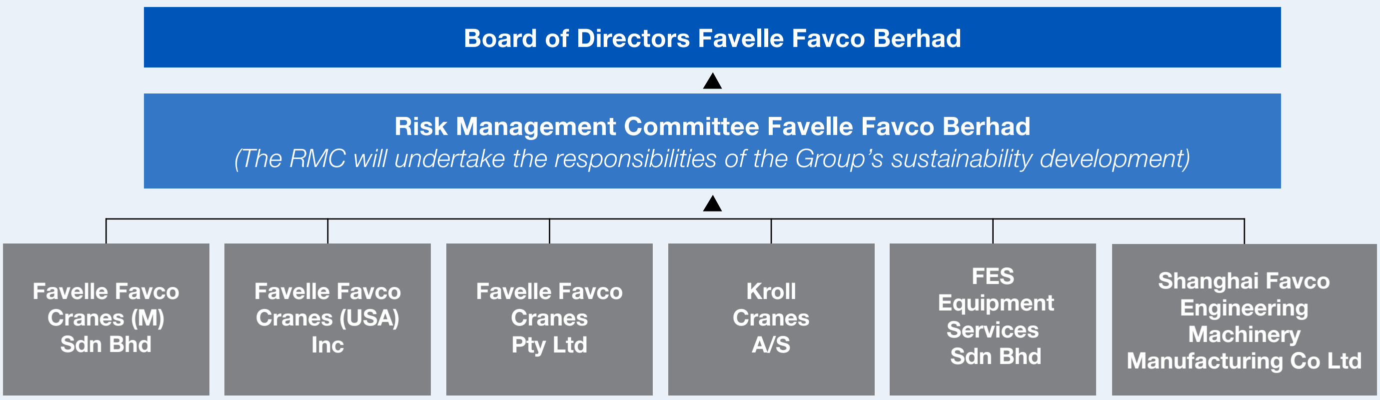
Roles and Responsibilities

Board of Directors

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

RMC

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



Maintaining Good Stakeholders Engagement

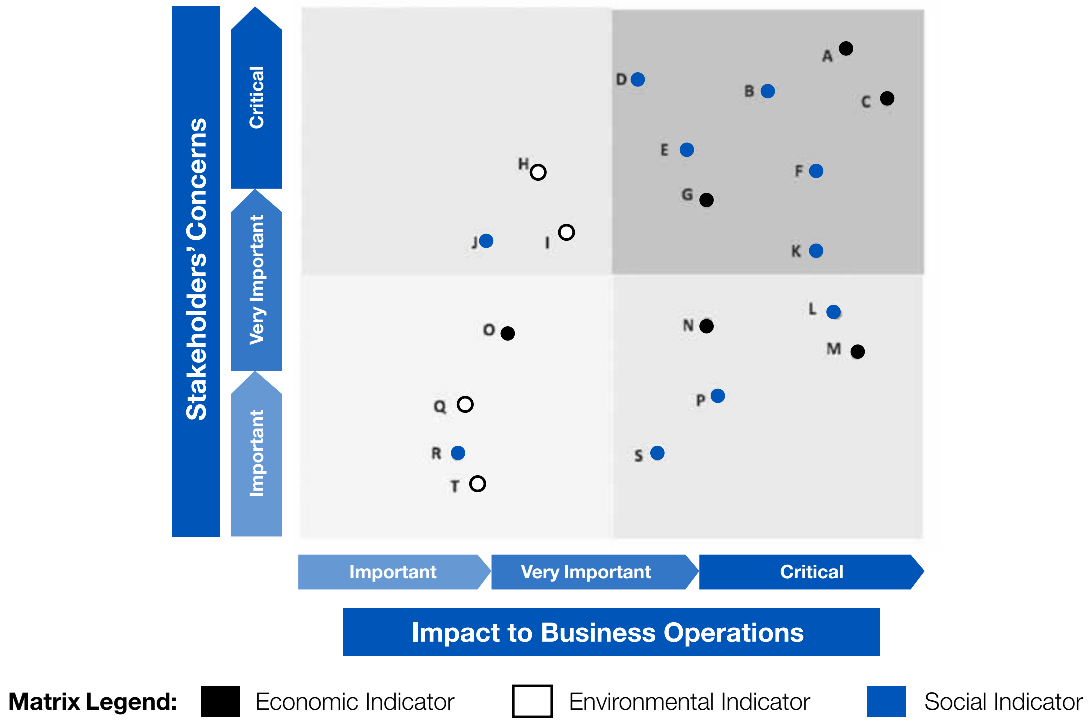
The Group's stakeholders comprise internal and external groups that are directly or indirectly impacted by our organisation and the crane industry. Through multi-platform communication channels, we engage our stakeholders, and their respective concerns, to effectively address and manage their issues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

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

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

	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 Workplace

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 safeguards 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 608 individuals consisting primarily of non-executives who make up 72% of the total workforce. The executive level employees account for 25% and the remaining 3% are employed at management level.

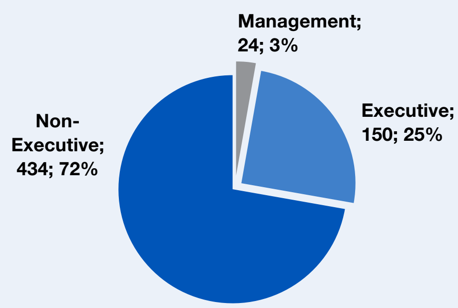
Gender and Age Distribution

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 (88%) are men.

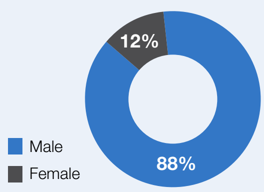
The employee age distribution is made up of 61% employees within the 30 to 50 years old age range, followed by 32% and 7% in the less than 30 years old and more than 50 years old age ranges respectively.

Favelle Favco's Policies and Procedures
National Policy
Malaysia's Minimum Wage Order 2016
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
Fire Services Act 1988
Occupational Safety and Health Act 1994
Environmental Quality (Scheduled Waste) Regulations 2005
Quality Management Systems ISO 19001:2015
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, Health and Environment Policy 2015
Quality Policy 2017
Drug and Alcohol Policy 2015

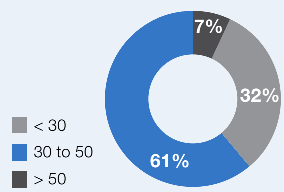
Favelle Favco's Employment Levels Based on Number of Individuals



Gender Distribution



Age Distribution, Years



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, 1996. 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 30 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 187 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 FY2019. We further sponsored 7 employees for specialized health and safety training and conferences held by DOSH.

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

Contribution to Society

In line with our overall Corporate Social Responsibility safety-themed objectives of supporting health and safety in our local communities, Favelle Favco Berhad together with Muhibbah Engineering (M) Berhad donated protective coveralls and masks to Sungai Buloh hospital in Malaysia which was one of the main Covid-19 hospitals during the Covid crisis.

We conclude our 2019 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 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

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 8 and 9 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	82,658	54,528
Non-controlling interests	7,053	-
Profit after taxation for the financial year	89,711	54,528

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as 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 13.50 sen per ordinary share totaling RM30,111,178 in respect of the financial year ended 31 December 2018 on 29 July 2019.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2019 is 15.00 sen per ordinary share totaling RM33,578,514 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

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

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

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Andrew Yan Hean Howe
Azly Bin Abdul Kadir
Bong Yong Ching
Dr. Rolf Buhr
Henrik Thal Jantzen
Hui Siew May
Michael Khoo Kok Eng

Directors of the Company (continued)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:- (continued)

Michael Klit Stjernholm
Mogens BrØnsholm Nielsen
Mohammad Amin Bin Yahya
Ng Keng San
Shenandoah Chong Shin Kwek
Shih-Chuan Chen
Soh Huk Lin
Soren Rasmus Carstens
Syed Firdaus Alsagoff Bin S Imran
Syed Ismail Bin Syed Abdillah
Teo Kai Sze, Henry
Tew Siew Chong
Tey Hwee Yee
Thomas Steen Jensen

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 1.1.2019	Bought	Sold	At 31.12.2019
Interests in the Company				
Tan Sri A. Razak bin Ramli				
- Direct	300,000	-	-	300,000
- Indirect	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Mac Chung Hui	2,342,000	300,000	-	2,642,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,142,913	340,000	-	9,482,913
- Indirect	1,738,800	-	-	1,738,800
Lee Poh Kwee	1,715,000	-	-	1,715,000
Mazlan bin Abdul Hamid	2,276,900	240,000	212,100	2,304,800

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	131,241,043	-	-	131,241,043

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

Directors' interests (continued)

	Number of ordinary shares At 1.1.2019	Bought	Sold	At 31.12.2019
Interests in the ultimate holding company - Muhibbah Engineering (M) Bhd.				
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	3,000	-	-	3,000
Mac Chung Hui	5,705,000	-	-	5,705,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	73,501,416	700,000	-	74,201,416
- Indirect	20,917,500	-	-	20,917,500
Lee Poh Kwee				
- Direct	6,046,272	300	-	6,046,572
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000

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

	Number of options over ordinary shares At 1.1.2019	Granted	Exercised	At 31.12.2019
The Company				
Mac Chung Hui	1,500,000	-	300,000	1,200,000
Mac Ngan Boon @ Mac Yin Boon	1,700,000	-	340,000	1,360,000
Lee Poh Kwee	1,200,000	-	-	1,200,000
Mazlan bin Abdul Hamid	1,200,000	-	240,000	960,000

	Number of options over ordinary shares At 1.1.2019	Granted	Exercised	At 31.12.2019
Ultimate holding company - Muhibbah Engineering (M) Bhd.				
Mac Chung Hui	1,250,000	-	-	1,250,000
Mac Ngan Boon @ Mac Yin Boon	3,500,000	-	700,000	2,800,000
Lee Poh Kwee	2,500,000	-	-	2,500,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000

Directors' interests (continued)

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

Other than the abovementioned Directors, none of the Directors holding office at 31 December 2019 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 the benefit shown under the Key Management Personnel Compensation of our report) 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.

The details of the directors' remuneration are disclosed in Note 27 to the financial statements.

Holding Company

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

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

Issue of shares and debentures

During the financial year, the Company issued 2,464,000 new ordinary shares for cash arising from the exercise of employees' share options at the exercise price of RM2.35 per ordinary share.

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 Company's SIS.

The Company operates an SIS that was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 22 June 2017.

The main features of the SIS, details of share options offered and exercised during the financial year are disclosed in Note 20. The SIS will be expiring on 09 July 2022.

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 after the financial year

The significant event after the financial year is disclosed in Note 37 to the financial statements.

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) all known bad debts had been written off and that 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, including their value as shown in the accounting records of the Group and the Company, 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 allowance for impairment losses on receivable in the Group and in the Company inadequate to any substantial extent, or

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, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

The auditors' remuneration is disclosed in Note 26 to the financial statements.

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

....	....
Mac Ngan Boon @ Mac Yin Boon	**Lee Poh Kwee**

Klang, Selangor Darul Ehsan

01 April 2020

Statements of Financial Position as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	343,886	333,875	273	313
Right of Use Assets	4	29,695	-	-	-
Intangible assets	5	33	100	-	-
Goodwill	6	71,183	71,183	-	-
Investment property	7	-	-	51,014	51,455
Investment in subsidiaries	8	-	-	172,031	172,031
Investment in associates	9	10,032	12,186	19,266	19,266
Deferred tax assets	10	21,883	24,949	1,842	620
Receivables, deposits and prepayments	11	4,449	4,465	16,098	4,465
Total non-current assets		481,161	446,758	260,524	248,150
Receivables, deposits and prepayments	11	210,034	213,112	26,386	38,502
Contract assets	12	146,333	124,597	-	-
Inventories	13	183,380	164,120	-	-
Current tax assets		3,036	7,885	-	-
Derivative assets	19	120	336	-	-
Cash and cash equivalents	14	289,228	323,800	18,875	2,090
Total current assets		832,131	833,850	45,261	40,592
Total assets		1,313,292	1,280,608	305,785	288,742

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity					
Share capital	15	162,745	155,170	162,745	155,170
Reserves		31,844	36,275	6,062	5,479
Retained earnings		520,813	468,266	120,493	96,076
Total equity attributable to owners of the Company		715,402	659,711	289,300	256,725
Non-controlling interests		35,270	30,103	-	-
Total equity		750,672	689,814	289,300	256,725
Liabilities					
Deferred tax liabilities	10	14,961	11,194	-	-
Loans and borrowings	16	8,534	23,123	-	-
Lease liabilities	21	12,696	-	-	-
Payables and accruals	17	-	15,575	-	15,575
Total non-current liabilities		36,191	49,892	-	15,575
Contract liabilities	12	189,134	211,061	-	-
Derivative liabilities	19	9	-	-	-
Lease liabilities	21	9,039	-	-	-
Loans and borrowings	16	44,810	24,042	-	-
Payables and accruals	17	231,252	258,586	16,429	16,370
Provision for warranties	18	37,567	31,774	-	-
Current tax liabilities		14,618	15,439	56	72
Total current liabilities		526,429	540,902	16,485	16,442
Total liabilities		562,620	590,794	16,485	32,017
Total equity and liabilities		1,313,292	1,280,608	305,785	288,742

The notes set on pages 57 to 122 are an integral part of these financial statements.

Statements of Profit or Loss and other Comprehensive Income

for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	22	687,994	530,590	64,835	54,368
Cost of sales		(471,251)	(353,819)	-	-
Gross profit		216,743	176,771	64,835	54,368
Other income		1,372	2,226	-	-
Distribution costs		(15,263)	(7,769)	-	-
Administrative expenses		(76,825)	(85,887)	(6,687)	(9,864)
Results from operating activities		126,027	85,341	58,148	44,504
Finance income	23	8,712	6,519	793	1,850
Finance costs	24	(3,115)	(2,602)	(141)	(56)
Net impairment (losses)/gain on financial assets and contract assets	25	(9,677)	12,329	(5,092)	908
Operating profit		121,947	101,587	53,708	47,206
Share of loss in associates, net of tax		(2,154)	(2,561)	-	-
Profit before tax	26	119,793	99,026	53,708	47,206
Income tax	28	(30,082)	(30,434)	820	(704)
Profit for the year		89,711	68,592	54,528	46,502

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit for the year		89,711	68,592	54,528	46,502
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(4,920)	(4,512)	-	-
Other comprehensive income for the year, net of tax		(4,920)	(4,512)	-	-
Total comprehensive income for the year		84,791	64,080	54,528	46,502
Profit attributable to:					
Owners of the Company		82,658	63,328	54,528	46,502
Non-controlling interests		7,053	5,264	-	-
Profit for the year		89,711	68,592	54,528	46,502
Total comprehensive income attributable to:					
Owners of the Company		77,645	58,721	54,528	46,502
Non-controlling interests		7,146	5,359	-	-
Total comprehensive income for the year		84,791	64,080	54,528	46,502
Earnings per ordinary share (sen)					
- Basic	30	37.18	28.60		
- Diluted	30	36.79	28.60		

The notes set on pages 57 to 122 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

Group	Note	Share capital RM'000	Treasury shares RM'000
At 1 January 2018		110,701	(21)
Profit for the financial year		-	-
Foreign currency translation differences for foreign operations		-	-
Total comprehensive income for the financial year		-	-
Contribution by and distribution to owners of the Company:			
- Acquisition of subsidiaries		-	-
- Share-based payment	20	-	-
- Dividend to shareholders	29	-	-
Transfer to share capital due to implementation of Companies Act 2016		44,469	-
At 31 December 2018		155,170	(21)
At 1 January 2019		155,170	(21)
Profit for the financial year		-	-
Foreign currency translation differences for foreign operations		-	-
Total comprehensive income for the financial year		-	-
Contribution by and distribution to owners of the Company:			
- Issue of ordinary shares		5,790	-
- Share-based payment	20	-	-
- Dividend to shareholders	29	-	-
- Dividend to non-controlling interest		-	-
- Transfer to share capital for share options exercised		1,785	-
At 31 December 2019		162,745	(21)
		Note 15.1	Note 15.2

	← *Attributable to owners of the Company*					→		
	← *Non-distributable*			→	*Distributable*			
	Share premium 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**
	44,469	13,186	22,217	1,217	434,826	626,595	(3,464)	623,131
	-	-	-	-	63,328	63,328	5,264	68,592
	-	(4,607)	-	-	-	(4,607)	95	(4,512)
	-	(4,607)	-	-	63,328	58,721	5,359	64,080
	-	-	-	-	-	-	28,208	28,208
	-	-	-	4,283	-	4,283	-	4,283
	-	-	-	-	(29,888)	(29,888)	-	(29,888)
	(44,469)	-	-	-	-	-	-	-
	-	8,579	22,217	5,500	468,266	659,711	30,103	689,814
	-	8,579	22,217	5,500	468,266	659,711	30,103	689,814
	-	-	-	-	82,658	82,658	7,053	89,711
	-	(5,014)	-	-	-	(5,014)	94	(4,920)
	-	(5,014)	-	-	82,658	77,644	7,147	84,791
	-	-	-	-	-	5,790	-	5,790
	-	-	-	2,368	-	2,368	-	2,368
	-	-	-	-	(30,111)	(30,111)	-	(30,111)
	-	-	-	-	-	-	(1,980)	(1,980)
	-	-	-	(1,785)	-	-	-	-
	-	3,565	22,217	6,083	520,813	715,402	35,270	750,672
	Note 15.1	Note 15.3	Note 15.4	Note 15.5	Note 15.6			

Statement of Changes in Equity for the financial year ended 31 December 2019

Company	Note	Share capital RM'000	Treasury shares RM'000	← Non-distributable Share premium RM'000	Share option reserve RM'000 →	Distributable Retained earnings RM'000	Total equity RM'000
At 31 December 2017/ 1 January 2018		110,701	(21)	44,469	1,217	79,462	235,828
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	-	46,502	46,502
Contribution by and distribution to owners of the Company:							
- Share-based payment	20	-	-	-	4,283	-	4,283
- Dividend to shareholders	29	-	-	-	-	(29,888)	(29,888)
Transfer to share capital due to implementation of Companies Act 2016		44,469	-	(44,469)	-	-	-
At 31 December 2018/ 1 January 2019		155,170	(21)	-	5,500	96,076	256,725
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	-	54,528	54,528
Contribution by and distribution to owners of the Company:							
- Issue of ordinary shares		5,790	-	-	-	-	5,790
- Share-based payment	20	-	-	-	2,368	-	2,368
- Dividend to shareholders	29	-	-	-	-	(30,111)	(30,111)
- Transfer to share capital for share options exercised		1,785	-	-	(1,785)	-	-
At 31 December 2019		162,745	(21)	-	6,083	120,493	289,300
		Note 15.1	Note 15.2	Note 15.1	Note 15.5	Note 15.6	

The notes set on pages 57 to 122 are an integral part of these financial statements.

Statements of Cash Flows for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax		119,793	99,026	53,708	47,206
Adjustments for:					
Amortisation of intangible assets		64	129	-	-
Amortisation of right-of-use assets		5,975	-	-	-
Allowance for impairment losses on receivables		35,211	6,159	7,677	-
Bad debts written off		43	-	-	-
Reversal of impairment losses		(25,534)	(18,488)	(2,585)	(908)
Allowance for impairment losses on investment in a subsidiary		-	-	-	100
Allowance for slow moving inventories		4,836	2,090	-	-
Depreciation expenses:					
- investment property		-	-	441	441
- property, plant and equipment		21,824	20,998	40	40
Dividend income from subsidiaries		-	-	(62,712)	(52,143)
Finance costs	24	3,115	2,602	141	56
Finance income	23	(8,712)	(6,519)	(793)	(1,850)
Gain on disposal of property, plant and equipment		(102)	(171)	-	-
Net unrealised loss on foreign exchange		9,875	9,474	502	1,462
Property, plant and equipment written off		28	-	-	-
Provision for warranties		11,334	16,440	-	-
Share-based payments		2,368	4,283	2,368	4,283
Share of loss in associates, net of tax		2,154	2,561	-	-
Reversal of provision for warranties		(4,469)	(7,149)	-	-
Writedown of inventories		5,254	4,190	-	-
Provision of foreseeable losses		1,482	750	-	-
Reversal of provision of foreseeable losses		(1,150)	-	-	-
Reversal of provision for Liquidated and ascertained damages		(10,046)	-	-	-
Operating profit/(loss) before changes in working capital		173,343	136,375	(1,213)	(1,313)
Changes in working capital:					
Development cost		-	(29)	-	-
Inventories		(29,350)	(6,698)	-	-
Receivables, deposits and prepayments		(37,074)	54,353	58,191	71,304
Payables and accruals		(39,224)	(57,489)	(91)	666
Interest received		7,715	5,866	373	1,154
Interest paid		(2,276)	(1,015)	-	-
Warranties paid		(379)	(1,844)	-	-
Income tax paid		(19,163)	(4,222)	(418)	(546)
Net cash generated from operating activities		53,592	125,297	56,842	71,265

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows for investing activities					
Acquisition of property, plant and equipment	14.2	(61,854)	(102,022)	-	(12)
Acquisition of subsidiary		-	(38,347)	-	(105,860)
Proceeds from disposal of property, plant and equipment		2,553	2,819	-	-
Net cash used in investing activities		(59,301)	(137,550)	-	(105,872)
Cash flows for financing activities					
Dividend paid to shareholders of the Company	29	(30,111)	(29,888)	(30,111)	(29,888)
Dividend paid to non-controlling interest		(1,980)	-	-	-
Interest paid		-	(76)	-	-
Net repayment of loans and borrowings		(4,777)	(1,723)	-	-
Repayment for deferred consideration		(15,566)	-	(15,566)	-
Proceeds from issuance of new shares		5,790	-	5,790	-
Net cash used in financing activities		(46,644)	(31,687)	(39,887)	(29,888)
Exchange differences on translation of the financial statements of foreign operations		(2,534)	(5,031)	-	-
Net increase in cash and cash equivalents		(54,887)	(48,971)	16,955	(64,495)
Effect of exchange rate fluctuations on cash held		(222)	(2,169)	(170)	(1,457)
Cash and cash equivalents at 1 January		318,653	369,793	2,090	68,042
Cash and cash equivalents at 31 December	14	263,544	318,653	18,875	2,090

The notes set on pages 57 to 122 are an integral part of these 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 are as follows:

Registered office/Principal place of business
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 2019 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 2019 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 8 and 9 respectively to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors on 01 April 2020.

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)
MFRS 16 Leases
IC Interpretation 23 Uncertainty Over Income Tax Treatments
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. MFRS 16 requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months whereby the right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. For a lessor, MFRS 16 continues to allow the lessor to classify its leases as either operating leases or finance leases and to account for these 2 types of leases differently. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 36 to the financial statements.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

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

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

2. Significant accounting policies

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

Arising from the adoption of MFRS 16, Leases, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 36.

(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:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- 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 a 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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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 where 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

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 (see note 2(k)(i)) 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 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 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 for the current and comparative periods 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 Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

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 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 assets/Contract 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 (see Note (2)(k)(i)).

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 comprise 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 issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(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 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 interest expense in profit or loss.

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 is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of 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 overtime 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 from investment is recognised when the right to receive dividend payment is established.

(r) Other operating income

Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(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 that are 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 share

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 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 principal 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: 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: Unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2018	78,558	59,570	168,910	107,119	42	414,199
Additions	-	5,806	93,359	2,857	-	102,022
Acquisition of new subsidiary	9,692	4,443	-	5,413	-	19,548
Disposals	-	-	(7,523)	(1,094)	-	(8,617)
Transfer	-	-	42	-	(42)	-
Written off	-	-	-	(12)	-	(12)
Effect of movements in exchange rates	(213)	(223)	(1,528)	(1,014)	-	(2,978)
At 31 December 2018/ 1 January 2019 , as previously reported	88,037	69,596	253,260	113,269	-	524,162
Adjustment on initial application of MFRS 16	(280)	(8,070)	(22,754)	(842)	-	(31,946)
At 1 January 2019, as restated	87,757	61,526	230,506	112,427	-	492,216
Additions	-	-	49,882	11,969	3	61,854
Disposals	-	-	(5,113)	(1,839)	-	(6,952)
Transfer	-	-	-	-	-	-
Written off	-	-	-	(794)	-	(794)
Effect of movements in exchange rates	(471)	(690)	(4,654)	(982)	-	(6,797)
At 31 December 2019	87,286	60,836	270,621	120,781	3	539,527
Representing items at:						
Cost	64,451	60,836	270,621	120,781	3	516,692
Valuation - 2008	12,291	-	-	-	-	12,291
Valuation - 2012	3,700	-	-	-	-	3,700
Valuation - 2017	6,844	-	-	-	-	6,844
	87,286	60,836	270,621	120,781	3	539,527

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	Total RM'000
Depreciation and impairment loss						
At 1 January 2018	33	25,109	64,547	82,683	-	172,372
Depreciation for the year	5	1,240	13,405	6,348	-	20,998
Acquisition of new subsidiary	-	117	-	4,456		4,573
Disposals	-	-	(4,877)	(1,092)	-	(5,969)
Written off	-	-	-	(12)	-	(12)
Effect of movements in exchange rates	-	(187)	(635)	(853)	-	(1,675)
At 31 December 2018/ 1 January 2019 , as previously reported	38	26,279	72,440	91,530	-	190,287
Adjustment on initial application of MFRS 16	(38)	(3,217)	(4,415)	(619)	-	(8,289)
At 1 January 2019, as restated	-	23,062	68,025	90,911	-	181,998
Depreciation for the year	-	1,160	14,114	6,550	-	21,824
Disposals	-	-	(2,732)	(1,769)	-	(4,501)
Written off	-	-	-	(766)	-	(766)
Effect of movements in exchange rates	-	(558)	(1,493)	(863)	-	(2,914)
At 31 December 2019	-	23,664	77,914	94,063	-	195,641
Carrying amounts						
At 31 December 2018	**87,999**	**43,317**	**180,820**	**21,739**	**-**	**333,875**
At 31 December 2019	**87,286**	**37,172**	**192,707**	**26,718**	**3**	**343,886**

3. Property, plant and equipment (continued)

Company	Property, plant and equipment RM'000
Cost	
At 1 January 2018	391
Additions	12
At 31 December 2018/1 January 2019	403
Additions	-
At 31 December 2019	403
Depreciation	
At 1 January 2018	50
Depreciation for the year	40
At 31 December 2018/1 January 2019	90
Depreciation for the year	40
At 31 December 2019	130
Carrying amounts	
At 31 December 2018	313
At 31 December 2019	273

3.1 Security

The freehold land and buildings of the Group with total net book value of RM30,914,000 (2018 - RM30,597,000) have been pledged to certain licensed bank as security for bank facilities granted to the Group (See Note 16).

3.2 Property, plant and equipment under the revaluation model

The Group's freehold land were revalued by independent professional qualified valuers using an open market value method in financial year ended 2017, 2012 and 2008. The surpluses arising from the revaluations have been credited to other comprehensive income and accumulated in equity under the revaluation reserve. Had the freehold land been carried under the cost model, their carrying amounts would have been RM54,759,000 (2018 - RM55,230,000).

3.3 Property, plant and equipment under the hire purchase terms

In the last financial year, included in the property, plant and equipment of the Group were crane with a total net book value of RM18,339,000 which were acquired under hire purchase terms.

4. Right-of-use Assets

Group	Land and buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Total RM'000
At 1 January 2019	5,095	18,339	223	23,657
Additional	8,002	4,724	-	12,726
Depreciation	(4,062)	(1,773)	(140)	(5,975)
Exchange difference	(43)	(670)	-	(713)
At 31 December 2019	8,992	20,620	83	29,695

Analysed by:	RM'000
Cost	43,712
Accumulated depreciation	(14,017)
	29,695

Significant judgements and assumptions in relation to lease

The Group applied judgement and assumptions in determining the incremental borrowing rate of the lease. The Group first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the lease.

(a) The Group leases certain office buildings, cranes and motor vehicles of which the leasing activities are summarised below:-

   (i) Motor vehicles

   The Group has leased its motor vehicles under hire purchase arrangements with lease terms ranging from 1 year to 5 years. The leases bear effective interest rates ranging from 1.85% to 4.68%.

   (ii) Office buildings and cranes

   The Group has leased certain office buildings and cranes that run between 1 year to 37 years.

(b) The comparative information is not presented as the Group and the Company have applied MFRS 16 using the modified retrospective approach.

5. Intangible assets

Group	Development costs RM'000
Cost	
At 1 January 2018	6,485
Additional	29
Effect of movement in exchange rates	(386)
At 31 December 2018/1 January 2019	6,128
Write off	(5,340)
Effect of movement in exchange rates	(145)
At 31 December 2019	643
Amortisation and impairment loss	
At 1 January 2018	
Accumulated amortisation	5,955
Accumulated impairment loss	327
	6,282
Amortisation for the year	129
Effect of movements in exchange rates	(383)
At 31 December 2018/1 January 2019	
Accumulated amortisation	5,701
Accumulated impairment loss	327
	6,028
Amortisation for the year	64
Effect of movements in exchange rates	(142)
At 31 December 2019	
Accumulated amortisation	5,623
Accumulated impairment loss	327
	5,950
Write off	(5,340)
At 31 December 2019	610
Carrying amounts	
At 31 December 2018	100
At 31 December 2019	33

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 range from 1 year (2018 - 1 year to 2 years).

6. Goodwill

Group	RM'000
Carrying amounts	
At 31 December 2019	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:

Group	Average Gross Margin		Average Growth Rate		Discount Rate		Terminal Growth Rate	
	2019 %	2018	2019 %	2018	2019 %	2018	2019 %	2018
Intelligent automation group	25	25	7	7	5	5	0	0

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.

7. Investment property

	Company 2019 RM'000	Company 2018 RM'000
Cost		
At 1 January	53,797	53,797
Addition	-	-
At 31 December	53,797	53,797
Accumulated depreciation		
At 1 January		
Accumulated depreciation	2,342	1,901
	2,342	1,901
Addition	441	441
At 31 December		
Accumulated depreciation	2,783	2,342
	2,783	2,342
Carrying amounts		
At 31 December	51,014	51,455

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.

8. Investments in subsidiaries

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares - at cost	275,695	138,694
Additional	-	137,001
	275,695	275,695
Less: Impairment loss	(103,664)	(103,664)
	172,031	172,031

8. Investments in subsidiaries (continued)

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2019 %	2018 %
Favelle Favco Cranes (M) Sdn. Bhd.	Designing, manufacturing, supply, servicing, trading and renting of cranes	Malaysia	100	100
Favelle Favco Cranes Pte. Ltd. #	Supplying, servicing, trading and renting of cranes and sales of spare parts and services	Singapore	100	100
Favelle Favco Cranes (USA), Inc. #	Designing, manufacturing, supplying, servicing, trading and renting of cranes	United States of America	100	100
Favelle Favco Cranes Pty. Limited # and its subsidiaries	Design, manufacture, supply, renting and servicing of industrial cranes	Australia	100	100
FF Management Pty. Limited #	Management services	Australia	100	100
Milperra Blasting and Coating Pty. Limited #	Dormant	Australia	100	100
Kroll Cranes A/S #	Designing, manufacturing, servicing, trading and renting of cranes	Denmark	100	100
Favelle Favco Cranes International Ltd.	Dormant	Malaysia	100	100
FES Equipment Services Sdn. Bhd.	Supply of spare parts for cranes, provision of crane maintenance services and renting of cranes	Malaysia	100	100
Favelle Favco Winches Pte. Ltd. #	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	100	100
Favelle Favco Management Services Sdn. Bhd. #	Dormant	Malaysia	100	100
Shanghai Favco Engineering Machinery Manufacturing Co., Ltd. #	Manufacturing of cranes	China	80	80

8. Investments in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %
Exact Automation Sdn. Bhd.	Trading of industrial information technology equipment, automation and control components for power, quality measurement and providing integrated industrial automation solutions on the design, engineering, testing and project management of plant instrumentation as well as its related maintenance services	Malaysia	70	70
Exact Analytical Sdn. Bhd.	Trading of process analysers, continuous emission monitoring system and providing related engineering services on the installation, commissioning and maintenance of environmental and process analysers	Malaysia	70	70
Exact Oil & Gas Sdn. Bhd.	Trading and engineering of specialised equipment used in the oil and gas industry including calibration, verification, installation, commissioning, repairs and maintenance of the equipment and systems	Malaysia	70	70
Sedia Teguh Sdn. Bhd.	Trading of specialised equipment used in the oil and gas industry including calibration, verification, installation, commissioning, repairs and maintenance of control meters	Malaysia	70	70

\# Not audited by Crowe Malaysia PLT

(a) During the financial year, the Company carried out a review of the recoverable amount of its investments in subsidiaries that had been persistently making losses. A total impairment loss of RM NIL (2018 - RM100,007) representing the write-down of the investments to their recoverable amounts, was recognised in "Administrative Expenses" line item of the statement of profit or loss and other comprehensive income.

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

9. Investments in associates

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	19,424	19,424	19,424	19,424
Share of post-acquisition reserves	(9,392)	(7,238)	-	-
Less: Impairment loss	-	-	(158)	(158)
	10,032	12,186	19,266	19,266

The details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %
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 on 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:

	2019 RM'000	2018 RM'000
Gross amount of the major associates		
Non-current assets	77,037	79,547
Current assets	32,297	46,098
Non-current liabilities	12,304	12,573
Current liabilities	69,762	80,191
Revenue	22,679	30,264
Profit for the year	(4,706)	(4,781)
Carrying amount in the consolidated financial statements	10,032	12,186

10. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

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

Group	Assets 2019 RM'000	Assets 2018 RM'000	Liabilities 2019 RM'000	Liabilities 2018 RM'000	Net 2019 RM'000	Net 2018 RM'000
Property, plant and equipment	-	-	28,408	17,569	28,408	17,569
Provisions	(25,895)	(27,217)	-	-	(25,895)	(27,217)
Other temporary differences	(4,971)	(3,475)	(4,464)	(632)	(9,435)	(4,107)
Tax (assets)/liabilities	(30,866)	(30,692)	23,944	16,937	(6,922)	(13,755)
Set off	8,983	5,743	(8,983)	(5,743)	-	-
Net tax (assets)/liabilities	(21,883)	(24,949)	14,961	11,194	(6,922)	(13,755)

Company	2019 RM'000	2018 RM'000
Provisions	(1,842)	(620)
Deferred tax assets	(1,842)	(620)

Unrecognised deferred tax assets

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Property, plant and equipment	(825)	(778)	-	-
Provisions	49,102	43,700	-	-
Other temporary differences	1,494	1,262	-	-
Tax losses carry-forwards	39,868	43,778	-	-
	89,639	87,962	-	-

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

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

Movement in deferred tax (assets)/liabilities

Group	Property, plant and equipment RM'000	Provisions RM'000	Other temporary differences RM'000	Total RM'000
As at 1 January 2018	11,806	(26,205)	(1,093)	(15,492)
Recognised in profit or loss	5,579	(1,012)	(2,289)	2,278
Foreign exchange differences	-	-	(541)	(541)
As at 31 December 2018/ 1 January 2019	17,385	(27,217)	(3,923)	(13,755)
Recognised in profit or loss	10,839	1,322	(5,270)	6,891
Foreign exchange differences	-	-	(58)	(58)
As at 31 December 2019	28,224	(25,895)	(9,251)	(6,922)

Company	Provisions RM'000	Total RM'000
As at 1 January 2018	(838)	(838)
Recognised in profit or loss	218	218
As at 31 December 2018/1 January 2019	(620)	(620)
Recognised in profit or loss	(1,222)	(1,222)
As at 31 December 2019	(1,842)	(1,842)

11. Receivables, deposits and prepayments

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Non-trade					
Advance to a subsidiary	11.1	-	-	16,372	-
Less: Allowance for impairment loss		-	-	(4,723)	-
Advance to an associate	11.2	6,140	6,265	6,140	6,265
Less: Allowance for impairment loss		(1,691)	(1,800)	(1,691)	(1,800)
		4,449	4,465	16,098	4,465
		4,449	4,465	16,098	4,465
Current					
Trade					
Trade receivables		189,853	198,101	-	-
Less: Allowance for impairment loss		(58,864)	(49,820)	-	-
	11.3	130,989	148,281	-	-
Amount due from ultimate holding company	11.4	112	189	-	-
Amount due from related companies	11.5	2,446	158	-	-
Less: Allowance for impairment loss		(650)	-	-	-
Amount due from associates	11.6	43,900	53,808	-	-
Less: Allowance for impairment loss		(12,946)	(13,729)	-	-
		32,862	40,426	-	-

11. Receivables, deposits and prepayments (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-trade					
Amount due from ultimate holding company	11.4	-	3	-	-
Amount due from subsidiaries	11.7	-	-	27,537	39,175
Less: Allowance for impairment loss		-	-	(1,263)	(785)
		-	3	26,274	38,390
Amount due from related companies	11.5	6	-	-	-
Amount due from associates	11.6	54	53	-	-
Other receivables		24,383	15,500	54	54
Less: Allowance for impairment loss		(65)	(59)	-	-
		24,378	15,494	54	54
Deposits		3,185	1,200	11	11
Prepayments		18,620	7,708	47	47
		21,805	8,908	58	58
Current		210,034	213,112	26,386	38,502
Non-current and current		214,483	217,577	42,484	42,967

Group	Trade Receivable RM'000	Amount due from related companies RM'000	Other Receivable RM'000	Amount due from Associate RM'000	Total RM'000
Allowance for impairment losses:-					
At 1 January 2019	49,820	-	59	15,529	65,408
Reclassification to Contract Asset	(265)	-	-	-	(265)
Addition during the financial year	19,431	650	63	14,905	35,049
Reversal during the financial year	(10,011)	-	(57)	(15,383)	(25,451)
Foreign exchange differences	(111)	-	-	(414)	(525)
At 31 December 2019	58,864	650	65	14,637	74,216

11. Receivables, deposits and prepayments (continued)

Company	Amount due from Associate RM'000	Amount due from Subsidiaries RM'000	Total RM'000
Allowance for impairment losses:-			
At 1 January 2019	1,800	785	2,585
Addition during the financial year	1,691	5,986	7,677
Reversal during the financial year	(1,800)	(785)	(2,585)
At 31 December 2019	1,691	5,986	7,677

11.1 Advance to a subsidiary

The advance to a subsidiary is non-trade in nature, unsecured, subject to interest at 1% (2018 - NIL) per annum and is not expected to be repaid within the next twelve months.

11.2 Advance to an associate

The advance to an associate is non-trade in nature, unsecured, subject to interest at 1% (2018 - 1%) per annum and is not expected to be repaid within the next twelve months.

11.3 Analysis of foreign currency exposure for significant receivables

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

		Group	
Functional currency	Foreign currency	2019 RM'000	2018 RM'000
RM	AUD	626	64
RM	EUR	19	23
RM	GBP	476	-
RM	RMB	21,200	26,951
RM	SGD	192	467
RM	USD	33,668	46,295
AUD	USD	399	280
AUD	SGD	6,526	-
SGD	USD	192	289

11.4 Amount due from ultimate holding company

The trade amount due from ultimate holding company is subject to the normal trade term of 30 (2018 - 30) days.

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

11.5 Amount due from related companies

The trade amount due from related companies is subject to the normal trade term of 30 (2018 - 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.

11. Receivables, deposits and prepayments (continued)

11.6 Amount due from associates

The trade amount due from associates is subject to the normal trade term of 30 (2018 - 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.

11.7 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.

12. Contract Assets/(Liabilities)

	Group	
	2019 RM'000	2018 RM'000
Contract Assets		
Contract Assets relating to contracts	147,794	125,725
Allowance for impairment losses	(1,461)	(1,128)
	146,333	124,597
Allowance for impairment losses:-		
At 1 January:	1,128	1,642
Additional during the financial year	162	75
Reversal during the financial year	(83)	(589)
Reclassification from Trade receivable	265	-
Foreign exchange differences	(11)	-
At 31 December	1,461	1,128
Contract Liabilities	(189,134)	(211,061)

(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 (2018 - a year).

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

	Group	
	2019 RM'000	2018 RM'000
Contract assets balance at the beginning of the financial year not transferred to trade receivables due to change in time frame	82,612	66,961
Impairment loss on contract asset	(1,461)	(1,345)
Contract liabilities balance at the beginning of the financial year recognised as revenue	150,731	288,970

13. Inventories

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
Crane	917	-
Crane components	83,286	80,685
Work-in-progress	75,655	65,639
	159,858	146,324
At net realisable value:		
Cranes	279	806
Crane components	22,146	15,820
Work-in-progress	1,097	1,170
	183,380	164,120
Recognised in profit or loss:-		
Inventories recognised as cost of sales	266,190	194,876
Amount written down to net realisable value	5,254	4,190

14. Cash and cash equivalents

14.1 Cash and cash equivalents included in the statements of cash flows comprise the following statement of financial position amounts:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term investments	91,433	80,456	8,408	1,739
Fixed deposits placed with licensed banks	113,842	155,105	9,749	-
Cash and bank balances	83,953	88,239	718	351
	289,228	323,800	18,875	2,090
Bank overdrafts (Note 16)	(25,684)	(5,147)	-	-
	263,544	318,653	18,875	2,090

(a) Short-term investments represent investments in highly liquid money market, which are readily convertible to known amounts of cash. The effective interest rates range from 2.57% to 3.89% (2018 - 2.19% to 5.36%) and 3.25% to 3.89% (2018 - 2.48% to 3.66%) per annum for the Group and the Company respectively.

(b) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 0.45% to 3.85% (2018 - 0.70% to 3.85%) per annum and 0.45% to 0.75% (2018 - 0.80% to 2.00%) per annum respectively.

14. Cash and cash equivalents (continued)

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash disbursed for purchase property, plant and equipment (Note 3)	61,854	102,022	-	12

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

Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Lease Liabilities RM'000	Term Loan RM'000	Total RM'000
2019						
At 1 January, as previously reported	11,844	2,791	17,938	-	9,445	42,018
Effect on adoption of MFRS 16	-	-	(17,938)	17,938	-	-
At 1 January, as restated	11,844	2,791	-	17,938	9,445	42,018
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	7,768	4,000	-	-	4,664	16,432
Repayment of borrowing principal	(5,390)	(3,526)	-	(8,404)	(3,889)	(21,209)
Repayment of borrowing interests	(380)	(14)	-	(1,122)	(465)	(1,981)
<u>Non-cash Changes</u>						
Foreign exchange adjustments	-	(76)	-	(649)	(1)	(726)
Finance charges recognised in profit or loss	410	14	-	1,246	465	2,135
Acquisition of new leases	-	-	-	12,726	-	12,726
At 31 December	14,252	3,189	-	21,735	10,219	49,395

14. Cash and cash equivalents (continued)

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

Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Term Loan RM'000	Total RM'000
2018					
At 1 January	7,511	2,907	21,176	-	31,594
New acquisition	-	-	468	12,570	13,038
Changes in Financing Cash Flows					
Proceeds from drawdown	39,085	4,000	-	-	43,085
Repayment of borrowing principal	(34,403)	(3,929)	(3,351)	(3,125)	(44,808)
Repayment of borrowing interests	(369)	(12)	(336)	(257)	(974)
Non-cash Changes					
Foreign exchange adjustments	(349)	(187)	(355)	-	(891)
Finance charges recognised in profit or loss	369	12	336	257	974
At 31 December	11,844	2,791	17,938	9,445	42,018

15. Share capital and reserves

15.1 Share capital

	The Group and The Company			
	Amount 2019 RM'000	Number of shares 2019 '000	Amount 2018 RM'000	Number of shares 2018 '000
Issued and fully paid				
Ordinary shares				
At 1 January	155,170	221,403	110,701	221,403
Transfer from share premium	-		44,469	-
Issue of ordinary shares	5,790	2,464	-	-
Transfer from share options	1,785	-	-	-
At 31 December	162,745	223,867	155,170	221,403

(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.

15. Share capital and reserves (continued)

15.2 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.

The number of treasury shares held is 10,000 (2018 - 10,000).

15.3 Translation reserve

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

15.4 Revaluation reserve

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

15.5 Share option reserve

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

15.6 Retained earnings

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

16. Loans and borrowings

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non current				
Hire purchase payables	-	14,148	-	-
Term loan	8,534	8,975	-	-
	8,534	23,123	-	-
Current				
Secured bank overdraft	25,684	5,147	-	-
Unsecured insurance premium finance	3,189	2,791	-	-
Bills payable	14,252	11,844	-	-
Hire purchase payables	-	3,790	-	-
Term loan	1,685	470	-	-
	44,810	24,042	-	-
Non-current and current	53,344	47,165	-	-

16. Loans and borrowings (continued)

Terms and debt repayment schedule

	Note	Year of maturity RM'000	2019 Carrying amount RM'000	2019 Under 1 year RM'000	2019 1-5 years RM'000	2019 Over 5 years RM'000	2018 Carrying amount RM'000	2018 Under 1 year RM'000	2018 1-5 years RM'000	2018 Over 5 years RM'000
Group										
Secured bank overdraft	16.1	2020	25,684	25,684	-	-	5,147	5,147	-	-
Unsecured insurance premium finance - AUD	16.2	2020	3,189	3,189	-	-	2,791	2,791	-	-
Bills payable	16.3	2020	14,252	14,252	-	-	11,844	11,844	-	-
Hire purchase payables	16.4	2020	-	-	-	-	17,938	3,790	14,148	-
Term loan	16.5		10,219	1,685	2,166	6,368	9,445	470	2,093	6,882
			53,344	44,810	2,166	6,368	47,165	24,042	16,241	6,882

16.1 The bank overdrafts bore effective interest rates ranging from 2.50% to 6.66% (2018 - 2.75%) per annum and are secured by:

(i) a corporate guarantee executed by ultimate holding company; and

(ii) legal charge over a completed factory as disclosed in Note 3 to the financial statements.

16.2 The unsecured insurance premium finance bore effective interest rates of 1.25% (2018 - 1.25%) per annum.

16.3 The bills payables bore effective interest rates ranging from 3.68% to 4.09% (2018 - 4.24% to 4.27%) per annum and are secured by a corporate guarantee executed by the Company.

16.4 The hire purchase in the previous financial year bore effective interest rates 1.85% per annum.

16.5 The term loans bore effective interest rates ranging from 4.20% to 5.47% (2018 - 4.68%) per annum and are secured by:

(i) a joint and several guarantee of directors;

(ii) a first party/third party letter of set off in the form of substance acceptance placed with the bank; and

(iii) legal charge over a completed factory as disclosed in Note 3 to the financial statements.

17. Payables and accruals

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Deferred consideration	17.6	-	15,575	-	15,575
Current					
Trade					
Trade payables	17.1	134,212	148,555	-	-
Amount due to holding company	17.2	637	408	-	-
Amount due to related companies	17.3	4	293	-	-
		134,853	149,256	-	-
Non-trade					
Amount due to holding company	17.2	2,677	2,494	717	677
Amount due to a subsidiary	17.4	-	-	-	-
Amount due to related companies	17.3	512	523	-	-
Amount due to associates	17.5	3,046	3,055	-	-
Other payables		27,565	23,235	39	-
Accrued expenses		47,024	64,457	98	127
Deferred consideration	17.6	15,575	15,566	15,575	15,566
		96,399	109,330	16,429	16,370
Current		231,252	258,586	16,429	16,370
Non-current and current		231,252	274,161	16,429	31,945

17.1 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 2019 RM'000	Group 2018 RM'000
RM	AUD	590	459
RM	SGD	470	416
RM	EUR	5,769	7,534
RM	USD	6,766	7,205
RM	RMB	445	985
RM	GBP	70	-
AUD	EUR	1,170	27
AUD	RMB	1,686	1,137
AUD	USD	508	651
AUD	WON	20	277

17. Payables and accruals (continued)

17.2 Amount due to holding company

The non-trade amount due to the holding company is subject to the normal trade term of 30 (2018 - 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.

17.3 Amount due to related companies

The trade amount due to related companies is subject to the normal trade term of 30 (2018 - 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.

17.4 Amount due to a subsidiary

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

17.5 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.

17.6 Deferred consideration

Total purchase consideration of RM137,001,000 included RM31,141,000 which is deferred and payable depending on Intelligent Automation Group meeting certain earnings and performance targets over the future two years.

Movement of deferred consideration:

Deferred consideration

	Group 2019 RM'000
At 1 January	31,141
Less: Payment	(15,566)
At 31 December	15,575

	Group 2019 RM'000
Analysed as:	
Current	15,575
Non-current	-
	15,575

18. Provision for warranties

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	31,774	25,347
Provision made during the year	11,334	16,440
Utilised during the year	(379)	(1,844)
Reversal during the year	(4,469)	(7,149)
Effect of movements in exchange rates	(693)	(1,020)
At 31 December	37,567	31,774

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

19. Derivative Assets/(Liabilities)

Group	2019 Contract/ Notional amount RM'000	2019 Derivative Assets RM'000	2019 Derivative Liabilities RM'000	2018 Contract/ Notional amount RM'000	2018 Derivative Assets RM'000
Forward foreign currency contracts	27,027	120	(9)	71,866	336

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

20. Employee benefits

20.1 Share-based payments

In 2017, a share issuance scheme ("SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme which was previously established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011, had expired on 5 July 2016.

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

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

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

20. Employee benefits (continued)

20.1 Share-based payments (continued)

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

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

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

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

SIS

Grant date	Exercise price	At 1.1.2019 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2019 '000	Expiry date
15.09.2017	RM2.35	17,610	-	(2,464)	(321)	14,825	09.7.2022
		17,610	-	(2,464)	(321)	14,825	

Grant date	Exercise price	At 1.1.2018 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2018 '000	Expiry date
15.09.2017	RM2.35	18,212	-	-	(602)	17,610	09.7.2022
		18,212	-	-	(602)	17,610	

Details relating to options exercised during the financial year

	Group and Company 2019 RM'000	2018 RM'000
Fair value of shares issued (based on average exercise price)	2.71	2.47

20. Employee benefits (continued)

20.1 Share-based payments (continued)

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	
	2019 RM'000	2018 RM'000
Total expense recognised as share-based payments	2,368	4,283

Fair value of share options and assumptions

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

SIS

	Group and Company	
	2019	2018
Fair value at grant date (RM) - Granted in Year 2017	RM0.48 – RM0.74	RM0.48 – RM0.74
Weighted average share price - Granted in Year 2017	2.62	2.62
Exercise price (RM) - Granted in Year 2017	2.35	2.35
Expected volatility (weighted average volatility)	15.58%	15.58%
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds) - Granted in Year 2017	3.18% - 3.498%	3.18% - 3.498%
Expected staff turnover	10%	10%

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

21. Lease liabilities

	2019 RM'000	2018 RM'000
At 1 January		
- As previously reported	-	-
- Initial application of MFRS 16	30,664	-
- As restated	30,664	-
Interest recognised in profit or loss	1,246	-
Repayment of principal	(8,404)	-
Repayment of interest expense	(1,122)	-
Exchange difference	(649)	-
	21,735	-
Analysed by:-		
Current liabilities	9,039	-
Non-current liabilities	12,696	-

21.1 Terms and debt repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1-5 years RM	Over 5 years RM
2019					
Hire purchase payables	2024	17,517	4,821	12,696	-

The comparative information is not presented as the Group has applied MFRS 16 using modified retrospective approach.

a) Certain lease liabilities of the Group are secured by the Group's motor vehicles under the hire purchase arrangements as disclosed in Note 4(a)(i) to the financial statements with lease terms ranging 1 to 5 (2018 - 1 to 5) years and bear effective interest rates ranging from 1.85% to 4.68% (2018 - 1.85% to 4.79%).

22. Revenue

Revenue comprises the following:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue from contracts with customers	631,827	476,736	-	-
Revenue from other sources				
- rental income	56,167	53,854	2,123	2,225
- dividend income	-	-	62,712	52,143
	687,994	530,590	64,835	54,368

22. Revenue (continued)

Breakdown of the Group's revenue:

	Crane		Intelligent Automation Group	
	2019 RM'000	2018 RM'000	2018 RM'000	2018 RM'000
Sale of spare part for crane	102,610	120,872	-	-
Sale of industrial information technology equipment	-	-	158,128	72,876
Crane maintenance	29,883	29,835	-	-
Rental of crane	56,167	53,854	-	-
Construction equipment	341,206	253,153	-	-
	529,866	457,714	158,128	72,876
Geographical market				
Inside Malaysia	166,136	168,375	158,128	72,876
Outside Malaysia	363,730	289,339	-	-
	529,866	457,714	158,128	72,876
Timing of revenue recognition				
- at a point of time	188,660	204,561	158,128	72,876
- over time	341,206	253,153	-	-
	529,866	457,714	158,128	72,876

23. Finance income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income:				
- Fixed deposit	7,654	5,805	259	1,092
- Related company	61	61	114	61
Interest income arising on financial assets/(liabilities) measured under MFRS 9	997	653	420	697
	8,712	6,519	793	1,850

24. Finance costs

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest expenses:				
- Bills payable	410	369	-	-
- Bank overdrafts	295	40	-	-
- Revolving credits	-	77	-	-
- Hire purchases	-	336	-	-
- Insurance premium finance	15	12	-	-
- Term loan interest	464	257	-	-
- Lease rental interest	1,246	-	-	-
Interest expenses arising on financial assets/(liabilities) measured under MFRS 9	685	1,511	141	56
	3,115	2,602	141	56

25. Net impairment losses on financial assets and contract assets

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Impairment losses during the financial year:				
- Additions under MFRS 9				
- Trade receivable	19,431	6,073	-	-
- Other receivable	63	11	-	-
- Amount due from associate	14,905	-	1,691	-
- Contract assets	162	75	-	-
- Amount due from subsidiaries	-	-	5,986	-
- Amount due from related company	650	-	-	-
- Reversal of impairment losses:				
- Trade receivable	(10,011)	(16,858)	-	-
- Other receivable	(57)	(88)	-	-
- Amount due from associate	(15,383)	(798)	(1,800)	(62)
- Contract assets	(83)	(589)	-	-
- Amount due from subsidiaries	-	-	(785)	(846)
- Foreign currency translation	-	(155)	-	-
	9,677	(12,329)	5,092	(908)

26. Profit before tax

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating profit is arrived at after crediting:					
Gain on disposal of property, plant and equipment		102	171	-	-
Net realised foreign exchange gain		3,785	-	-	-
Reversal of provision for warranties	18	4,469	7,149	-	-
Reversal of provision for liquidated and ascertained damages		10,046	-	-	-
Reversal of provision for foreseeable losses		1,150	-	-	-
and after charging:					
Allowance for impairment losses on investment in a subsidiary		-	-	-	100
Allowance for slow moving inventories		4,836	2,090	-	-
Auditors' remuneration:					
-holding company's auditors		237	250	72	80
-other auditors		611	506	-	-
Other services					
- holding company's auditors		10	30	10	25
Amortisation of intangible assets	5	64	129	-	-
Bad debts written off		43	-	-	-
Depreciation expenses:					
- investment property	7	-	-	441	441
- property, plant and equipment	3	21,824	20,998	40	40
- right-of-used assets		5,975	-	-	-
Net realised foreign exchange loss		-	9,225	505	647
Net unrealised foreign exchange loss		9,875	9,474	502	1,462
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		9,427	10,307	219	210
- Share-based payments	20	2,368	4,283	2,368	4,283
- Wages, salaries and others		112,892	101,281	1,392	1,316
Property, plant and equipment written off		28	-	-	-
Provision for foreseeable losses		1,482	750	-	-
Provision for warranties	18	11,334	16,440	-	-
Rental expenses on:					
- cranes		22,798	30,002	-	-
- premises		1,223	4,943	44	33
- equipment		345	478	-	-
Writedown of inventories	13	5,254	4,190	-	-

27. Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors				
Executive Directors				
Short-term employee benefits:				
- fees	396	360	288	288
- remuneration	1,626	1,538	1,613	1,529
Share-based payments	229	-	229	-
	2,251	1,898	2,130	1,817
Non-executive Directors				
Short-term employee benefits:				
- Fees	324	309	288	285
- Remuneration	58	62	55	59
	382	371	343	344
	2,633	2,269	2,473	2,161
Other Key Management Personnel				
Short-term employee benefits	5,157	5,202	1,041	1,165
Defined contribution benefits	345	355	125	140
	5,502	5,557	1,166	1,305

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

Recognised in profit or loss

Major components of income tax expense include:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current tax expense				
Malaysia - current	12,101	11,004	50	112
- underprovision in prior year	1,585	462	3	-
	13,686	11,466	53	112
Overseas - current	13,089	16,707	351	385
- underprovision in prior year	(3,584)	(17)	(2)	(11)
	9,505	16,690	349	374
Total current tax expense	23,191	28,156	402	486
Deferred tax expense (Note 10)				
Origination and reversal of temporary differences	5,215	(1,633)	(1,842)	218
Underprovision in prior years	1,676	3,911	620	-
Total deferred tax	6,891	2,278	(1,222)	218
Total tax expense	30,082	30,434	(820)	704
Reconciliation of tax expense				
Profit for the year	89,711	68,592	54,528	46,502
Total tax expense	30,082	30,434	(820)	704
Profit excluding tax	119,793	99,026	53,708	47,206
Tax at Malaysian tax rate of 24% (2018 - 24%)	28,750	23,766	12,890	11,329
Effect of different tax rates in foreign jurisdictions	1,716	1,953	-	-
Effect of lower tax rate	-	(60)	-	-
Non-deductible expense	1,633	5,576	1,378	2,750
Non-taxable gain	(2,012)	(3,575)	(101)	(167)
Tax exempt income	(108)	(682)	(15,608)	(13,197)
Tax incentives	305	1,315	-	-
Effect of utilisation of deferred tax assets previously not recognised	402	(1,926)	-	-
(Over)/underprovision in prior years	(323)	4,356	621	(11)
Others	(281)	(289)	-	-
	30,082	30,434	(820)	704

Domestic income tax is calculated at the Malaysia statutory tax rate 24% (2018 - 24%) of the estimated assessable profit for the financial year.

29. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2019			
First and final 2018 ordinary	13.50	30,111	29 July 2019
2018			
First and final 2017 ordinary	13.50	29,888	24 September 2018

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 2020.

	Sen Per Share (tax exempt)	Total amount RM'000
First and final ordinary	15.00	33,579

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 2019 of RM33,578,514 (2018 - RM30,111,178) on the issued and paid-up share capital (excluding treasury shares) of 223,856,763 (2018 - 223,045,763) ordinary shares as at the end of the reporting date.

30. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per share for the financial year ended 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2019 RM'000	2018 RM'000
Profit for the financial year attributable to owners of the Company	82,658	63,328

Weighted average number of ordinary shares

	Group	
	2019 '000	2018 '000
Number of ordinary shares in issue	221,403	221,403
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under SIS	925	-
Total weighted average number of ordinary shares in issue (unit)	222,318	221,393
Basic earnings per ordinary share (sen)	37.18	28.60

30. Earnings per ordinary share (continued)

Diluted earnings per share

The Group has potential diluted 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 2019 was based on profit attributable to ordinary shareholders 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	
	2019 RM'000	**2018 RM'000**
Profit for the financial year attributable to owners of the Company	82,658	63,328

Weighted average number of ordinary shares (diluted)

	Group	
	2019 '000	**2018 '000**
Weighted average number of ordinary shares	222,318	221,393
Effect of share options in issue	2,329	-
Weighted average number of ordinary shares (diluted) at 31 December	224,647	221,393

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	
	2019 Sen	**2018 Sen**
Diluted earnings per ordinary share	36.79	28.60

31. Segment reporting

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.

31. Segment reporting (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.

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.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Geographical segments								
Revenue from external customers	324,264	241,251	363,730	289,339	-	-	687,994	530,590
Inter-segment revenue	177,686	170,869	24,905	66,779	(202,591)	(237,648)	-	-
Total revenue	501,950	412,120	388,635	356,118	(202,591)	(237,648)	687,994	530,590
Operating profit							116,350	97,670
Finance income							8,712	6,519
Finance costs							(3,115)	(2,602)
Share of (loss)/profit of associates							(2,154)	(2,561)
Profit before tax							119,793	99,026
Segment assets	1,076,811	1,045,884	571,525	528,401	(345,076)	(305,863)	1,303,260	1,268,422
Investments in associates	22	22	19,244	19,244	(9,234)	(7,080)	10,032	12,186
Total assets	1,076,833	1,045,906	590,769	547,645	(354,310)	(312,943)	1,313,292	1,280,608
Segment liabilities	406,844	425,857	386,923	355,033	(231,147)	(190,096)	562,620	590,794
Capital expenditure								
- Property, plant and equipment	35,097	46,085	30,214	58,813	(3,457)	(2,876)	61,854	102,022
Depreciation and amortisation	17,842	13,382	10,021	7,745	-	-	27,863	21,127

31. Segment reporting (continued)

Business segments

	Cranes		Intelligent Automation Group		Eliminations		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Geographical segments								
Inside Malaysia	343,502	339,244	158,448	72,876	(177,686)	(170,869)	324,264	241,251
Outside Malaysia	388,635	356,118	-	-	(24,905)	(66,779)	363,730	289,339
Total revenue	732,137	695,362	158,448	72,876	(202,591)	(237,648)	687,994	530,590
Operating profit							116,350	97,670
Finance income							8,712	6,519
Finance costs							(3,115)	(2,602)
Share of loss of associates							(2,154)	(2,561)
Profit before tax							119,793	99,026
Segment assets	1,483,593	1,437,774	164,743	136,511	(345,076)	(305,863)	1,303,260	1,268,422
Investments in associates	19,266	19,266	-	-	(9,234)	(7,080)	10,032	12,186
Total assets	1,502,859	1,457,040	164,743	136,511	(354,310)	(312,943)	1,313,292	1,280,608
Segment liabilities	756,059	755,360	37,708	25,530	(231,147)	(190,096)	562,620	590,794
Capital expenditure - Property, plant and equipment	63,848	104,820	1,463	78	(3,457)	(2,876)	61,854	102,022
Depreciation and amortisation	27,309	20,852	554	275	-	-	27,863	21,127

32. Operating Lease Commitments

The Group has applied MFRS 16 using modified retrospective approach. As a result, the following information are disclosures required by MFRS 117 'Leases":-

Leases as Lessee

The Group leases a number of buildings, cranes, plant and machinery under non-cancellable operating leases. The lease periods range from 1 to 5 years. The future minimum lease payments under the non-cancellable operating leases as at the end of the last reporting period are as follows:-

	Group 2018 RM'000
Not more than 1 year	16,516
Later than 1 year and not later than 5 years	14,148
	30,664

33. Financial instruments

33.1 Categories of financial instruments

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial Assets				
Amortised cost				
Receivables and deposits	195,863	209,869	42,437	42,920
Fixed deposits with licensed banks	113,842	155,105	9,749	-
Cash and bank balances	83,953	88,239	718	351
	393,658	453,213	52,904	43,271
Fair Value through Profit or Loss				
Derivative assets	120	336	-	-
Short-term investments	91,433	80,456	8,408	1,739
	91,553	80,792	8,408	1,739
Financial Liabilities				
Other Financial Liabilities				
Loan and borrowings	53,344	47,165	-	-
Payables and accruals	215,677	243,020	854	804
Provision for warranties	37,567	31,774	-	-
	306,588	321,959	854	804

33. Financial instruments (continued)

33.2 Gains or losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial Assets				
Amortised cost				
Impairment/(reversal) on trade receivables	9,420	(10,785)	-	-
Impairment/(reversal) of impairment on other receivables	6	(77)	-	-
Reversal of impairment on amount due from associate	(478)	(798)	(109)	(62)
Impairment/(reversal) on contract assets	79	(514)	-	-
Impairment on amount due from related company	650	-	-	-
Impairment/(reversal) on amount due from subsidiaries	-	-	5,201	(846)
Interest income from deposits with licensed banks	(7,654)	(5,805)	(259)	(1,092)
Interest income from amount owing by related company	(61)	(61)	(114)	(61)
Interest income arising on financial assets/(liabilities) measured under MFRS 9	(997)	(653)	(420)	(697)
	965	(18,693)	4,299	(2,758)
Financial Liabilities				
Amortised cost				
Interest expense on borrowings	2,430	1,091	-	-
Interest expense arising on financial assets/(liabilities) measured under MFRS 9	685	1,511	141	56
	3,115	2,602	141	56

Financial risk management

The Group has exposure to the following risk from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for borrowings granted to subsidiaries.

Receivables

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.

33. Financial instruments (continued)

Credit risk (continued)

Receivables (continued)

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 by geographical region is as follows:

	Group	
	2019 RM'000	2018 RM'000
Asia	93,597	108,620
Europe	18,357	9,396
America	1,994	4,458
Australia	15,321	23,807
Middle East	1,720	2,000
	130,989	148,281

Assessment of impairment losses

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

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Not past due	62,442	(354)	62,088
Past due 0 - 90 days	48,721	(767)	47,954
Past due 91 -180 days	11,904	(1,668)	10,236
Past due more than 180 days	66,786	(56,075)	10,711
	189,853	(58,864)	130,989
Credit impaired:			
- more than 30 days past due	164,857	(33,868)	130,989
- individually impaired	24,996	(24,996)	-
	189,853	(58,864)	130,989
Contract Assets	147,794	(1,461)	146,333

33. Financial instruments (continued)

Credit risk (continued)

Receivables (continued)

Assessment of impairment losses (continued)

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018			
Not past due	59,489	(341)	59,148
Past due 0 - 90 days	40,073	(564)	39,509
Past due 91 -180 days	17,544	(1,591)	15,953
Past due more than 180 days	80,995	(47,324)	33,671
	198,101	(49,820)	148,281
Credit impaired:			
- more than 30 days past due	173,265	(24,984)	148,281
- individually impaired	24,836	(24,836)	-
	198,101	(49,820)	148,281
Contract Assets	125,725	(1,128)	124,597

Other receivables

The Group applies the general approach to measuring expected credit losses for the other receivables. Generally, the Group consider the advances to other receivables have low credit risk. The Group assumes that there is a significant increase in credit risk when the probability of securing that the contract deteriorates significantly. As the Group is able to determine the timing of payments of the other receivables advances when they are payable, the Group considers the advances to be in default when the others receivables are not able to pay when demanded. The Group considers the advances to be credit impaired when the other receivables are unlikely to repay the advances in full.

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Low credit risk	22,225	-	22,225
Significant increase in credit risk	2,158	(65)	2,093
	24,383	(65)	24,318
2018			
Low credit risk	14,813	-	14,813
Significant increase in credit risk	687	(59)	628
	15,500	(59)	15,441

33. Financial instruments (continued)

Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to RM15.4 million (2018 - RM19.6 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.

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
2019				
Unsecured insurance premium finance	1.25	3,189	-	-
Lease liabilities	4.24	9,039	12,696	-
Bills payable	3.68 - 4.09	14,252	-	-
Secured bank overdraft	2.50 - 6.66	25,684	-	-
Secured term loan	4.20 - 5.47	1,685	2,166	6,368
Unsecured payables and accruals		215,677	-	-
		269,526	14,862	6,368
2018				
Unsecured insurance premium finance	1.25	2,791	-	-
Hire purchase payable	1.85	3,790	14,148	-
Bills payable	4.27	11,844	-	-
Secured bank overdraft	2.75	5,147	-	-
Secured term loan	4.68	470	2,093	6,882
Unsecured payables and accruals		243,020	-	-
		267,062	16,241	6,882

33. Financial instruments (continued)

Liquidity risk (continued)

Maturity Analysis (continued)

Company	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2019			
Unsecured payables and accruals	137	-	-
Financial guarantee	15,383	-	-
	15,520	-	-
2018			
Unsecured payables and accruals	127	-	-
Financial guarantee	19,593	-	-
	19,720	-	-

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.

	2019		2018	
Group	Effective interest rate %	Total RM'000	Effective interest rate %	Total RM'000
Financial assets				
Fixed rate instruments				
Fixed deposits placed with licensed banks	0.45 - 3.85	113,842	0.70 - 3.85	155,105
Short-term investments	2.57 - 3.89	91,433	2.19 - 5.36	80,456
		205,275		235,561

33. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Group	2019 Effective interest rate %	2019 Total RM'000	2018 Effective interest rate %	2018 Total RM'000
Financial liabilities				
Fixed rate instruments				
Unsecured insurance premium finance – AUD	1.25	3,189	1.25	2,791
Secured bank overdraft	2.50 - 6.66	25,684	2.75	5,147
Hire purchase payables		-	1.85	17,938
Secured Term loan	4.20 - 5.47	10,219	4.68	9,445
Finance Lease liabilities	4.24	21,735		-
Floating rate instrument				
Bills payable	3.68 - 4.09	14,252	4.27	11,844
		75,079		47,165

Company	2019 Effective interest rate %	2019 Total RM'000	2018 Effective interest rate %	2018 Total RM'000
Financial assets				
Fixed rate instruments				
Fixed deposits placed with licensed banks	0.45 - 0.75	9,749	0.80 - 2.00	-
Short-term investments	3.25 - 3.89	8,408	2.48 - 3.66	1,739
		18,157		1,739

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 RM108,315 (2018 - RM90,014) and Nil (2018 - RM Nil) respectively. A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

33. Financial instruments (continued)

Market risk (continued)

Foreign currency

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 foreign currency risk, based on carrying amounts as at end of the reporting period was:

Group	USD RM'000	AUD RM'000	SGD RM'000
2019			
Financial assets	69,910	135,872	20,056
Financial liabilities	(9,220)	(46,489)	(1,759)
Net financial assets	60,690	89,383	18,297
Less: Net financial liabilities denominated in the respective entities functional currencies	(22,503)	(71,047)	(7,375)
Less: Forward foreign currency contracts (contracted notional principal)	(3,935)	(9,792)	(11,386)
Net currency exposure	34,252	8,544	(464)
2018			
Financial assets	124,624	142,309	18,707
Financial liabilities	(16,560)	(68,630)	(601)
Net financial assets	108,064	73,679	18,106
Less: Net financial liabilities denominated in the respective entities functional currencies	(18,996)	(56,171)	(5,274)
Less: Forward foreign currency contracts (contracted notional principal)	(28,693)	(4,538)	(14,790)
Net currency exposure	60,375	12,970	(1,958)

33. Financial instruments (continued)

Market risk (continued)

Foreign currency (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/(decrease) 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
2019			
- strengthened by 5%	1,302	325	(18)
- weakened by 5%	(1,302)	(325)	18
2018			
- strengthened by 5%	2,294	493	(74)
- weakened by 5%	(2,294)	(493)	74

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								
2019								
Financial assets								
Derivative assets – forward currency contracts	-	120	-	-	-	-	120	120
Short-term investments	91,433	-	-	-	-	-	91,433	91,433
	91,433	120	-	-	-	-	91,533	91,553
2018								
Financial assets								
Derivative assets – forward currency contracts	-	336	-	-	-	-	336	336
Short-term investments	80,456	-	-	-	-	-	80,456	80,456
	80,456	336	-	-	-	-	80,792	80,792

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 (see Note 8), related companies, associates (see Note 9) and Directors (see Note 27).

(ii) Significant transactions with related parties:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Holding company				
Purchase of property, plant and equipment	144	-	-	-
Rental expense payable	2,721	2,778	-	-
Sale of goods and services	(77)	(49)	-	-
Subcontract cost payable	238	301	-	-
Share services expenses	2,000	2,000	-	-
Rental income receivable	(175)	(204)	-	-
Subsidiaries				
Dividend income receivable	-	-	(62,712)	(52,143)
Rental income receivable	-	-	(2,123)	(2,225)
Related companies				
Rental expense payable	1,436	1,330	44	32
Sale of goods	(1,511)	(129)	-	-
Subcontract cost payable	444	1,472	-	-
Associates				
Interest income receivable	(63)	(61)	(63)	(61)
Sale of goods and services	(7,187)	(6,350)	-	-

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 11 and Note 17 respectively.

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

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. Initial application of MFRS 16

As mentioned in Note 1 to the financial statements, the Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date of 4.24%. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

The financial impacts to the Group's financial statements upon the transition to MFRS 16 at the date of initial application are summarized in Note 36(c).

(b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

Under MFRS 16, an intermediate lessor accounts for the head lease and the sublease as 2 separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under MFRS 117).

There were no financial impacts to the Group's and the Company's retained earnings as at 1 January 2019.

36. Initial application of MFRS 16 (continued)

(c) Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 January 2019 are summarised below:-

	<------------- At 1 January 2019		------------->
	As Previously Reported RM'000	MFRS 16 Adjustments RM'000	As Restated RM'000
Group			
Statements of Financial Position			
Property and equipment (Note 3)	333,875	(23,657)	310,218
Right-of-use assets (Note 4)	-	23,657	23,657
Lease liabilities (Note 21):			
– non-current liabilities	-	14,148	14,148
– current liabilities	-	3,790	3,790
Loans and borrowings (Note 16)			
– non-current liabilities	23,123	(14,148)	8,975
– current liabilities	24,042	(3,790)	20,252

37. Significant event after the financial year

The degree of financial and operational impact arising from the global outbreak of COVID-19 pandemic will depend on the preventive measures adopted by various countries and the duration of the pandemic. Such financial impact could not be reasonably ascertained at this stage.

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 48 to 122 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 2019 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 Ngan Boon @ Mac Yin Boon

....
Lee Poh Kwee

Klang, Selangor Darul Ehsan

01 April 2020

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 48 to 122 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 in Klang on 01 April 2020.

…………………..
Lee Poh Kwee

Before me:

P. Dev Anand Pillai
Pesuruhjaya Sumpah Malaysia
(No. B253)

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 2019 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 48 to 122.

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 2019 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("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;

Key Audit Matters (Continued)

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

Revenue recognition and contract accounting
Refer to Note 22 to the financial statements

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

Key Audit Matters (Continued)

Recoverability of trade receivables Refer to Note 11 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Trade receivables are a major component of the financial position of the Group. Given the unfavourable macro-economic factors from prolonged weakness in global crude oil prices, the risk of customers becoming insolvent may be high. Accordingly, there is significant judgement involved in the assessment of recoverability of receivables, particularly regarding estimation of future cash collection and in calculating allowance for doubtful debts.	Our audit procedures included, amongst others: • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Enquiring with management on project/receivables status for major customers; • Reviewing collections and sales trends during the financial year for major receivables; and • Reviewing management's basis of estimation on the adequacy of the Group's allowance for impairment losses on trade receivables.

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

Key Audit Matters (Continued)

Goodwill impairment Refer to Note 6 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
As at 31 December 2019, the Group has goodwill of RM71.183 million for the acquisition of the Intelligent Automation Group. This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing. The judgement in relation to goodwill impairment relates primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.	Our audit procedures included, amongst others: • Making enquiries and challenging the management on the key assumptions made, including the consistent application of management's methodology, the achievability of the business plans, assumptions in relation to terminal growth in the business at the end of the plan period, and revenue growth, operating margin and discount rates; • Evaluating the reasonableness of the management's estimate of expected future cash flows by taking into consideration the past performance of the Intelligent Automation Group; • Performing sensitivity analysis to assess the impact on the recoverable amount of the cash generating units; and • Reviewing the adequacy of disclosure of goodwill in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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 8 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
03233/09/2020 J
Chartered Accountant

Kuala Lumpur
01 April 2020

Group Properties as at 31 December 2019

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	21 years	2,083
2.	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan.	Factory building with office block	2017#	Freehold	68,846 sq.m.	14 years	39,740
3.	7AL, Nordkranvej, 2 3540, Lynge DK Denmark.	Factory building with office block	2017#	Freehold	59,525 sq.m.	49 years	15,223
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.	5 years	2,889
5.	28, Yarrunga Street, Preston, NSW 2170, Australia.	Office building and factory	2017#	Freehold	11.6 acres	49 years	55,615
6	No.10-G, No.10-H, No.10-E, Jalan Sapir 33/7 Alam Premier Industrial Park, Section 33 40400 Shah Alam, Selangor Darul Ehsan.	Factory building with office block	2018#	Freehold	1.964 sq.m 2,228 sq.m. 2,070 sq.m.	3 years 3 years 3 years	4,251 4,956 4,673
					Total properties		129,430

Note:
Year of Valuation

Analysis of Shareholdings as at 29 April 2020

Share Capital

Total number of issued shares	:	223,944,763
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	212	5.292	1,704	0.001
100 to 1,000	1,196	29.855	806,284	0.360
1,001 to 10,000	1,960	48.927	8,354,051	3.731
10,001 to 100,000	524	13.080	15,860,222	7.082
100,001 to 11,196,737*2	112	2.796	67,671,459	30.219
11,196,738*3 and above	2	0.050	131,241,043	58.607
TOTAL	**4,006**	**100.000**	**223,934,763**	**100.000**

Notes:

* 1. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2020.
2. Less than 5% of issued shares.
3. 5% and above of issued shares.

Directors' shareholdings as per the Register of Directors' Shareholdings

Name of Directors	Direct interests (no. of shares)	% of issued capital(8)	Indirect/ Deemed interest (no. of shares)	% of issued capital(8)
1. Tan Sri A. Razak bin Ramli	300,000	0.134	800(1)	-(2)
2. Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000(3)	0.134	-	-
3. Mac Chung Hui	2,642,000(4)	1.180	-	-
4. Mac Ngan Boon @ Mac Yin Boon	9,482,913(5)	4.235	132,979,843(6)	59.383
5. Lee Poh Kwee	1,715,000(7)	0.766	-	-
6. Mazlan bin Abdul Hamid	2,304,800	1.029	-	-

Notes:

1. Deemed interest pursuant to Section 59(11)(c) of the Companies Act, 2016 (" the Act"), held through his spouse and children.
2. Less than 0.001%.
3. Shares held through AllianceGroup Nominees (Tempatan) Sdn Bhd.
4. Certain shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd.
5. Certain shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, Maybank Securities Nominees (Tempatan) Sdn Bhd and EB Nominees (Tempatan) Sendirian Berhad.
6. Deemed interest pursuant to Section 8 of the Act by virtue of his substantial interests in MEB and the shares held by his wife and children pursuant to Section 59(11)(c) of the Act.
7. Shares held through HLB Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd.
8. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2020.

Shares in related corporation

There is no change in the deemed interest of directors in related corporation as disclosed in the Directors' Report for the year ended 31 December 2019 from pages 43 to 45 of this Annual Report.

Options in the Company

There is no change in the share options held by the Directors in the Company as disclosed in the Directors' Report for the year ended 31 December 2019 on page 44 of this Annual Report.

Substantial Shareholdings as per the Register of Substantial Shareholders

Name	Direct interests (no. of shares)	% of issued capital(3)	Deemed interest (no. of shares)	% of issued capital(3)
1. Muhibbah Engineering (M) Bhd	131,241,043	58.607	-	-
2. Mac Ngan Boon @ Mac Yin Boon	9,482,913(1)	4.235	131,241,043(2)	58.607

Notes:
1. Certain shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, Maybank Securities Nominees (Tempatan) Sdn Bhd and EB Nominees (Tempatan) Sendirian Berhad.
2. Deemed interest pursuant to Section 8 of the Act by virtue of his substantial interests in MEB.
3. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2020.

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	43.763
2	Muhibbah Engineering (M) Bhd	33,241,043	14.844
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	5,264,000	2.351
4	Aminah binti Mohd Taib	4,389,400	1.960
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,920,000	1.751
6	Mac Ngan Boon @ Mac Yin Boon	3,318,913	1.482
7	Noriyati binti Hassan	2,638,223	1.178
8	Mac Chung Hui	2,542,000	1.135
9	Mazlan bin Abdul Hamid	2,290,800	1.023
10	Harmony Effective Sdn Bhd	2,208,000	0.986
11	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	2,032,600	0.908
12	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	1,622,100	0.724

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

No.	Name of Shareholders	No. of Shares held	% of issued capital*
13	Teo Chang Hock	1,580,000	0.706
14	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	1,545,400	0.690
15	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Dividend Fund	1,516,400	0.677
16	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	1,435,000	0.641
17	Ooi Sen Eng	1,356,000	0.606
18	Amanahraya Trustees Berhad PB Islamic Smallcap Fund	1,273,400	0.569
19	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Balanced Fund	1,255,000	0.560
20	Maybank Nominees (Tempatan) Sdn Bhd Syarikat Takaful Malaysia Keluarga Berhad (ORDPA)	1,133,900	0.506
21	Neoh Choo Ee & Company, Sdn. Berhad	930,000	0.415
22	Maybank Nominees (Tempatan) Sdn Bhd Syarikat Takaful Malaysia Keluarga Berhad (ORDPSA)	925,600	0.413
23	OREC Engineering Holdings Pty Ltd	900,000	0.402
24	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	710,100	0.317
25	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	700,000	0.313
26	Caroline Khoo	693,000	0.309
27	Teoh Yong Churn	668,600	0.299
28	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noriyati binti Hassan	667,100	0.298
29	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	600,000	0.268
30	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	600,000	0.268
		179,956,579	**80.362**

Note:
* Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2020.