annual report
2012

FAVELLE FAVCO BERHAD AND ITS SUBSIDIARIES
Company No. 249243-W (Incorporated in Malaysia)

A MEMBER OF MUHIBBAH ENGINEERING (M) BHD

CORPORATE
INFORMATION

BOARD OF DIRECTORS

Tuan Haji Mohamed Taib Bin Ibrahim
(Chairman, Independent Non-Executive Director)

Tan Sri A. Razak Bin Ramli
(Senior Independent Non-Executive Director)

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor
(Independent Non-Executive Director)

Mac Ngan Boon @ Mac Yin Boon
(Managing Director)

Mac Chung Hui
(Deputy Managing Director/Chief Executive Officer)

Lee Poh Kwee
(Executive Director)

Mazlan Bin Abdul Hamid
(Executive Director)

Lim Teik Hin
(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Tuan Haji Mohamed Taib Bin Ibrahim (Chairman)
Tan Sri A. Razak Bin Ramli
Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor
Lim Teik Hin

COMPANY SECRETARIES

Catherine Mah Suik Ching (LS 01302)
Tew Siew Chong (MIA 20729)
Lim Suak Guak (MIA 19689)

REGISTERED OFFICE

Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia
Telephone no. : (603) 3349 5465
Facsimile no. : (603) 3342 9807

AUDITORS

Crowe Horwath (Firm No. 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 Services Sdn. Bhd.
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Telephone no. : (603) 2264 3883
Facsimile no. : (603) 2282 1886

INVESTOR RELATIONS

Telephone no. : (603) 3349 5444 / 5435
Facsimile no. : (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

Webpage : www.favellefavco.com
E-mail : ffb@favellefavco.com.my

Offshore crane, Holland, JB117


Flat top tower crane undergoing testing

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of Favelle Favco Berhad will be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 28 June 2013 at 2.30 p.m. for the following purposes:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. — Please refer to Note (a)

2. To approve the declaration of a First and Final Dividend of 2.7% (1.35 sen) less 25% income tax and Tax-Exempt Dividend of 13.3% (6.65 sen) per ordinary share in respect of the financial year ended 31 December 2012. — Resolution 1

3. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:

   (i) Tan Sri A. Razak Bin Ramli; and — Resolution 2
   (ii) Mac Chung Hui. — Resolution 3

4. To consider and, if thought fit, to re-appoint the following Directors who retire pursuant to Section 129(2) of the Companies Act, 1965 and in accordance with Section 129(6) of the Companies Act, 1965 be re-appointed to hold office until the conclusion of the next Annual General Meeting:

   (i) Tuan Haji Mohamed Taib Bin Ibrahim; and — Resolution 4
   (ii) Lim Teik Hin. — Resolution 5

5. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 6

As Special Business

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

6. **ORDINARY RESOLUTION**
   Proposed Renewal of Authority for Share Buy-Back — Resolution 7

   "**THAT** subject to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act, 1965 ("the Act"), and the Articles of Association of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company through Bursa Securities ("Proposed Share Buy-Back"), as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time; Resolution 7

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits and share premium accounts of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner:

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

7. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") Resolution 8

"**THAT** subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.1.2 of the Circular to Shareholders ("Circular") dated 6 June 2013 provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

THAT the Proposed Shareholders' Mandate conferred by this resolution shall continue to be in force until: Resolution 8

(a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the Proposed Shareholders' Mandate is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by a resolution passed by the Company's shareholders in a general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

8. **SPECIAL RESOLUTION**
Proposed Amendments to the Articles of Association of the Company Resolution 9

"THAT the amendments to the Articles of Association of the Company as set out in Appendix I of the Circular dated 6 June 2013 be and are hereby approved **AND THAT** the Directors of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the amendments to the Articles of Association of the Company, with full power to assent to any condition, modification, variation and/or amendments in any manner as may be required by Bursa Securities."

9. To transact any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 59(d) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 20 June 2013 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes:

(a) The Audited Financial Statements in Agenda 1 is intended for discussion only as the provision of the Section 169(1) of the Act does not require a formal approval of the members and hence is not put for voting.

(b) A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

(c) A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

(e) The duly completed Form of Proxy must be deposited at the office of the Share Registrar or such other place in Malaysia as is specified for that purpose in the notice convening the meeting, at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Explanatory notes on Special Business

1. **Resolution 7 on Proposed Renewal of Authority for Share Buy-Back**
   For the detailed information on the Proposed Renewal of Authority for Share Buy-Back, shareholders are advised to refer to the Statement to Shareholders dated 6 June 2013 which is circulated together with the Company's Annual Report 2012.

2. **Resolution 8 on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
   For further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature, shareholders are advised to refer to the Circular to Shareholders dated 6 June 2013 which is circulated together with the Company's Annual Report 2012.

3. **Resolution 9 on Proposed Amendments to the Articles of Association of the Company**
   The proposed amendments to the Articles of Association of the Company if passed, will streamline the Articles of Association of the Company to be in line with the latest Main Market Listing Requirements of Bursa Securities and Malaysian Code on Corporate Governance 2012 as set out in the Circular to Shareholders dated 6 June 2013 which is circulated together with the Company's Annual Report 2012.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATE

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 2.7% (1.35 sen) less 25% income tax and Tax-Exempt Dividend of 13.3% (6.65 sen) per ordinary share in respect of the financial year ended 31 December 2012, if approved by the shareholders at the forthcoming Twenty-First Annual General Meeting, will be paid on 29 August 2013 to Depositors whose names appear in the Record of Depositors at the close of business on 20 August 2013.

A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 20 August 2013 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CATHERINE MAH SUIK CHING (LS 01302)
TEW SIEW CHONG (MIA 20729)
LIM SUAK GUAK (MIA 19689)
Company Secretaries

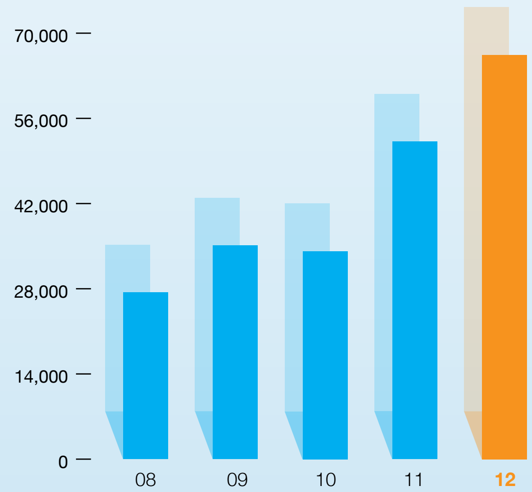
Selangor Darul Ehsan
6 June 2013

Offshore crane, Singapore, T15

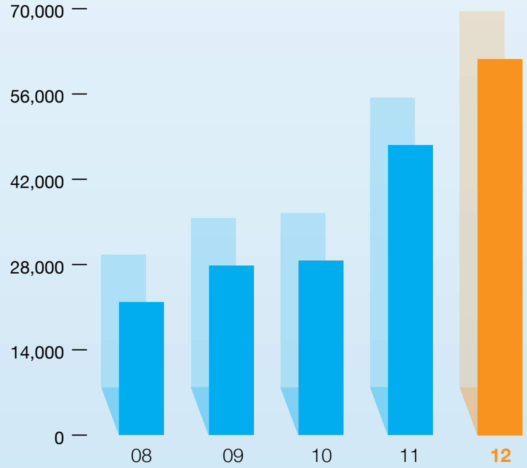
GROUP FINANCIAL HIGHLIGHTS

	2008	2009	2010	2011	2012
Turnover (RM'000)	581,125	534,747	385,468	482,353	**696,747**
Profit Before Tax (RM'000)	27,382	35,102	34,163	52,193	**66,684**
Profit After Tax Attributable to Owners of the Company (RM'000)	21,824	27,783	28,608	47,606	**61,746**
Total Equity Attributable to Owners of the Company (RM'000)	161,127	189,879	195,608	236,982	**341,687**
Share Capital (RM'000)	85,514	86,175	88,568	89,584	**106,000**
Basic Earnings Per Ordinary Share (Sen)	12.79	16.20	16.36	26.69	**33.64**
Net Assets Per Ordinary Share (RM)	0.94	1.10	1.10	1.32	**1.61**

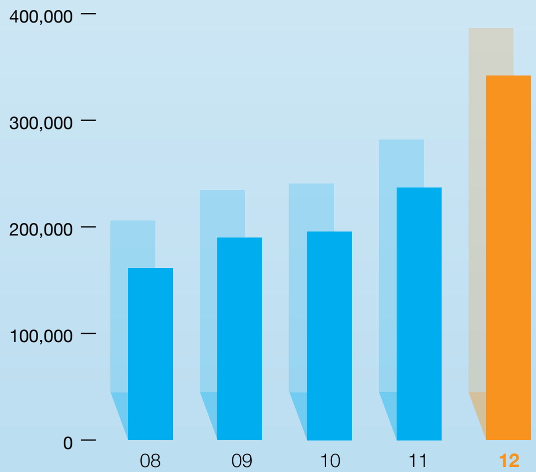
Profit Before Tax
(RM'000)



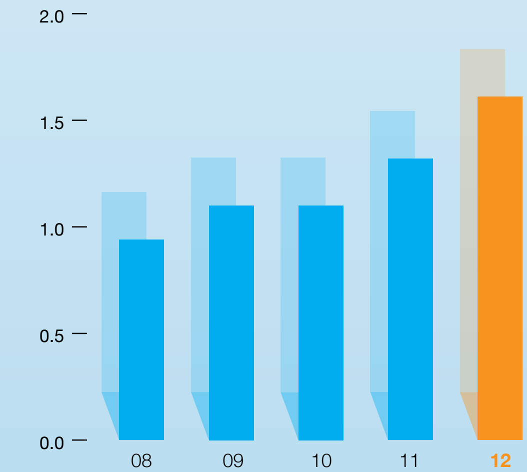
Profit After Tax Attributable to Owners of the Company (RM'000)



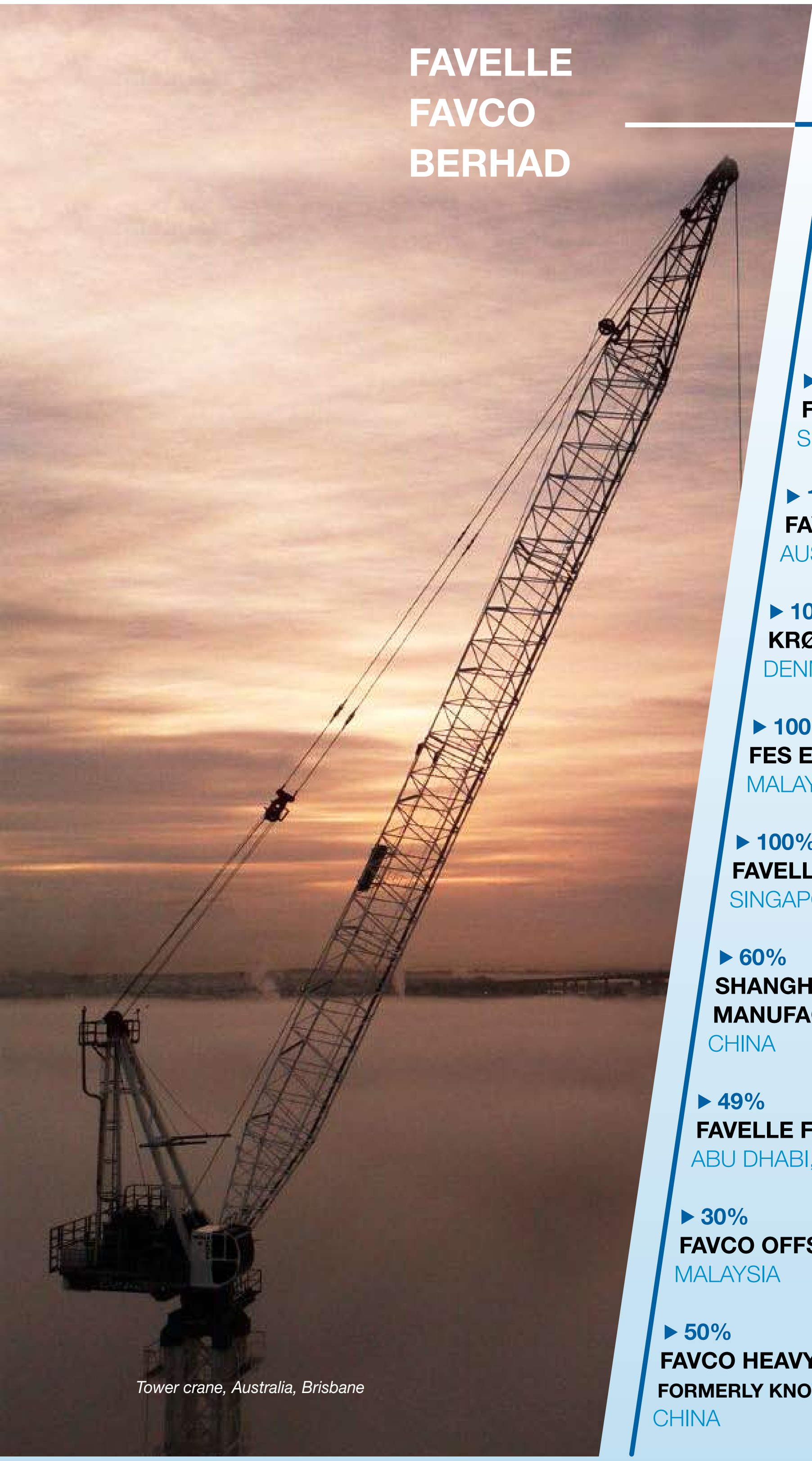
Total Equity Attributable to Owners of the Company (RM'000)



Net Assets Per Ordinary Share
(RM'000)



GROUP STRUCTURE
As At 30 April 2013


Tower crane, Australia, Brisbane

FAVELLE FAVCO BERHAD

▶ **100%**
FAVELLE FAVCO CRANES (M) SDN. BHD.
MALAYSIA

▶ **100%**
FAVELLE FAVCO CRANES (USA), INC.
USA

▶ **100%**
FAVELLE FAVCO CRANES PTE. LTD.
SINGAPORE

▶ **100%**
FAVELLE FAVCO CRANES PTY. LIMITED
AUSTRALIA

▶ **100%**
KRØLL CRANES A/S
DENMARK

▶ **100%**
FES EQUIPMENT SERVICES SDN. BHD.
MALAYSIA

▶ **100%**
FAVELLE FAVCO WINCHES PTE. LTD.
SINGAPORE

▶ **60%**
SHANGHAI FAVCO ENGINEERING MACHINERY MANUFACTURING CO., LTD.
CHINA

▶ **49%**
FAVELLE FAVCO MACHINERY AND EQUIPMENT L.L.C.
ABU DHABI, UAE

▶ **30%**
FAVCO OFFSHORES SDN. BHD.
MALAYSIA

▶ **50%**
FAVCO HEAVY INDUSTRY (CHANGSHU) CO., LTD.
FORMERLY KNOWN AS FAVCO EQUIPMENT (SHANGHAI) CO., LTD.
CHINA

*** Dormant companies are excluded from the above Group Structure.**

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Favelle Favco Berhad ("FFB"), I am pleased to present the Annual Report and the audited financial statements of FFB and its subsidiary companies ("Favelle Favco Group" or "Group") for the financial year ended 31 December 2012.

Mohamed Taib Bin Ibrahim
(Chairman, Independent Non-Executive Director)

FINANCIAL PERFORMANCE

For the financial year under review, the Group posted a total revenue of RM697 million with a profit after taxation of RM61.7 million. This represents a 44% increase in revenue and a 30% increase in profit after taxation as compared to the previous financial year. The improvement in revenue and profit after taxation is contributed not only by an increase in sales from the crane segment but also by an improvement in margin and operational efficiencies in the Group's operations.

DIVIDEND

The Board of Directors is recommending a first and final dividend as follows, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The total dividend will amount to RM16.244 million.

	Sen per share
Taxable dividend, less tax of 25%	1.35
Tax exempt dividend	6.65
Total	8.00

INDUSTRY AND MARKET REVIEW

We put in good effort into a busy year in 2012. A large overflow from year 2011 together with the continued order intake in the first half of the year resulted in our further improved revenue for the full year.

The Oil and Gas sector continued its investments in the early half of the year but dipped towards the second half. Nevertheless, we received several key orders including an order for the second unit of our flagship PC1000. Additionally, we were able to win an order for the Shell Prelude project, which is expected to be Shell's first and largest Floating LNG vessel.

The global construction sector remained mostly neutral for the year. However, we did see increased activity in China as we were more aggressive in this rather buoyant market. Overall, we did well to perform as we did seeing that the global construction equipment market is experiencing a dip due to the European Credit Crisis and North America's tepid recovery.

Tower crane, Russia, Bridge to Russky Island

OPERATIONS REVIEW

Overall, we did well to ramp up our production to cater to the increased revenue.

Our Danish unit, Kroll Cranes A/S, had a good year bringing 3 new models to market, being the K365L, K420 and K560. These refreshed models will undoubtedly improve our product line.

In other developments, we delivered the first of a new series of fully electric offshore cranes. To date, we have delivered 5 units with another 3 units in the pipeline for this fully electric series. These projects reinforce our capability to customise the cranes to clients' unique requirements.

In 2012, we completed our first year of manufacturing operations in China. It has truly been an interesting year of learning for us. We are learning every day about costs, culture, productivity, supply chains and competitors in China.

OUTLOOK

As at 15 May 2013, we have an order book of RM645 million. Whilst the order book will carry us through 2013, we see mixed signals in the market. The European Credit Crisis and North America's tepid recovery resulted in a slight dip in order intake in the second half of 2012 even though we can see a positive flow of projects in the pipeline. This gives us cause to remain cautiously optimistic moving forward.

We have reviewed several acquisition targets but have yet to find a suitable fit. Nevertheless, we are seeing an increase in deal flow and remain hopeful that we will find suitable targets in the future.

CHAIRMAN'S STATEMENT (CONT'D)


Tower crane, Malaysia, SKVE

CORPORATE SOCIAL RESPONSIBILITY

We continue to focus on developing knowledge. This year, we sponsored a competition whereby students who were running businesses during their academic year, were mentored by actual business owners and pitched their businesses to a panel of judges.

We continued with supporting apprenticeship programs and are currently planning a training program for new entrants into the field of Quality Control which in our view, is needed in the industry.

CORPORATE GOVERNANCE

In compliance with the principles and best practices as set out in the Code on Corporate Governance, a Statement on Risk Management & Internal Control has been included in this Annual Report in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is committed to ensuring that a high level of corporate governance is adopted and practised by the Favelle Favco Group.

ACKNOWLEDGEMENT AND APPRECIATION

The Board of Directors of Favelle Favco Group would like to thank the valued management team and employees of the Group for their continuous work commitment, perseverance and ongoing dedication and effort, all of which have enabled the Group to achieve a successful year. We will require greater teamwork in the near future and I'm confident the team will rally to this cause.

Our appreciation goes to all our esteemed clients, business associates, suppliers, sub-contractors and the regulatory authorities whose continued support has been important to the Group.

We would also like to express our appreciation to the bankers and shareholders for their unwavering support extended to the Group.

Finally, my special thanks also to my colleagues on the Board of Favelle Favco Group for their invaluable support and guidance.

Mohamed Taib Bin Ibrahim
Chairman

PROFILE OF DIRECTORS

Tuan Haji Mohamed Taib Bin Ibrahim

Aged 88, Malaysian
(Chairman, Independent Non-Executive Director)

Chairman of the Audit Committee, Remuneration Committee and a member of Nominating Committee

Tuan Haji Mohamed Taib Bin Ibrahim was appointed as a Director of FFB on 15 September 1995. On 10 May 2004, he was appointed as the Independent Non-Executive Chairman and Chairman of the Audit Committee. He was appointed as Chairman of both Nominating (up to 18 January 2013) and Remuneration Committees. He is the co-founder of Muhibbah Engineering (M) Bhd ("MEB"), the ultimate holding company and has been an Independent Non-Executive Director of MEB since its inception on 4 September 1972. He was later appointed Chairman of MEB on 22 May 1973. He obtained the Senior Cambridge Certificate of Education in 1941. In 1967, he helped set up Federal Flour Mills Berhad. His last position in Federal Flour Mills Berhad was Alternate Director. He left Federal Flour Mills Berhad and ventured into the marine industry in 1969 when he was appointed the first Company Secretary of Malaysian International Shipping Corporation. In 1977, he was nominated to lead Johor-based Malaysian Shipyard and Engineering Berhad as the Company's President and Chief Executive Officer, a position which he relinquished in 1988. He was also the Chairman of Kuantan Flour Mills Berhad in 1984.

Tan Sri A. Razak Bin Ramli

Aged 64, Malaysian
(Senior Independent Non-Executive Director)

Member of the Audit Committee, Remuneration Committee and Chairman of Nominating 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. He joined the Malaysian Civil Service in 1972 and has 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 currently holds various positions in other public-listed companies such as Chairman, Shangri-La Hotels (Malaysia) Berhad, Director of Lafarge Malayan Cement Berhad, Director of Ann Joo Resources Berhad and Director of Hong Leong Bank Berhad.

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor

Aged 69, Malaysian
(Independent Non-Executive Director)

Member of the Audit Committee and Nominating Committee

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor was appointed as an Independent Non-Executive Director on 5 May 2004 and member of the Audit Committee of FFB on 10 May 2004. He was further appointed as a member of the Nominating Committee of FFB on 18 January 2013. He is also an Independent Non-Executive Director of MEB, a position he has assumed since 19 April 2001. On 27 December 2001, he was appointed as a member of the Audit Committee of MEB, and the Senior Independent Non-Executive Director of MEB in accordance with the Malaysian Code on Corporate Governance. He was further appointed as a member of the Nominating and Remuneration Committees of MEB on 21 February 2002. 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 and Boustead Heavy Industries Corporation Bhd.

Mac Ngan Boon @ Mac Yin Boon

Aged 69, Malaysian
(Managing Director)

Member of the Remuneration Committee

Mac Ngan Boon @ Mac Yin Boon was appointed as the Managing Director of FFB on 23 March 1993. He was later appointed as member of both Nominating (up to 18 January 2013) and Remuneration Committees. 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. Mac Ngan Boon @ Mac Yin Boon has been playing the 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.

Mac Chung Hui

Aged 35, Malaysian
(Deputy Managing Director/Chief Executive Officer)

Mac Chung Hui was appointed as the Deputy Managing Director of the FFB Group on 5 May 2004. He was also appointed as the Chief Executive Officer of FFB in 2004. 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 twelve (12) years.

Lee Poh Kwee

Aged 48, Malaysian
(Executive Director)

Lee Poh Kwee was appointed to the Board of FFB on 24 January 2003 as Executive Director. 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 Chief Financial Officer 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 eighteen (18) years.

Mazlan Bin Abdul Hamid

Aged 50, Malaysian
(Executive Director)

Mazlan Bin Abdul Hamid was appointed as Executive Director of FFB on 17 May 2004 and heads the Marketing & Business Development of the FFB Group. He is also a Director of FFM, Favco Offshores Sdn. Bhd. and Muhibbah Marine Engineering Sdn. Bhd., a subsidiary 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. on a contract basis, and thereafter, Bureau Veritas (M) Sdn. Bhd. as Surveyor and Marketing Manager. He joined FFM in 1996 as the Sales & Marketing General Manager. He played a key role in penetrating the cranes manufacturing market in the Asia Pacific region.

Lim Teik Hin

Aged 71, Malaysian
(Non-Independent Non-Executive Director)

Member of the Audit Committee

Lim Teik Hin was appointed as a Non-Independent Non-Executive Director and member of the Audit Committee of FFB on 24 November 2008. He is a member of the Malaysian Institute of Certified Public Accountants, a member of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants. He graduated with an Accountancy Degree from Perth Technical College in 1966. He started his career with an accounting firm in Australia (L.A. Walker & Sons) and subsequently worked with KPMG in Malaysia. He then joined Federal Aluminium (M) Bhd as Operations Manager. His last held position was Senior Manager in MEB before he was appointed as a Non-Independent Non-Executive Director and member of the Audit Committee of MEB.

OTHER INFORMATION

Additional Information on Directors

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

None of the Directors have any relationship with each other and/or major shareholders of Favelle Favco Berhad except for Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Lim Teik Hin. Mac Ngan Boon @ Mac Yin Boon is the Managing Director and major shareholder of Favelle Favco Berhad (indirectly via MEB) and is also the father of Mac Chung Hui, the Deputy Managing Director/ Chief Executive Officer of Favelle Favco Berhad. Lim Teik Hin is the brother-in-law of Mac Ngan Boon @ Mac Yin Boon.

2. Conflict of interest

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

3. Convictions for Offences within the past ten (10) 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. Share Buy-Backs

The Company did not buy-back any ordinary shares of RM0.50 each of its own shares from the open market of Bursa Malaysia Securities Berhad during the financial year ended 31 December 2012.

3. Options, Warrants or Convertible Securities

Details of the exercise of employee share scheme of the Company are disclosed on page 38 of this Annual Report.

Other than the exercise of employee share scheme as mentioned above, the Company did not issue any warrants or convertible securities during the financial year.

4. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

5. Imposition of Sanctions and/or Penalties

During the financial year under review, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body.

6. Non-Audit Fees

During the financial year, there were no non-audit fees paid to the external auditors.

7. Variation in Results

There were no significant variations between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

8. Profit Estimate, Forecast or Projection

There were no profit estimate, forecast or projection announced by the Company and its subsidiary companies during the financial year ended 31 December 2012.

9. Profit Guarantee

There were no profit guarantee given/received by the Company during the financial year.

10. 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 2012 or entered into since the end of the previous financial year ended 31 December 2011.

11. Recurrent Related Party Transactions

At the Annual General Meeting held on 28 June 2012, 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 6 June 2012.

In accordance with Section 3.1.5 of Practice Note No. 12/2001 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 2012 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 2012 RM'000
FFB Group and MEB Group	MEB, Tuan Haji Mohamed Taib Bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui 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	10,494
		Sales and rental of cranes and parts, and the provision of crane maintenance and services by FFB Group to MEB Group	2,748
		# Rental of office building and factory located at 28, Yarrunga Street, Prestons, NSW 2170, Australia by MEB Group to FFB Group, measuring 11.6 acres	2,057
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres	264
		# Rental of open yard located at PN 11185, Lot 104505, Telok Gong, District of Klang, Selangor by MEB Group to FFB Group, measuring 32,753.44 sq. ft.	NA
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	105
		# Rental of land held under HS(D) 99546 Lot No. 104625 Mukim & District of Klang, State of Selangor by MEB Group to FFB Group measuring in area approximately 160,000 sq. ft.	1,920
		# Rental of open yard located at Lot 104626 and Lot 129073, Telok Gong, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 62,500 sq. ft.	150

OTHER INFORMATION (CONT'D)

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2012 RM'000
FFB Group and FO	Mac Ngan Boon @ Mac Yin Boon and Mazlan Bin Abdul Hamid	Rental of waterbags for load testing of cranes by FFB Group to FO Sale of crane parts and provision of crane maintenance and services by FFB Group to FO Rental of barges and its related maintenance cost and sale of spare parts by FFB Group to FO	297
		Provision of crane maintenance and services and sale of crane parts 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
"FFM"	: Favelle Favco Cranes (M) Sdn. Bhd., a wholly-owned subsidiary of FFB
"FO"	: Favco Offshores Sdn. Bhd., an associate company of FFB
"NA"	: Not applicable


Diving Winch


Hydraulic Mooring Winch

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("the Board") is committed towards ensuring that the highest standards of Corporate Governance are 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.

BOARD OF DIRECTORS

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 acute leadership and management of an eminent and evolutionary engineering business.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of eight (8) members, comprising three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Executive Directors. The Company had thus complied with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which requires that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is higher, to be independent.

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 from pages 13 to 15 of 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.

The roles of the Chairman and Managing Director are separated with a clear division of responsibilities between them to ensure balance of power and authority. The Chairman leads the strategic planning at the Board level, while the Managing Director is responsible for the implementation of the policies laid down and executive decision making. The current Chairman has never held the post of Managing Director of the Company.

The Independent Non-Executive Directors are of the calibre necessary to provide independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

An Independent Non-Executive Chairman leads the Board and the Board has also identified Tan Sri A. Razak Bin Ramli as the Senior Independent Non-Executive Director to whom concerns of the Group may be conveyed.

The Nominating Committee and the Board are committed to promote gender diversity for Board composition which has been recommended in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

Board Meetings

Board meetings are held at regular intervals with additional meetings taking place when necessary. During the year, the Board met four (4) times to review the Group's operations, review and approve the quarterly financial results and year-end financial statements and other matters requiring the Board's approval. The Company Secretary records all the deliberations including pertinent issues, the substance of inquiries and responses, Board members' suggestions and the decisions made in the minutes of the Board meetings. Details of the attendance of the Directors are as follows:

Names of Directors	Attendance at Meetings in 2012
Tuan Haji Mohamed Taib Bin Ibrahim	4/4
Tan Sri A. Razak Bin Ramli	4/4
Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Mac Chung Hui	4/4
Lee Poh Kwee	4/4
Mazlan Bin Abdul Hamid	4/4
Lim Teik Hin	4/4

Supply of Information

Due notice is given to the Directors prior to each Board meeting. Each Director is provided with the agenda and a full set of Board papers providing details on operational, financial, safety and corporate developments prior to each Board meeting with the aim of enabling the Directors to make well-informed decisions at the Board 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.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretary is available at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures and all applicable rules and regulations are complied with. The Articles of Association of the Company permit the removal of Company Secretary by the Board of Directors as a whole.

In addition, the Directors have authority to access all information within the Group in furtherance of their duties as well as to the advice and services of the Senior Management of the Company. They are also empowered to seek external independent professional advice at the Company's expense, to enable them to make well-informed decisions.

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.

(i) Audit Committee

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of the Group. This includes reviewing the quarterly financial results and year-end financial statements to be disclosed, the scope of works and management letter of the external and internal auditors.

The Audit Committee members consist of all Non-Executive Directors, with a majority being Independent Directors. Tuan Haji Mohamed Taib Bin Ibrahim, an Independent Non-Executive Director, is the Chairman of the Audit Committee.

The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role and activities of the Audit Committee is presented from pages 25 to 29 of this Annual Report.

(ii) Nominating Committee

The present members of the Nominating Committee are as follows:

Names of Committee Members	**Designation**
Tan Sri A. Razak Bin Ramli	Chairman *(Senior Independent Non-Executive Director)*
Tuan Haji Mohamed Taib Bin Ibrahim	Member *(Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*

The Nominating Committee met once during the financial year. In accordance with its terms of reference. The Nominating Committee reviewed the Board structure on the designation, roles and responsibilities of the individual Directors of the Company to ensure that the Board has the required mix of skills, experience and other core competencies. The Nominating Committee performed a review of the performance of Independent Directors including the criteria as required under the Listing Requirements. All assessments or evaluations carried out by the Nominating Committee are properly documented. The Nominating Committee also reviewed the existing balance, size and composition of the Board of Directors and discussed the appointment of new Directors, particularly on diversity in gender, to the Board. The Nominating Committee identified and recommended to the Board on the Directors who were due for retirement by rotation and/or subject to re-appointment at the forthcoming Annual General Meeting.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	**Designation**
Tuan Haji Mohamed Taib Bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Tan Sri A. Razak Bin Ramli	Member *(Senior Independent Non-Executive Director)*
Mac Ngan Boon @ Mac Yin Boon	Member *(Managing Director)*

The Remuneration Committee met once during the financial year. In accordance with its terms of reference, the Remuneration Committee reviewed the remuneration packages and benefits of the Executive Directors in accordance with the contribution and level of responsibilities undertaken by the Board to ensure the Company is able to attract high calibre executives to run the Company successfully. Directors do not participate in 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 recommended for the Board's approval. The individual Non-Executive Directors concerned had abstained from discussion of their own remuneration packages.

Appointments and Re-election

In accordance with the Company's Articles of Association, 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.

Directors who are over seventy (70) years of age are required to submit themselves for re-appointment and re-election annually in accordance with Section 129 (2) and Section 129 (6) of the Companies Act, 1965.

In line with the MCCG 2012, the tenure of an Independent Director should not exceed the cumulative of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to Director's re-designation as a Non-Independent Director. However, the Board must justify and seek shareholders' approval in the event it retains a person who has served in that capacity for a period more than nine (9) years as an Independent Director.

Directors' Training

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursa Malaysia Securities Berhad within the stipulated time frame under the Listing Requirements.

Regular continuing training programmes, courses and seminars are organised for the Directors to help them keep abreast of latest developments in the industry and advances in Corporate Governance.

During the financial year, all Directors have participated in numerous seminars and training programmes on topics relevant to the enhancement of their roles and responsibilities as Directors of the Company. The seminars and training programmes attended include topics relating to corporate planning, finance, taxation, leadership management, risk management and corporate governance and are as follows:

(i) Making Sense Of The Law Governing Directors And Its Implications;
(ii) Corporate Disclosure Guide 2011;
(iii) Total Shareholders Return for the Board - Latest BOD Concern;
(iv) Tax Planning for Directors, Sole Proprietor and Partnership (inclusive of succession planning);
(v) China: A Market of Abounding Opportunities;
(vi) Getting Ready for IFRS Convergence;
(vii) Deloitte TaxMax - the 38th Series;
(viii) Half Day Talk by Messrs PricewaterhouseCoopers;
(ix) FIDE Forum - Official Launch of FIDE Forum;
(x) Half Day Forum on Islamic Banking by ABB Shariah Members;
(xi) Half Day Talk on Rebuilding Trust in the Financial Sector by John Zikin;
(xii) Breakfast Talk on Global Consumer Banking Survey 2012 - The Customer Takes Control by Ernst & Young; and
(xiii) Roundtable Discussion on Banking Industry.

It is the practice of the Group, whereby, following the appointment of new Directors to the Board, an induction programme is arranged to facilitate their understanding of the nature of the business, current issues within the Company, the corporate strategy, the expectations of the Company concerning input from Directors, the general responsibilities of Directors, operations of the Group as well as the products and services offered by the Group.

DIRECTORS' REMUNERATION

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

	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	216,000	210,000	426,000
Remuneration	1,208,412	46,920	1,255,332
	1,424,412	256,920	1,681,332

The number of Directors in each remuneration band for the financial year 2012 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM50,001 to RM100,000	-	4	4
RM100,001 to RM150,000	1	-	1
RM200,001 to RM250,000	1	-	1
RM500,001 to RM550,000	2	-	2
	4	4	8

SHAREHOLDERS

Investors and Shareholders Relationship

The Board recognises the importance of maintaining effective communication with its investors and shareholders.

The Group communicates with its investors and shareholders regularly through release of quarterly financial results, announcements and press releases which provide an overview of the Group's performance and operations.

The Group is involved in investor relations through investor briefings with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investor briefings.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Malaysia Securities Berhad, 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.

Annual General Meeting

The Annual General Meeting 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. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting and Statement of Directors' Responsibility

The Directors are responsible to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

The Board is responsible for ensuring that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of operations, changes in equity and cash flows of the Group and the Company for the financial year.

In preparation of the financial statements, the Board has ensured that:

(i) suitable accounting policies have been adopted and applied consistently;

(ii) judgements and statements made are reasonable and prudent; and

(iii) financial statements have been prepared on a going-concern basis.

The Audit Committee assists the Board by overseeing that financial reporting reflects the substance of the business and transactions apart from being compliant with relevant standards and legislation.

The Board is responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure the financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

Relationship with the Auditors

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views on issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of Executive Board members and management, at least twice a year.

Risk Management Framework and Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls and reviews its effectiveness regularly via the Group Internal Audit Department of MEB, the ultimate holding company, which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group.

A Statement on Internal Control outlining the internal controls within the Group is presented on pages 30 and 31 of this Annual Report.

Recurring Related Party Transactions

The Board, through the Audit Committee, 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.

Compliance Statement

The Company has applied the Principles as set out in the MCCG 2012 to the extent as set out above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 15 May 2013.

AUDIT COMMITTEE REPORT

Membership and Meetings

Details of the membership of the Audit Committee and the attendance of meetings in respect of the current financial year are as follows:

Names of Committee Members	Designation	Attendance at Meetings in 2012
Tuan Haji Mohamed Taib Bin Ibrahim	Chairman *(Independent Non-Executive Director)*	4/4
Tan Sri A. Razak Bin Ramli	Member *(Senior Independent Non-Executive Director)*	4/4
Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*	4/4
Lim Teik Hin	Member *(Non-Independent and Non-Executive Director)*	4/4

The Audit Committee comprises all Non-Executive Directors, with a majority being Independent Directors. Mr. Lim Teik Hin is a member of the Malaysian Institute of Accountants and CPA Australia.

The Audit Committee held four (4) meetings during the financial year ended 31 December 2012. The Group's Financial Controller and the Group's Internal Audit Manager attended all meetings. Other Board members attended some of the meetings upon invitation by the Chairman of the Committee. The Group's external auditors attended two (2) meetings during the year. The Audit Committee had private discussions with the external auditors in the absence of management twice during the financial year ended 31 December 2012.

The Chairman of the Audit Committee undertakes a continuing process of engagement with the Senior Executives of the Company as well as the external auditors so that the Audit Committee is kept up-to-date with all important issues affecting the Company.

During the year, the Audit Committee members have attended conferences, seminars and training programmes which are relevant to their roles and responsibilities.

Summary of Activities

During the year, the Audit Committee carried out its duties as set out in the terms of reference. These include:

(i) Reviewing the quarterly financial results and year-end financial statements before submission to the Board of Directors for consideration and approval for announcement to Bursa Malaysia Securities Berhad.

(ii) Reviewing with external auditors the general approach and overall scope of works required for the annual audit.

(iii) Reviewing the adequacy and relevance of the scope of work and functions of the external auditors and making recommendations to the Board on the appointment of the external auditors and the determination of the audit fees.

Summary of Activities (Cont'd)

(iv) Reviewing with the Internal Audit Department the adequacy and relevance of the scope, function and risk based on audit plan and results of the internal audit processes.

(v) Reviewing and discussing on issues and recommendations presented in the internal audit reports and thereafter considering whether or not appropriate corrective actions had been taken in addressing and resolving the issues on a timely basis.

(vi) Verifying the allocation of the Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with criteria set out in the ESOS Bye-Laws of the Company.

Internal Audit Function

The internal audit function was carried out by the Group Internal Audit Department of MEB, the ultimate holding company. The Group Internal Audit Department, which reports directly to the Audit Committee, carries out its duties impartially and independently of the activities reviewed to provide reasonable assurance that the system of internal controls continues to operate satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology, which is aligned to the operational and financial activities that are significant to the overall performance of the Group.

The activities carried out by the Group Internal Audit Department include, among others, the review of systems of internal controls for effectiveness and efficiency, compliance with established policies, procedures and guidelines, and assessing of the Group's Corporate Governance practices and compliances rules. The total cost incurred for the internal audit function in respect of the financial year amounted to approximately RM15,000.

In addition, the Group has implemented a structured risk assessment and management framework of its operations. The implementation of this framework and monitoring process also forms the basis for continually improving the risk management process in the context of the Group's overall objectives. The Group Internal Audit Department is continuously facilitating the exercise for all the business units within the Group and advising the Risk Management Committee on the internal controls to better manage the risks identified.

Terms Of Reference

Objectives

The principal objective of the Audit Committee is to assist the Board of Directors in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of Favelle Favco Berhad and its subsidiaries.

In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information provided by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the adequacy of the Company's internal control system.

Membership

The Board shall appoint the Audit Committee, comprising at least three (3) directors, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman of the Committee, who is an Independent Director, shall be appointed by members of the Audit Committee. No alternate Director can be a member of the Audit Committee.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or have similar qualifications as prescribed in Part I or Part II of the 1st Schedule of the Accountants Act, 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy in the Audit Committee resulting in the number of members reduced to below three (3), the Board shall within three (3) months of the event, appoint such number of new members as may be required to fill the vacancy.

Attendance at meetings

The Audit Committee shall hold at least four (4) regular meetings per year and such additional meeting as the Chairman shall decide in order to fulfil its duties.

The quorum for each meeting shall be two (2) members where a majority of the members present must be Independent Directors.

The Company Secretary shall act as Secretary of the Audit Committee.

The Audit Committee may invite any person to be in attendance at any particular Audit Committee meeting to assist it in its deliberations.

Authority

The Audit Committee is authorised by the Board, in accordance with the procedures determined by the Board and at the cost to the Company, to:

- investigate any matter within its terms of reference;
- have adequate resources required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- obtain independent professional or other advice; and
- convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, wherever deemed necessary.

AUDIT COMMITTEE REPORT (CONT'D)

Duties and responsibilities

The Audit Committee shall undertake the following duties and responsibilities:

1. To review the following and report the same to the Board of Directors:

   - with the external auditors, the audit plan, their evaluation of the system of internal controls and the audit reports on the financial statements.
   - the assistance given by the employees to the external auditors.
   - the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
   - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
   - the quarterly results and year-end financial statements before submission to the Board of Directors for approval, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with Financial Reporting Standards and other legal requirements.
   - any related party transactions and conflict of interest situations that may arise within the Group or Company including any transaction, procedure or course of conduct that raises questions of management integrity.
   - the appointment of the external auditors and audit fees, and any questions of resignation or dismissal.

2. To recommend the nomination of a person or persons as external auditors.

3. To ensure that the Audit Committee Report is prepared at the end of each financial year for inclusion in the Annual Report of the Company. The Audit Committee Report shall comprise:

   - the composition of the Audit Committee, including the names, designations (indicating the Chairman) and directorships of the members (indicating whether the Directors are independent or otherwise).
   - a summary of the terms of reference of the Audit Committee, or the key functions, roles and responsibilities of the Audit Committee.
   - the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
   - a summary of the activities of the Audit Committee in the discharge of functions and duties for that financial year of the Company.
   - a summary of the activities of the internal audit function or activity.

4. To verify, on a yearly basis, the allocation of options under a share option scheme for employees to ensure compliance with the allocation criteria determined by the Company's share option committee and in accordance with the bye-laws of the relevant option scheme.

5. To promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board of Directors which have not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Proceedings of the Audit Committee

Calling of meetings
The members may meet together for the despatch of business, adjourn and otherwise regulate their meetings. The Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

Notice of meeting
Notice of a meeting of the Audit Committee shall be given to all the members in writing via facsimile, hand delivery or by courier service. Unless otherwise determined by the Audit Committee from time to time, seven (7) days' notice shall be given, except in the case of an emergency where shorter notice may be given.

Voting and proceeding of meeting
The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

Keeping of minutes
The members shall cause minutes to be made of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Custody, production and inspection of minutes
The minutes of meetings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be opened to the inspection of any member of the Committee or any member of the Board of Directors.

Review of Audit Committee

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Port crane, Norway, Shipyard Norway

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. The system of internal control covers not only financial controls but operational and compliance controls and risk management.

The key processes of the Group's internal control system include the following:

- Documented delegation of authority limits have been established for all aspects of the businesses. These delegations of responsibilities and authority limits are subject to review when deemed necessary;

- Policies, objectives, quality procedures and environmental procedures for key business processes are formalised and documented in quality and environmental manuals. The Corporate Environment & Quality Assurance Department conducts half-yearly Internal Quality Audits and Internal Environmental Audits and checks that operational processes are in accordance with the ISO 9001 : 2000 Quality Management System and ISO 14001 : 2004 Environmental Management System respectively;

- The Internal Audit Department provides the Audit Committee with reviews of processes, risk exposures (through Enterprise Risk Management) and system of internal controls of the Group. The Internal Audit Department carries out audits based on audit plans approved by the Audit Committee;

- Subsequent follow-up reviews on recommendations and outstanding issues are conducted by the Internal Audit Department and reported to the Audit Committee to ensure that recommendations have been implemented and issues resolved accordingly;

- Monthly management accounts and other information (i.e. financial performance) are prepared and submitted to management for review, monitoring and reporting purposes;

- The issuance of a Risk Management Policies and Procedures Manual which outlines the risk management framework for the Group, offers practical guidance to all employees on risk management guidelines and processes;

- Risk management reports are submitted to the Risk Management Units for reporting to the Group Risk Management Committee;

- A consolidated risk profile of the Group together with a summary of key risks and actions to mitigate these risks is discussed in the Risk Management Committee meetings before being submitted to the Board for consideration; and

- The process of internal control system of the Group is in place for the financial year under review and up to the date of approval of this statement.

The Board is continuing its on-going process of identifying, assessing and managing key business, operational and financial risks faced by its business units. The Group is progressively developing risk management practices in significant subsidiaries.

The Board has overall responsibility for the Group's system of internal control, which aims to:

- safeguard shareholders' investments and the Group's assets;
- ensure that proper accounting records are maintained; and
- ensure that the financial information used within the business and for publication is reliable.

The internal control system is also designed to provide reasonable assurance of the effective operations of the Group. The internal control system also takes into consideration compliance with applicable laws and regulations. It is recognised, however, that any system of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board through the Audit Committee has reviewed the effectiveness of the Group's system of internal control. The Board is of the view that there were no significant breakdown or weakness in the system of internal control of the Group that might have resulted in material losses incurred by the Group for the financial year ended 31 December 2012. The Group continues to take the necessary measures to ensure that the system of internal control and risk management framework are in place and functioning effectively.

Tower crane, China, Guangzhou East Tower

Tower crane, Korea, Lotte Tower

Tower crane, Australia, Leighton Project in Brisbane

FINANCIAL STATEMENTS

DIRECTORS' REPORT
For the financial year ended 31 December 2012

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 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries and associates are as stated in Notes 6 and 7 respectively to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	61,746	15,106
Non-controlling interests	(591)	-
Profit for the financial year	61,155	15,106

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.

DIVIDEND

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 12% (6.00 sen) per ordinary share totalling RM10,749,421 in respect of the financial year ended 31 December 2011 on 10 August 2012.

The first and final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2012 is as below per ordinary share totalling RM16,243,792 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting:

	%	Sen
Taxable dividend, less tax of 25%	2.7	1.35
Tax exempt dividend	13.3	6.65
Total	16.0	8.00

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tuan Haji Mohamed Taib bin Ibrahim
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Mac Ngan Boon @ Mac Yin Boon
Mac Chung Hui
Lee Poh Kwee
Mazlan bin Abdul Hamid
Lim Teik Hin

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 end of 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 of RM0.50 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Interests in the Company				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	2,845,671	-	-	2,845,671
- Spouse and Child	106,500	-	-	106,500
Tan Sri A. Razak bin Ramli				
- Own	300,000	-	-	300,000
- Child	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Mac Ngan Boon @ Mac Yin Boon				
- Own	8,192,913	-	-	8,192,913
- Spouse and Child	1,627,800	300,000	(19,000)	1,908,800
Mac Chung Hui	2,012,000	-	(300,000)	1,712,000
Lee Poh Kwee	1,085,000	-	-	1,085,000
Mazlan bin Abdul Hamid	2,115,000	-	(51,000)	2,064,000
Lim Teik Hin	100,000	-	-	100,000

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	Alloted	Sold	At 31.12.2012
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	99,562,300	31,678,743	-	131,241,043

* Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial interest in Muhibbah Engineering (M) Bhd.

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Interests in the ultimate holding company				
- Muhibbah Engineering (M) Bhd.				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	7,543,392	-	-	7,543,392
- Spouse and Children	153,750	-	-	153,750
Mac Ngan Boon @ Mac Yin Boon				
- Own	70,641,416	50,000	-	70,691,416
- Spouse and Children	19,467,500	-	(50,000)	19,417,500
Mac Chung Hui	5,405,000	-	-	5,405,000
Lee Poh Kwee	4,046,272	-	-	4,046,272
Mazlan bin Abdul Hamid	390,000	-	-	390,000
Lim Teik Hin				
- Spouse	50,000	-	-	50,000

The options granted to eligible Directors over unissued ordinary shares in the Company and the ultimate holding company pursuant to the Company's and the ultimate holding company's Employees' Share Option Schemes ("ESOS") are set out below:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2012	**Granted**	**Exercised**	**At 31.12.2012**
Company				
Mac Ngan Boon @ Mac Yin Boon	950,000	-	-	950,000
Mac Chung Hui	630,000	-	-	630,000
Lee Poh Kwee	630,000	-	-	630,000
Mazlan bin Abdul Hamid	630,000	-	-	630,000

DIRECTORS' INTERESTS (CONT'D)

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2012	Granted	Exercised	At 31.12.2012
Ultimate holding company				
- Muhibbah Engineering (M) Bhd.				
Mac Ngan Boon @ Mac Yin Boon	2,780,000	-	-	2,780,000
Mac Chung Hui	700,000	-	-	700,000
Lee Poh Kwee	2,000,000	-	-	2,000,000
Mazlan bin Abdul Hamid	300,000	-	-	300,000

Other than the abovementioned Directors, none of the Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

By virtue of his direct and indirect interests in shares of the Company, Mac Ngan Boon @ Mac Yin Boon's shareholding of more than 15% 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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies) 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 interest as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the options of the Company and the ultimate holding company pursuant to their respective ESOS.

ISSUE OF SHARES

During the financial year, the Company issued:

i) 31,678,743 new ordinary shares of RM0.50 each at an issue price of RM1.5181 per ordinary share to the ultimate holding company for the acquisition of a crane fabrication yard in Australia for a total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500), and

ii) 1,155,000 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at the exercise price of RM0.80 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

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 ESOS.

The Company operates an Employees' Share Option Scheme ("ESOS Scheme") that was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 28 June 2011.

The main features of the ESOS Scheme, details of share options offered and exercised during the financial year are disclosed in Note 18.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who were granted options to subscribe for less than 12,000 shares during the financial year under the ESOS Scheme. This information has been separately filed with the Companies Commission of Malaysia.

The names of option holders granted options to subscribe for 12,000 or more ordinary shares of RM0.50 each during the financial year, other than the Directors of the Company which have been disclosed above, are as follows:

	Number of options over ordinary shares of RM0.50 each			
	Granted	Exercised	Forfeited	At 31.12.2012
Tee Chun Loon	38,000	-	-	38,000
Yong Yuen Yee	38,000	-	-	38,000
Chu Kok Leong	23,000	-	-	23,000
Halim Bin Abdul Hamid	23,000	-	-	23,000
Wong Chin Wai	23,000	-	-	23,000
San Wei Koon	12,000	-	-	12,000

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no known bad debts and adequate allowance had been made for impairment losses on receivables, and

ii) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render the amount written off for bad debts, or the amount of the impairment loss on receivables, 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 Group and in the Company financial statements 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.

OTHER STATUTORY INFORMATION (CONT'D)

The contingent liabilities are disclosed in Note 29 to the financial statements. 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 in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 results of the Group and of the Company 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, Messrs. Crowe Horwath, have indicated their willingness to accept re-appointment.

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

Mac Ngan Boon @ Mac Yin Boon

Mac Chung Hui

Klang,

Date: 23 April 2013

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2012

	Note	Group			Company		
		31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Assets							
Property, plant and equipment	3	**175,119**	105,113	98,214	**-**	-	-
Intangible assets	4	**4,896**	6,347	8,652	**-**	-	-
Investment property	5	**-**	-	-	**50,545**	-	-
Investments in subsidiaries	6	**-**	-	-	**46,088**	40,754	33,530
Investments in associates	7	**13,285**	5,732	6,316	**15,025**	6,636	6,538
Deferred tax assets	8	**2,368**	2,368	2,627	**-**	-	-
Receivables	9	**-**	-	-	**15,100**	17,001	13,881
Total non-current assets		**195,668**	119,560	115,809	**126,758**	64,391	53,949
Receivables, deposits and prepayments	9	**289,920**	138,938	163,943	**58,321**	57,981	48,945
Contract work-in-progress	10	**124,040**	120,052	78,344	**-**	-	-
Inventories	11	**184,566**	183,823	139,025	**-**	-	-
Current tax assets		**4,258**	307	1,077	**72**	175	175
Derivative assets	12	**1,185**	2,987	9,620	**-**	-	-
Cash and cash equivalents	13	**102,867**	114,896	84,430	**7,648**	11,625	11,359
Total current assets		**706,836**	561,003	476,439	**66,041**	69,781	60,479
Total assets		**902,504**	680,563	592,248	**192,799**	134,172	114,428

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	Company 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Equity and liabilities							
Equity							
Share Capital		**106,000**	89,584	88,568	**106,000**	89,584	88,568
Reserves		**53,379**	16,087	14,906	**38,418**	3,889	3,581
Retained earnings		**182,308**	131,311	92,134	**33,254**	28,897	11,695
Total equity attributable to owners of the Company	14	**341,687**	236,982	195,608	**177,672**	122,370	103,844
Non-controlling interests		**4,501**	3,556	-	**-**	-	-
Total equity		**346,188**	240,538	195,608	**177,672**	122,370	103,844
Liabilities							
Loans and borrowings	15	**3,683**	5,999	8,450	**-**	-	-
Deferred tax liabilities	8	**6,122**	5,412	4,420	**-**	-	-
Total non-current liabilities		**9,805**	11,411	12,870	**-**	-	-
Provision for warranties	16	**39,111**	6,536	5,521	**-**	-	-
Payables and accruals	17	**222,344**	219,838	190,783	**5,940**	2,314	1,312
Amount due to contract customers	10	**206,310**	154,842	140,547	**-**	-	-
Loans and borrowings	15	**77,190**	45,247	43,553	**9,187**	9,488	9,272
Current tax liabilities		**1,556**	2,151	3,366	**-**	-	-
Total current liabilities		**546,511**	428,614	383,770	**15,127**	11,802	10,584
Total liabilities		**556,316**	440,025	396,640	**15,127**	11,802	10,584
Total equity and liabilities		**902,504**	680,563	592,248	**192,799**	134,172	114,428

The notes set on pages 49 to 105 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	19	**696,747**	482,353	**22,046**	22,037
Cost of sales		**(579,515)**	(376,581)	**-**	-
Gross profit		**117,232**	105,772	**22,046**	22,037
Other income		**7,703**	9,282	**-**	3,520
Distribution expenses		**(9,878)**	(9,550)	**-**	-
Administrative expenses		**(51,951)**	(48,522)	**(3,980)**	(1,481)
Results from operating activities		**63,106**	56,982	**18,066**	24,076
Finance income	20	**7,854**	2,092	**3,140**	2,288
Finance costs	21	**(3,440)**	(6,199)	**(5,980)**	(690)
Operating profit	22	**67,520**	52,875	**15,226**	25,674
Share of loss after tax and minority interest of equity accounted associates		**(836)**	(682)	**-**	-
Profit before tax		**66,684**	52,193	**15,226**	25,674
Income tax	24	**(5,529)**	(4,601)	**(120)**	(43)
Profit after tax		**61,155**	47,592	**15,106**	25,631
Other comprehensive income for the financial year, net of tax					
Foreign currency translation differences on foreign operations		**(1,146)**	867	**-**	-
Movement in revaluation of property, plant and equipment, net of tax		**3,700**	-	**-**	-
Other comprehensive income for the financial year, net of tax		**2,554**	867	**-**	-
Total comprehensive income for the financial year		**63,709**	48,459	**15,106**	25,631

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit attributable to:					
Owners of the Company		**61,746**	47,606	**15,106**	25,631
Non-controlling interests		**(591)**	(14)	**-**	-
Profit for the financial year		**61,155**	47,592	**15,106**	25,631
Total comprehensive income attributable to:					
Owners of the Company		**64,509**	48,479	**15,106**	25,631
Non-controlling interests		**(800)**	(20)	**-**	-
Total comprehensive income for the financial year		**63,709**	48,459	**15,106**	25,631
Earnings per ordinary share (sen)					
- Basic	26	**33.64**	26.69		
- Diluted	26	**32.85**	26.18		

The notes set on pages 49 to 105 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2012

Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000
As at 1 January 2011		88,568	2,625	-
Profit for the financial year		-	-	-
Foreign currency translation differences for foreign operations		-	-	873
Total comprehensive income for the financial year		-	-	873
Contribution by and distribution to owners of the Company:				
- Acquisition of a subsidiary		-	-	-
- Share options exercised	18	1,016	282	-
- Transfer to share premium for share options exercised	18	-	449	-
- Expiry of ESOS	18	-	-	-
- Share-based payments	18	-	-	-
- Dividend to shareholders	25	-	-	-
As at 31 December 2011/1 January 2012		**89,584**	**3,356**	**873**
Profit for the financial year		**-**	**-**	**-**
Foreign currency translation differences for foreign operations		**-**	**-**	**(937)**
Movement in revaluation of property, plant and equipment, net of tax		**-**	**-**	**-**
Total comprehensive income for the financial year		**-**	**-**	**(937)**
Contribution by and distribution to owners of the Company:				
- Acquisition of a subsidiary		**-**	**-**	**-**
- Share options exercised	18	**577**	**347**	**-**
- Transfer to share premium for share options exercised	18	**-**	**485**	**-**
- Share-based payments	18	**-**	**-**	**-**
- Issue of ordinary shares	18	**15,839**	**32,252**	**-**
- Dividend to shareholders	25	**-**	**-**	**-**
As at 31 December 2012		**106,000**	**36,440**	**(64)**
		Note 14.1	Note 14.2	Note 14.3

The notes set on pages 49 to 105 are an integral part of these financial statements.

Attributable to owners of the Company						
Non-distributable			Distributable			
Revaluation reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
11,325	977	(21)	92,134	195,608	-	195,608
-	-	-	47,606	47,606	(14)	47,592
-	-	-	-	873	(6)	867
-	-	-	47,606	48,479	(20)	48,459
-	-	-	-	-	3,576	3,576
-	-	-	-	1,298	-	1,298
-	(449)	-	-	-	-	-
-	(528)	-	528	-	-	-
-	554	-	-	554	-	554
-	-	-	(8,957)	(8,957)	-	(8,957)
11,325	**554**	**(21)**	**131,311**	**236,982**	**3,556**	**240,538**
-	**-**	**-**	**61,746**	**61,746**	**(591)**	**61,155**
-	**-**	**-**	**-**	**(937)**	**(209)**	**(1,146)**
3,700	**-**	**-**	**-**	**3,700**	**-**	**3,700**
3,700	**-**	**-**	**61,746**	**64,509**	**(800)**	**63,709**
-	**-**	**-**	**-**	**-**	**1,745**	**1,745**
-	**-**	**-**	**-**	**924**	**-**	**924**
-	**(485)**	**-**	**-**	**-**	**-**	**-**
-	**1,930**	**-**	**-**	**1,930**	**-**	**1,930**
-	**-**	**-**	**-**	**48,091**	**-**	**48,091**
-	**-**	**-**	**(10,749)**	**(10,749)**	**-**	**(10,749)**
15,025	**1,999**	**(21)**	**182,308**	**341,687**	**4,501**	**346,188**
Note 14.4	Note 14.5	Note 14.6	Note 14.7			

Company	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		← Non-distributable			→	Distributable	
At 1 January 2011		88,568	2,625	977	(21)	11,695	103,844
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	-	25,631	25,631
Contribution by and distribution to owners of the Company:							
- Share options exercised	18	1,016	282	-	-	-	1,298
- Transfer to share premium for share options exercised		-	449	(449)	-	-	-
- Expiry of ESOS	18	-	-	(528)	-	528	-
- Share-based payments	18	-	-	554	-	-	554
- Dividend to shareholders	25	-	-	-	-	(8,957)	(8,957)
At 31 December 2011/ 1 January 2012		**89,584**	**3,356**	**554**	**(21)**	**28,897**	**122,370**
Profit for the financial year/ Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**15,106**	**15,106**
Contribution by and distribution to owners of the Company:							
- Share options exercised	18	**577**	**347**	**-**	**-**	**-**	**924**
- Transfer to share premium for share options exercised		**-**	**485**	**(485)**	**-**	**-**	**-**
- Share-based payments	18	**-**	**-**	**1,930**	**-**	**-**	**1,930**
- Issue of ordinary shares	18	**15,839**	**32,252**	**-**	**-**	**-**	**48,091**
- Dividend to shareholders	25	**-**	**-**	**-**	**-**	**(10,749)**	**(10,749)**
At 31 December 2012		**106,000**	**36,440**	**1,999**	**(21)**	**33,254**	**177,672**
		Note 14.1	Note 14.2	Note 14.5	Note 14.6	Note 14.7	

The notes set on pages 49 to 105 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from operating activities					
Profit before tax		**66,684**	52,193	**15,226**	25,674
Adjustments for:					
Amortisation of intangible assets		**2,220**	1,357	**-**	-
Allowance for impairment losses on receivables		**2,147**	2,133	**-**	-
Allowance for impairment losses on receivables written back					
- third parties		**(2,197)**	(1,519)	**-**	-
- associate		**(633)**	-	**-**	-
Depreciation expenses					
- investment property		**-**	-	**128**	-
- property, plant and equipment		**12,424**	13,449	**-**	-
Development costs written off		**-**	6,046	**-**	-
Dividend income from subsidiaries		**-**	-	**(21,754)**	(22,037)
Finance costs	21	**3,440**	6,199	**5,980**	690
Finance income	20	**(7,854)**	(2,092)	**(3,140)**	(2,288)
Gain on disposal of property, plant and equipment		**(367)**	(142)	**-**	-
Net unrealised (gain)/loss on foreign exchange		**(1,005)**	(6,807)	**64**	(261)
Property, plant and equipment written off		**31**	50	**-**	-
Provision for warranties		**35,852**	3,416	**-**	-
Share-based payments		**1,930**	554	**1,930**	554
Share of loss of equity accounted associates		**836**	682	**-**	-
Reversal of provision for warranties		**(2,087)**	(2,420)	**-**	-
Writedown of inventories		**1,514**	1,281	**-**	-
Operating profit/(loss) before changes in working capital changes		**112,935**	74,380	**(1,566)**	2,332
Changes in working capital:					
Development costs		**(806)**	(5,086)	**-**	-
Inventories		**(2,230)**	(45,248)	**-**	-
Payables and accruals		**83,273**	50,196	**6,313**	1,002
Receivables, deposits and prepayments		**(146,020)**	(7,095)	**17,534**	11,846
Interest received		**7,854**	1,158	**453**	336
Interest paid		**(1,948)**	(1,331)	**-**	-
Provisions paid		**(1,138)**	(56)	**-**	-
Taxes paid		**(9,353)**	(3,783)	**(17)**	(43)
Net cash generated from operating activities		**42,567**	63,135	**22,717**	15,473

STATEMENTS OF CASH FLOWS (CONT'D)

For the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	**(33,094)**	(23,780)	**(2,582)**	-
Acquisition of subsidiary, net cash inflow	31	**1,745**	3,576	**-**	-
Acquisition of subsidiary, net of cash and cash equivalents acquired		**-**	-	**-**	(5,724)
Acquisition of an associate		**(8,389)**	(98)	**(8,389)**	(98)
Increase of investment in subsidiary		**-**	-	**(5,334)**	(1,500)
Proceeds from disposal of property, plant and equipment		**2,041**	4,021	**-**	-
Net cash used in investing activities		**(37,697)**	(16,281)	**(16,305)**	(7,322)
Cash flows from financing activities					
Dividend paid to shareholders of the Company		**(10,749)**	(8,957)	**(10,749)**	(8,957)
Interest paid		**(633)**	(711)	**(263)**	(226)
Proceeds from issue of shares under ESOS scheme		**924**	1,298	**924**	1,298
Net (repayment of)/proceeds from revolving credit		**(301)**	216	**(301)**	-
Payment of finance lease liabilities		**(198)**	(386)	**-**	-
Net repayment of term loans		**(1,922)**	(2,695)	**-**	-
Net cash used in financing activities		**(12,879)**	(11,235)	**(10,389)**	(7,885)
Exchange difference on translation of the financial statements of foreign operations		**(1,022)**	(504)	**-**	-
Net (decrease)/increase in cash and cash equivalents		**(9,031)**	35,115	**(3,977)**	266
Effect of exchange rate fluctuations on cash held		**(5,748)**	90	**-**	-
Cash and cash equivalents at 1 January	(ii)	**114,896**	79,691	**11,625**	11,359
Cash and cash equivalents at 31 December	(ii)	**100,117**	114,896	**7,648**	11,625

(i) Cash and cash equivalents

Excludes the purchase of fabrication yard of RM48,091,000 (2011 – Nil) for the Group and the Company from the ultimate holding company which was financed via issuance of shares.

(ii) Cash and cash equivalents

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

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	13	**88,072**	107,725	**3,206**	5,355
Deposits with licensed banks	13	**14,795**	7,171	**4,442**	6,270
Bank overdrafts repayable on demand	15	**(2,750)**	-	**-**	-
		100,117	114,896	**7,648**	11,625

The notes set on pages 49 to 105 are an integral part of these financial statements.

Favelle Favco Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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 2012 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 2012 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries and associates are stated in Notes 6 and 7 respectively to the financial statements.

The ultimate holding company during the financial year was Muhibbah Engineering (M) Bhd. which was incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 23 April 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), accounting principles generally accepted and the requirement of the Companies Act, 1965 in Malaysia and with International Financial Reporting Standards. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs"). The financial impacts on transition to MFRSs are disclosed in Note 32.

The Group and the Company have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company.

• MFRS 7 *Disclosure - offsetting Financial Assets and Financial Liabilities*	1 January 2013
• MFRS 9 *Financial Instruments*	1 January 2015
• MFRS 10 *Consolidated Financial Statements*	1 January 2013
• MFRS 11 *Joint Arrangements*	1 January 2013
• MFRs 12 *Disclosure of Interests in Other Entities*	1 January 2013
• MFRS 13 *Fair Value Measurement*	1 January 2013
• Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
• Amendment to MFRS 116 *Property, Plant and Equipment*	1 January 2013
• MFRS 119 *Employee Benefits (revised)*	1 January 2013
• MFRS 127 *Separate Financial Statements*	1 January 2013
• Amendment to MFRS10, MFRS 12 and MFRS 127 *Investment Entities*	1 January 2014
• MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
• Amendment to MFRS 132 *Financial Instrument: Presentation*	1 January 2013
• Amendment to MFRS 134 *Interim Financial Reporting*	1 January 2013
• IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

The Group and the Company plan to apply the abovementioned standards from the annual period beginning 1 January 2013 except for MFRS 9.

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment as explained in Note 2(d).

(c) Functional and presentation currencies

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

(d) Use of estimates and judgements

The preparation of financial statements 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 estimate is 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)(iii) – depreciation
- Note 2 (e) – leased assets
- Note 2 (g) – investment property
- Note 2 (q) – interest income and borrowing costs
- Note 2 (r) – income tax
- Note 2 (t) – segment reporting

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

(ii) Accounting for 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.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest 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 and loss.

For each business combination, the Group elects whether it measures the non-controlling interest 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.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iv) Loss of control

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

(v) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). 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 equity accounted 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 investee.

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) the cost of investment includes transaction costs.

(vi) Affiliated company

An affiliated company to the Group is a company in which the ultimate holding company holds a long term investment of between 20% to 50% of the equity.

(vii) 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(viii) 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 associates. 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 reporting period are retranslated to the functional currency at the exchange rate at that date.

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

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

(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 foreign currency translation reserve ("FCTR") in equity. However, if the operation is 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 accumulative amount in the FCTR related to that foreign operation is reclassified to profit and loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit and loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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 FCTR in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. A finance instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial liabilities (Cont'd)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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 or cancelled or expires. On the 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 stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalue its freehold land and leasehold land every 5 years and at shorter intervals whenever the fair value of the freehold land is expected to differ materially from their carrying value.

Surplus arising from revaluation is dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

Cost includes expenditure 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 also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are 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 part 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 part will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced part 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 part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company 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:

• buildings	10 - 50 years
• cranes	10 - 15 years
• plant, equipment and motor vehicles	3 - 13 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and 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 is not amortised but is 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 cost 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 which does not meet the criteria is recognised in profit or loss as incurred. Capitalised development expenditure which meets the criteria is stated at cost less any accumulated amortisation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(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 accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

(g) Investment property

Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest 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 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).

Where the fair value of the investment property under construction is not reliably determined, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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.

(h) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Contract work-in-progress/Amount due to contract customers

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contract work-in-progress is presented as part of total current assets in the statements of financial position. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the statements of financial position.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the assets's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (Cont'd)

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax asset, assets arising from employee benefits, investment property measured in 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 unit. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an assets or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 recognized 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 units (group of cash generating units) and then to reduce the carrying amount 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 year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Equity instruments (Cont'd)

(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 and are presented in the reserve for own shares.

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

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 recongnised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(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 the Employees Provident Fund are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(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 adwards. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(i) 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.

(ii) 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 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.

(p) Revenue recognition

(i) Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Goods sold and services rendered

Revenue from the sale of goods is measured at net fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to the value of work performed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognition (Cont'd)

(iii) Rental income

Rental income from cranes is recognised in profit or loss as it accrues.

(iv) Dividend income

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

(q) Interest income and borrowing costs

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

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

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

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

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

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) 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.

(t) Segment reporting

An operating segment is a component of the Group that operating results are reviewed regularly by the Group Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 2011	21,799	36,814	62,460	56,588	742	178,403
Additions	-	1,397	12,933	9,450	-	23,780
Disposals	-	-	(5,495)	(1,853)	(139)	(7,487)
Reclassification	-	-	-	142	(142)	-
Written off	-	-	-	(147)	-	(147)
Effect of movements in exchange rates	132	221	449	387	-	1,189
At 31 December 2011/ 1 January 2012	**21,931**	**38,432**	**70,347**	**64,567**	**461**	**195,738**
Additions	**44,255**	**6,929**	**19,584**	**10,012**	**405**	**81,185**
Revaluation	**3,700**	**-**	**-**	**-**	**-**	**3,700**
Reclassification	**-**	**-**	**-**	**50**	**(50)**	**-**
Disposals	**-**	**-**	**(8,603)**	**(1,131)**	**-**	**(9,734)**
Written off	**-**	**-**	**-**	**(288)**	**(12)**	**(300)**
Effect of movements in exchange rates	**(242)**	**(426)**	**(811)**	**(425)**	**-**	**(1,904)**
At 31 December 2012	**69,644**	**44,935**	**80,517**	**72,785**	**804**	**268,685**
Representing items at:						
Cost	**53,653**	**44,935**	**80,517**	**72,785**	**804**	**252,694**
Valuation - 2008	**12,291**	**-**	**-**	**-**	**-**	**12,291**
Valuation - 2012	**3,700**	**-**	**-**	**-**	**-**	**3,700**
	69,644	**44,935**	**80,517**	**72,785**	**804**	**268,685**

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 2011	-	14,531	28,274	37,384	-	80,189
Depreciation for the year	5	1,317	5,286	6,841	-	13,449
Disposals	-	-	(2,673)	(935)	-	(3,608)
Written off	-	-	-	(97)	-	(97)
Effect of movements in exchange rates	-	152	211	329	-	692
At 31 December 2011						
Accumulated depreciation	5	14,506	30,562	42,529	-	87,602
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2011/ 1 January 2012	**5**	**16,000**	**31,098**	**43,522**	**-**	**90,625**
Depreciation for the year	**5**	**1,030**	**5,520**	**5,869**	**-**	**12,424**
Disposals	**-**	**-**	**(6,990)**	**(1,068)**	**-**	**(8,058)**
Written off	**-**	**-**	**-**	**(269)**	**-**	**(269)**
Effect of movements in exchange rates	**-**	**(296)**	**(546)**	**(314)**	**-**	**(1,156)**
Accumulated depreciation	**10**	**15,240**	**28,546**	**46,747**	**-**	**90,543**
Accumulated impairment losses	**-**	**1,494**	**536**	**993**	**-**	**3,023**
At 31 December 2012	**10**	**16,734**	**29,082**	**47,740**	**-**	**93,566**
Carrying amounts						
At 1 January 2012	**21,926**	**22,432**	**39,249**	**21,045**	**461**	**105,113**
At 31 December 2012	**69,634**	**28,201**	**51,435**	**25,045**	**804**	**175,119**

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.1 Assets under hire purchase arrangements

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with a net book value of RM65,000 (2011 – RM379,000).

3.2 Security

The freehold land and buildings of the Group with total net book value of RM45,391,000 (2011 - RM42,067,000) have been pledged to certain licensed bank as security for bank loan facilities granted to the Group (See Note 15).

3.3 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 2012 and 2008. The cost of a piece of the Group`s freehold land was written down by RM662,000 during the financial year ended 31 December 2009 as management was of the view that the fair value had differed materially from its carrying value. Had the freehold land been carried under the cost model, their carrying amounts would have been RM9,221,000 (2011 - RM9,221,000).

4. INTANGIBLE ASSETS

Group	Development costs RM'000	Intellectual property RM'000	Total RM'000
Cost			
At 1 January 2011	21,032	2,519	23,551
Addition	5,086	-	5,086
Written off	(12,397)	-	(12,397)
Effect of movements in exchange rates	81	-	81
At 31 December 2011/1 January 2012	**13,802**	**2,519**	**16,321**
Addition	**806**	**-**	**806**
Written off	**(3,479)**	**(2,519)**	**(5,998)**
Effect of movements in exchange rates	**(72)**	**-**	**(72)**
At 31 December 2012	**11,057**	**-**	**11,057**

4. INTANGIBLE ASSETS (CONT'D)

Group	Development costs RM'000	Intellectual property RM'000	Total RM'000
Amortisation and impairment loss			
At 1 January 2011			
Accumulated amortisation	12,053	2,490	14,543
Accumulated impairment loss	327	29	356
	12,380	2,519	14,899
Amortisation for the year	1,357	-	1,357
Written off	(6,351)	-	(6,351)
Effect of movements in exchange rates	69	-	69
At 31 December 2011/1 January 2012			
Accumulated amortisation	**7,128**	**2,490**	**9,618**
Accumulated impairment loss	**327**	**29**	**356**
	7,455	**2,519**	**9,974**
Amortisation for the year	**2,220**	**-**	**2,220**
Written off	**(3,479)**	**(2,519)**	**(5,998)**
Effect of movements in exchange rates	**(35)**	**-**	**(35)**
At 31 December 2012			
Accumulated amortisation	**5,834**	**-**	**5,834**
Accumulated impairment loss	**327**	**-**	**327**
	6,161	**-**	**6,161**
Carrying amounts			
At 1 January 2012	**6,347**	**-**	**6,347**
At 31 December 2012	**4,896**	**-**	**4,896**

4.1 Development costs

Development costs represent internally generated development 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 to 4 years (2011 - 1 year to 2 years).

4.2 Intellectual property

Intellectual property represents the acquisition of know how, rights to industrial property and trade name by subsidiaries on new or substantially improved major crane projects in previous years. It is reasonably anticipated that the intellectual property will be recovered through future commercial activity. The intellectual property was fully amortised during the year of 2009.

4.3 Amortisation and impairment charges

The amortisation and impairment charges are recognised as administrative expenses.

5. INVESTMENT PROPERTY

	Company 2012 RM'000	Company 2011 RM'000
Cost		
At 1 January	-	-
Addition	50,673	-
At 31 December	50,673	-
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
	-	-
Addition	128	-
At 31 December		
Accumulated depreciation	128	-
Accumulated impairment loss	-	-
	128	-
Carrying amounts		
At 31 December	50,545	-

The investment property is a crane fabrication yard comprising freehold industrial land, building and improvements, located at No. 28, Yarrunga Street, Prestone, New South Wales, 2170 Australia, and is occupied by a subsidiary at rental charge. The Directors estimated the fair value of the investment property with involvement of Anderson Group Valuers in Australia.

6. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares - at cost	126,231	120,897
Less: Impairment loss	(80,143)	(80,143)
	46,088	40,754

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2012 %	2011 %
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	**60**	60

Not audited by Messrs Crowe Horwath

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost	**15,259**	6,870	**15,259**	6,870
Share of post-acquisition reserves	**(1,974)**	(1,138)	**-**	-
Less: Impairment loss	**-**	-	**(234)**	(234)
	13,285	5,732	**15,025**	6,636

Summarised financial information on associates

Group	2012 RM'000	2011 RM'000
Total assets (100%)	**34,053**	18,658
Total liabilities (100%)	**7,999**	7,017
Revenue (100%)	**13,831**	17,607
Loss for the year (100%)	**1,542**	978

Details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %
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 (Changsu) Co., Ltd. *	Supply, renting and servicing of lifting equipment and spare parts	China	**50**	50

* formerly known as Favco Equipment (Shanghai) Co., Ltd.

The Group has not recognised losses relating to Favelle Favco Machinery and Equipment L.L.C. totalling RM301,000 (2011 – RM358,000) as the Group`s share of losses had exceeded its interest in the associate and the Group has no obligation in respect of these losses.

8. DEFERRED TAX (ASSETS) AND LIABILITIES

Recognised deferred tax (assets) and liabilities

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

Group	Assets 2012 RM'000	Assets 2011 RM'000	Liabilities 2012 RM'000	Liabilities 2011 RM'000	Net 2012 RM'000	Net 2011 RM'000
Property, plant and equipment	-	-	8,804	5,914	8,804	5,914
(Deductible)/taxable temporary differences	(6,202)	(5,190)	1,152	2,320	(5,050)	(2,870)
Tax (assets)/liabilities	(6,202)	(5,190)	9,956	8,234	3,754	3,044
Set off	3,834	2,822	(3,834)	(2,822)	-	-
Net tax (assets)/liabilities	(2,368)	(2,368)	6,122	5,412	3,754	3,044

Unrecognised deferred tax assets

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

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Property, plant and equipment	(4,826)	(6,299)	-	-
Deductible temporary differences	65,289	34,365	-	-
Tax losses carry-forwards	69,777	65,926	-	-
	130,240	93,992	-	-

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carried forward amounting to RM69,777,000 (2011 - RM65,926,000) shown above which can only be carried forward for 20 years from the year the losses were incurred. These tax losses will begin to expire from 2019. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the financial year

Group	At 1.1.2011 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2011 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2012 RM'000
Property, plant and equipment	6,304	(390)	-	5,914	2,890	-	8,804
Other items	(4,511)	1,605	36	(2,870)	(2,152)	(28)	(5,050)
	1,793	1,215	36	3,044	738	(28)	3,754

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current					
Non-trade					
Advances to a subsidiary	9.2	-	-	15,100	17,001
Current					
Trade					
Trade receivables		269,906	121,670	-	-
Less: Allowance for impairment losses		(7,575)	(7,678)	-	-
		262,331	113,992	-	-
Amounts due from ultimate holding company	9.3	1,668	-	3	-
Amounts due from subsidiaries	9.4	-	-	605	659
Amounts due from related companies	9.5	522	628	-	-
Amounts due from associates	9.6	4,438	4,763	-	-
		6,628	5,391	608	659
Non-trade					
Amount due from ultimate holding company	9.3	-	1,886	-	3
Amounts due from subsidiaries	9.4	-	-	57,325	57,230
Amounts due from related companies	9.5	60	111	-	-
Amounts due from associates	9.6	448	-	2	-
Other receivables	9.7	14,870	13,827	373	89
Deposits		483	656	11	-
Prepayments		5,100	3,075	2	-
		20,961	19,555	57,713	57,322
		289,920	138,938	58,321	57,981

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

9.1 Analysis of foreign currency exposure for significant receivables

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

Functional currency	Foreign currency	Group 2012 RM'000	Group 2011 RM'000
RM	AUD	**20,657**	13,797
RM	EURO	**3,734**	1,080
RM	HKD	**-**	793
RM	RMB	**33,440**	6,472
RM	SGD	**598**	292
RM	USD	**24,270**	27,999
AUD	RMB	**15,329**	808
AUD	SGD	**4,253**	-
AUD	USD	**29**	940
SGD	USD	**1,705**	-
USD	EURO	**-**	13
USD	SGD	**-**	5,939

9.2 Advances to a subsidiary

The advances to a subsidiary are unsecured, interest-free and are not expected to be repaid within the next twelve months.

9.3 Amount due from ultimate holding company

The non-trade receivable due from ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

9.4 Amounts due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal trade term of 30 days.

The non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

9.5 Amounts due from related companies

The trade receivables due from related companies are subject to the normal trade term of 30 days.

The non-trade receivables due from related companies are unsecured, interest-free and repayable on demand.

9.6 Amounts due from associates

The trade receivables from associates are subject to the normal trade term of 30 days.

Included in the amount due from associates is an allowance for impairment losses amounting to RM52,967 (2011 – RM685,955).

9.7 Other receivables

Other receivables mainly comprise an insurance claim of RM4,543,000 (2011 – RM4,761,000), an advance to suppliers amounting to RM 4,417,012 (2011 – RM3,966,279) and an allowance for impairment losses amounting to RM Nil (2011 – RM387,628).

10. CONTRACT WORK-IN-PROGRESS/AMOUNT DUE TO CONTRACT CUSTOMERS

	Group	
	2012 RM'000	2011 RM'000
Aggregate costs incurred to date	**983,813**	793,832
Add: Attributable profits less foreseeable losses	**132,118**	125,448
	1,115,931	919,280
Less: Progress billings	**(1,198,201)**	(954,070)
	(82,270)	(34,790)
Representing:		
Contract work-in-progress	**124,040**	120,052
Amount due to contract customers	**(206,310)**	(154,842)
	(82,270)	(34,790)

11. INVENTORIES

	Group	
	2012 RM'000	2011 RM'000
At cost:		
Cranes	**469**	3,276
Crane components	**101,614**	86,426
Work-in-progress	**56,812**	61,233
	158,895	150,935
At net realisable value:		
Cranes	**16,232**	22,303
Crane components	**9,439**	10,585
	184,566	183,823

12. DERIVATIVE ASSETS

Group	2012 Contract/ Notional amount RM'000	2012 Derivative assets RM'000	2011 Contract/ Notional amount RM'000	2011 Derivative assets RM'000
Forward foreign currency contracts	**260,674**	**1,185**	332,660	2,987

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.

13. CASH AND CASH EQUIVALENTS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	**88,072**	107,725	**3,206**	5,355
Deposits placed with licensed banks	**14,795**	7,171	**4,442**	6,270
	102,867	114,896	**7,648**	11,625

14. SHARE CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	Amount 2012 RM'000	Number of shares 2012 '000	Amount 2011 RM'000	Number of shares 2011 '000
Ordinary shares of RM0.50 each				
Authorised	**500,000**	**1,000,000**	500,000	1,000,000
Issued and fully paid				
At 1 January	**89,584**	**179,167**	88,568	177,136
Issuance of ordinary shares	**15,839**	**31,678**	-	-
Issued under ESOS scheme	**577**	**1,155**	1,016	2,031
At 31 December	**106,000**	**212,000**	89,584	179,167

The Company has also issued share options in accordance with its ESOS Scheme (see Note 18).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14. SHARE CAPITAL AND RESERVES (CONT'D)

14.2 Share premium

The share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at an issue price above par value and the transfer of share option reserve to share premium when the share options are exercised.

The share premium may be applied only for the purposes as specified in the Companies Act, 1965.

14.3 Translation reserve

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

14.4 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.

14.5 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 premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

14.6 Treasury shares

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

The Company repurchased 10,000 of its issued share capital from the open market in 2007. The total consideration paid was RM20,749 including transaction costs. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

14.7 Section 108 tax credit

Subject to the agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2012 if paid out as dividends.

The Finance Act 2007 introduced a single tier tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group and the Company's exposure to interest rate and foreign currency risk, see Note 28.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Secured term loan	**3,683**	5,795	**-**	-
Finance lease liabilities	**-**	204	**-**	-
	3,683	5,999	**-**	-
Current				
Secured term loan	**2,112**	2,112	**-**	-
Bank overdrafts - unsecured	**2,750**	-	**-**	-
Unsecured revolving credits	**9,187**	9,488	**9,187**	9,488
Unsecured insurance premium finance	**2,759**	2,569	**-**	-
Bills payable	**60,185**	30,886	**-**	-
Finance lease liabilities	**197**	192	**-**	-
	77,190	45,247	**9,187**	9,488
	80,873	51,246	**9,187**	9,488

15.1 Security

The secured term loan of a subsidiary is charged against its property, plant and equipment (Note 3) and is supported by the corporate guarantee from the Company.

The unsecured bank facilities of the Group are supported by the corporate guarantee from the Company.

The revolving credit of the Company is supported by the corporate guarantee from the ultimate holding company.

15. LOANS AND BORROWINGS (CONT'D)

15.2 Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000
		2012		
Group				
Secured term loan				
- RM	2015	5,795	2,112	2,112
Unsecured bank overdrafts				
- SGD	2013	2,750	2,750	-
Unsecured revolving credits - USD	2013	9,187	9,187	-
Unsecured insurance premium finance - AUD	2013	2,759	2,759	-
Bills payable	2013	60,185	60,185	-
Finance lease liabilities				
- DKK	2013	197	197	-
		80,873	77,190	2,112
Company				
Unsecured revolving credits - USD	2013	9,187	9,187	-

2 - 5 years RM'000	Over 5 years RM'000	2011 Carrying amount RM'000	Under 1 years RM'000	1 - 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
1,571	**-**	7,907	2,112	2,112	3,683	-
-	**-**	-	-	-	-	-
-	**-**	9,488	9,488	-	-	-
-	**-**	2,569	2,569	-	-	-
-	**-**	30,886	30,886	-	-	-
-	**-**	396	192	204	-	-
1,571	**-**	51,246	45,247	2,316	3,683	-
-	**-**	9,488	9,488	-	-	-

15. LOANS AND BORROWINGS (CONT'D)

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2012 Minimum lease payments RM'000	2012 Interest RM'000	2012 Principal RM'000	2011 Minimum lease payments RM'000	2011 Interest RM'000	2011 Principal RM'000
Less than one year	**200**	**(3)**	**197**	215	(23)	192
Between one and five years	**-**	**-**	**-**	219	(15)	204
	200	**(3)**	**197**	434	(38)	396

16. PROVISION FOR WARRANTIES

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	**6,536**	5,521
Provision made during the year	**35,852**	3,416
Provision used during the year	**(1,138)**	(56)
Provision reversed during the year	**(2,087)**	(2,420)
Effect of movements in exchange rates	**(52)**	75
At 31 December	**39,111**	6,536

The provision for warranties relates to provision for defect rectification costs for manufactured cranes sold. This provision is made based on historical data at a fixed rate.

17. PAYABLES AND ACCRUALS

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Trade					
Trade payables	17.1	**183,124**	169,423	**-**	-
Amount due to ultimate holding company	17.2	**61**	2,762	**-**	-
Amounts due to related companies	17.3	**162**	8,100	**-**	-
		183,347	180,285	**-**	-
Non-trade					
Amount due to ultimate holding company	17.2	**397**	945	**-**	-
Amount due to a subsidiary	17.4	**-**	-	**5,550**	2,263
Amounts due to related companies	17.3	**637**	1,760	**-**	-
Other payables		**19,343**	14,254	**4**	-
Accrued expenses		**18,620**	22,594	**386**	51
		38,997	39,553	**5,940**	2,314
		222,344	219,838	**5,940**	2,314

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 2012 RM'000	Group 2011 RM'000
RM	AUD	**1,502**	8,443
RM	SGD	**3,249**	1,470
RM	EUR	**11,288**	9,836
RM	USD	**15,335**	6,957
RM	RMB	**11,942**	16,950
RM	GBP	**349**	315
SGD	AUD	**1,107**	-
SGD	USD	**2,472**	-
USD	SGD	**-**	76
AUD	USD	**717**	664
AUD	EUR	**414**	407
AUD	RMB	**6,381**	5,859

17. PAYABLES AND ACCRUALS (CONT'D)

17.2 Amount due to ultimate holding company

The trade payables due to ultimate holding company are subject to the normal trade term of 30 days.

The non-trade payables due to ultimate holding company are unsecured, interest-free and repayable on demand.

17.3 Amounts due to related companies

The trade payables due to related companies are subject to the normal trade term of 30 days.

The non-trade payables due to related companies are unsecured, interest-free and repayable on demand.

17.4 Amount due to subsidiary

The non-trade payable due to a subsidiary is unsecured, interest-free and repayable on demand.

18. EMPLOYEE BENEFITS

18.1 Share-based payments

In 2011, a new employees' share option scheme ("New ESOS Scheme") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme ("Former ESOS Scheme") which was previously established and approved by the shareholders of the ultimate holding company at an Extraordinary General Meeting ("EGM") held on 19 May 2006, had expired on 29 June 2011. The expired Former ESOS Scheme was replaced by the approved New ESOS Scheme.

The main features of the New ESOS scheme, 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 ESOS scheme 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 ESOS scheme;

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

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

		← Year option is granted →				
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Cumulative %	Year 1	-	-	-	-	-
of options	Year 2	33.33%	-	-	-	-
exercisable	Year 3	66.67%	33.33%	-	-	-
during the	Year 4	100%	66.67%	33.33%	-	-
option period in:	Year 5	100%	100%	100%	100%	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.

18. EMPLOYEE BENEFITS (CONT'D)

18.1 Share-based payments (Cont'd)

The following options were granted under the ESOS scheme to take up the unissued ordinary shares of RM0.50 each:

Grant date	Exercise price	At 1.1.2012 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2012 '000	Expiry date
New ESOS Scheme							
28.9.2011	**RM0.80**	**10,015**	**-**	**(1,155)**	**(363)**	**8,497**	**27.9.2016**
28.9.2012	**RM1.57**	**-**	**434**	**-**	**-**	**434**	**27.9.2016**
		10,015	**434**	**(1,155)**	**(363)**	**8,931**	

Grant date	Exercise price	At 1.1.2011 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2011 '000	Expiry date
Former ESOS Scheme							
30.6.2006	RM0.55	1,767	-	(1,523)	(244)	-	29.6.2011
30.6.2007	RM1.90	239	-	-	(239)	-	29.6.2011
30.6.2008	RM1.09	227	-	(126)	(101)	-	29.6.2011
30.6.2009	RM0.86	403	-	(326)	(77)	-	29.6.2011
30.6.2010	RM0.75	107	-	(56)	(51)	-	29.6.2011
New ESOS Scheme							
28.9.2011	RM0.80	-	10,128	-	(113)	10,015	27.9.2016
		2,743	10,128	(2,031)	(825)	10.015	

The options granted in 2012 and 2011 under the ESOS scheme of the Company, which remain outstanding as at 31 December 2012 have an exercise price of RM1.57 and RM0.80 respectively per ordinary share of RM0.50 each and a remaining contractual life of 3 3/4 years (2011 - 4 3/4 years).

During the financial year, 1,155,000 (2011 – 2,031,000) share options of RM0.80 each under the ESOS scheme of the Company were exercised. The weighted average share price of the Company for the financial year was RM1.53 (2011 – RM1.18).

Details relating to options exercised during the financial year

	Group and Company 2012 RM'000	Group and Company 2011 RM'000
Ordinary share capital at par	**577**	1,016
Share premium	**347**	282
Proceeds received on exercise of share options	**924**	1,298

	Group and Company 2012 RM	Group and Company 2011 RM
Fair value of shares issued (based on average exercise price)	**1.53**	1.18

18. EMPLOYEE BENEFITS (CONT'D)

18.1 Share-based payments (Cont'd)

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	
	2012 RM'000	2011 RM'000
Share options granted in 2011	**1,891**	554
Share options granted in 2012	**39**	-
Total expense recognised as share-based payments	**1,930**	554

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:

	Group and Company	
	2012	2011
Fair value at grant date (RM)		
- Granted in Year 2006	**-**	RM0.17 - RM0.22
- Granted in Year 2007	**-**	RM0.76 - RM1.03
- Granted in Year 2008	**-**	RM0.30 - RM0.37
- Granted in Year 2009	**-**	RM0.32
- Granted in Year 2010	**-**	RM0.25
- Granted in Year 2011	**RM0.34 - RM0.42**	RM0.34 - RM0.42
- Granted in Year 2012	**RM0.49 - RM0.67**	-
Weighted average share price		
- Granted in Year 2006	**-**	0.55
- Granted in Year 2007	**-**	2.04
- Granted in Year 2008	**-**	1.18
- Granted in Year 2009	**-**	0.98
- Granted in Year 2010	**-**	0.84
- Granted in Year 2011	**0.88**	0.88
- Granted in Year 2012	**1.74**	-

18. EMPLOYEE BENEFITS (CONT'D)

18.1 Share-based payments (Cont'd)

Fair value of share options and assumptions (Cont'd)

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:

	Group and Company	
	2012	**2011**
Exercise price		
- Granted in Year 2006	**-**	RM0.55
- Granted in Year 2007	**-**	RM1.90
- Granted in Year 2008	**-**	RM1.09
- Granted in Year 2009	**-**	RM0.86
- Granted in Year 2010	**-**	RM0.75
- Granted in Year 2011	**RM0.80**	RM0.80
- Granted in Year 2012	**RM1.57**	-
Expected volatility (weighted average volatility)	**38.01% - 45.20%**	31.99% - 59.24%
Option life	**4 years**	5 years
Risk-free interest rate (based on Malaysian Government bonds)		
- Granted in Year 2006	**-**	4.48% - 4.57%
- Granted in Year 2007	**-**	3.30% - 3.35%
- Granted in Year 2008	**-**	4.04% - 4.12%
- Granted in Year 2009	**-**	2.56%
- Granted in Year 2010	**-**	2.79%
- Granted in Year 2011	**3.23% - 3.41%**	3.23% - 3.41%
- Granted in Year 2012	**3.06% - 3.24%**	-
Expected staff turnover	**10%**	5%-15%

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.

19. REVENUE

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Contract revenue	**612,424**	382,510	**-**	-
Sales of goods	**53,434**	78,982	**-**	-
Services rendered	**30,889**	20,861	**-**	-
Dividends	**-**	-	**21,754**	22,037
Rental income	**-**	-	**292**	-
	696,747	482,353	**22,046**	22,037

20. FINANCE INCOME

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest income:				
- fixed deposit	**1,584**	1,159	**453**	336
Interest income arising on financial assets/(liabilities) measured under MFRS139	**6,270**	933	**2,687**	1,952
	7,854	2,092	**3,140**	2,288

21. FINANCE COSTS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expenses:				
- bills payable	**1,737**	1,321	**-**	-
- bank overdrafts	**137**	10	**-**	-
- revolving credits	**259**	225	**259**	226
- term loan	**374**	486	**-**	-
- insurance premium finance	**74**	-	**-**	-
- inter-company	**-**	-	**4**	217
Interest expenses arising on financial assets/(liabilities) measured under MFRS139	**859**	4,157	**5,717**	247
	3,440	6,199	**5,980**	690

22. OPERATING PROFIT

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating profit is arrived at after crediting:					
Allowance for impairment losses on receivables written back					
- third parties		**2,197**	1,519	**-**	-
- associate		**633**	-	**-**	-
Dividend income from subsidiaries		**-**	-	**21,754**	22,037
Gain on disposal of property, plant and equipment		**367**	142	**-**	-
Net unrealised foreign exchange gain		**1,005**	6,807	**-**	261
Realised foreign exchange gain		**5,045**	3,093	**252**	128
Rental income on:					
- premises		**432**	611	**292**	-
- cranes		**11,418**	8,932	**-**	-
Reversal of provision for warranties	16	**2,087**	2,420	**-**	-
and after charging:					
Allowance for impairment losses on receivables		**2,147**	2,133	**-**	-
Auditors' remuneration:					
- holding company's auditors		**118**	100	**52**	40
- other auditors		**413**	516	**-**	-
Other services					
- holding company's auditors		**10**	10	**10**	10
Amortisation of intangible assets	4	**2,220**	1,357	**-**	-
Contract costs		**531,473**	316,692	**-**	-
Depreciation expenses:					
- investment property	5	**-**	-	**128**	-
- property, plant and equipment	3	**12,424**	13,449	**-**	-
Intangible assets written off	4	**-**	6,046	**-**	-
Net unrealised foreign exchange loss		**-**	-	**64**	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		**6,329**	5,454	**158**	137
- Share-based payments	18	**1,930**	554	**1,930**	554
- Wages, salaries and others		**65,550**	61,360	**1,040**	865
Property, plant and equipment written off	3	**31**	50	**-**	-
Provision for warranties	16	**35,852**	3,416	**-**	-
Realised foreign exchange loss		**262**	21	**-**	-
Rental expense on:					
- cranes		**7,389**	5,872	**-**	-
- premises		**5,799**	3,202	**53**	50
- equipment		**1,172**	1,606	**-**	-
Writedown of inventories		**1,514**	1,281	**-**	-

23. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors				
- Fees	**426**	426	**396**	396
- Remuneration	**1,255**	1,059	**1,252**	1,057
	1,681	1,485	**1,648**	1,453

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.

24. TAX EXPENSE

Recognised in the comprehensive income

Major components of tax expense include:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax expense				
Malaysia - current	**1,868**	1,950	**110**	43
- prior year	**366**	(196)	**10**	-
	2,234	1,754	**120**	43
Overseas - current	**2,728**	2,920	**-**	-
- prior year	**(171)**	(1,288)	**-**	-
	2,557	1,632	**-**	-
Total current tax expense	**4,791**	3,386	**120**	43
Deferred tax expense				
Origination of temporary differences	**1,018**	740	**-**	-
(Over)/underprovision in prior years	**(280)**	475	**-**	-
Total deferred tax	**738**	1,215	**-**	-
Total tax expense	**5,529**	4,601	**120**	43

Reconciliation of tax expense

	Group 2012	Group 2011	Company 2012	Company 2011
Profit for the year	**61,155**	47,592	**15,106**	25,631
Total tax expense	**5,529**	4,601	**120**	43
Profit excluding tax	**66,684**	52,193	**15,226**	25,674

24. TAX EXPENSE (CONT'D)

Recognised in the comprehensive income (Cont'd)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tax at Malaysian tax rate of 25%	**16,671**	13,048	**3,807**	6,419
Effect of different tax rates in foreign jurisdictions	**504**	(625)	**-**	-
Non-deductible expense	**6,714**	4,533	**2,404**	338
Non-taxable gain	**(727)**	(1,461)	**(592)**	(1,191)
Tax exempt income	**(19,653)**	(8,986)	**(5,509)**	(5,523)
Tax incentives	**(409)**	(1,599)	**-**	-
Effect of utilisation of deferred tax assets previously not recognised	**(5,444)**	(1,322)	**-**	-
Effect of non-recognition of deferred tax benefits	**7,928**	2,099	**-**	-
Under/(Over)provision in prior years	**2**	(1,009)	**10**	-
Other	**(57)**	(77)	**-**	-
Tax expense	**5,529**	4,601	**120**	43

A subsidiary which is principally engaged in the designing, manufacturing, supply, servicing, trading and renting of cranes was granted tax exemption of 100% on cranes sales under Section 127, Income Tax Act, 1967 for a period of 10 years with effect from 1 June 2002. The tax exemption had not been renewed and expired on 31 May 2012.

25. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2012			
First and final 2011 ordinary	**6.00**	**10,749**	**10 August 2012**
2011			
First and final 2010 ordinary	5.00	8,957	3 August 2011

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial statements upon approval by the shareholders.

	Sen
Taxable dividend, less tax of 25%	**1.35**
Tax exempt dividend	**6.65**
Total final dividend for 2012	**8.00**

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 2012 of RM16,243,792 (2011 – RM10,749,421) on the issued and paid-up share capital (excluding treasury shares) of 211,990,763 (2011 – 177,157,020) ordinary shares of RM0.50 each as at end of reporting date.

26. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share for the financial year ended 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2012 RM'000	2011 RM'000
Profit for the financial year attributable to owners of the Company	61,746	47,606

Weighted average number of ordinary shares

	Group	
	2012 '000	2011 '000
Number of ordinary shares in issue at 1 January	179,167	177,136
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under ESOS	4,406	1,252
Total weighted average number of ordinary shares in issue (unit)	183,563	178,378
Basic earnings per ordinary share (sen)	33.64	26.69

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 2012 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	
	2012 RM'000	2011 RM'000
Profit for the financial year attributable to owners of the Company	61,746	47,606

Weighted average number of ordinary shares (diluted)

	Group	
	2012 '000	2011 '000
Weighted average number of ordinary shares at 31 December	183,563	178,378
Effect of share options in issue	4,387	3,466
Weighted average number of ordinary shares (diluted) at 31 December	187,950	181,844

26. EARNINGS PER ORDINARY SHARE (CONT'D)

Weighted average number of ordinary shares (diluted) (Cont'd)

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	
	2012 Sen	**2011 Sen**
Diluted earnings per ordinary share	**32.85**	26.18

27. 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.

The Group operates only in one business segment. Accordingly, information by business segments is not presented.

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.

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 customers. Segment assets are also based on the geographical location of assets.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Geographical segments								
Revenue from external customers	**302,561**	228,966	**394,186**	253,387	**-**	-	**696,747**	482,353
Inter-segment revenue	**256,533**	139,587	**74,212**	69,515	**(330,745)**	(209,102)	**-**	-
Total revenue	**559,094**	368,553	**468,398**	322,902	**(330,745)**	(209,102)	**696,747**	482,353
Operating profit							**63,106**	56,982
Interest income							**7,854**	2,092
Interest expense							**(3,440)**	(6,199)
Share of loss of associates							**(836)**	(682)
Profit before tax							**66,684**	52,193
Segment assets	**816,370**	609,394	**395,323**	352,968	**(322,474)**	(287,531)	**889,219**	674,831
Investments in associates	**22**	22	**15,003**	6,614	**(1,740)**	(904)	**13,285**	5,732
Total assets	**816,392**	609,416	**410,326**	359,582	**(324,214)**	(288,435)	**902,504**	680,563

27. SEGMENT REPORTING (CONT'D)

Geographical segments (Cont'd)

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment liabilities	**499,526**	387,555	**303,377**	263,774	**(246,588)**	(211,304)	**556,315**	440,025
Capital expenditure								
- Property, plant and equipment	**70,756**	13,945	**10,429**	9,835	**-**	-	**81,185**	23,780
Depreciation and amortisation	**7,253**	5,982	**7,391**	8,824	**-**	-	**14,644**	14,806

28. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association only to business partners with high creditworthiness.

At the end of the reporting period, there were no significant concentrations of credit risk other than trade receivables owing from four (2010 – one) major customers amounting to RM65,599,000 (2011 - RM29,006,000). The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset in the statements of financial position.

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group	
	2012	2011
	RM'000	RM'000
Asia	**170,955**	67,542
Europe	**48,846**	15,340
America	**25,830**	31,110
Australia	**12,852**	-
Middle East	**3,848**	-
	262,331	113,992

28. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (Cont'd)

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment RM'000	Net RM'000
2012			
Not past due	**104,230**	**-**	**104,230**
Past due 0 – 90 days	**56,805**	**-**	**56,805**
Past due 91 – 180 days	**15,131**	**-**	**15,131**
Past due more than 180 days	**93,740**	**(7,575)**	**86,165**
	269,906	**(7,575)**	**262,331**
2011			
Not past due	30,113	-	30,113
Past due 0 – 90 days	17,882	-	17,882
Past due 91 – 180 days	1,940	-	1,940
Past due more than 180 days	71,735	(7,678)	64,057
	121,670	(7,678)	113,992

Impairment losses

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2012 RM'000	2011 RM'000
At 1 January	**7,678**	7,038
Impairment loss recognised	**2,147**	2,133
Impairment loss written back	**(2,197)**	(1,519)
Effect of movements in exchange rates	**(53)**	26
At 31 December	**7,575**	7,678

The Group's trade receivables as at 31 December 2012 which is past due but not impaired amounted to RM158,101,000 (2011 – RM83,879,000). Trade receivables which are past due and impaired as at 31 December 2012 amounted to RM7,575,000 (2010 – RM7,678,000). For those trade receivables which are past due but not impaired, the Group is satisfied that these debtors are recoverable.

28. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available. In addition, the Group and the Company ensure that the amount of debt maturing in any one year is not beyond the Group's and the Company's means to repay and/or refinance.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows:

Group	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2012						
Secured term loan	**5.56**	**5,795**	**6,250**	**2,372**	**3,878**	**-**
Unsecured revolving credits	**2.72**	**9,187**	**9,212**	**9,212**	**-**	**-**
Unsecured bank overdrafts	**6.18**	**2,750**	**2,750**	**2,750**	**-**	**-**
Unsecured insurance premium finance	**2.95**	**2,759**	**2,775**	**2,775**	**-**	**-**
Bills payable	**3.61**	**60,185**	**60,983**	**60,983**	**-**	**-**
Finance lease liabilities	**5.00**	**197**	**200**	**200**	**-**	**-**
Unsecured payables and accruals	**-**	**222,344**	**222,344**	**222,344**	**-**	**-**
		303,217	**304,514**	**300,636**	**3,878**	**-**
2011						
Secured term loan	5.57	7,907	8,723	2,487	6,236	-
Unsecured revolving credits	2.47	9,488	9,510	9,510	-	-
Unsecured insurance premium finance	2.95	2,569	2,629	2,629	-	-
Bills payable	3.61	30,886	31,109	31,109	-	-
Finance lease liabilities	5.00	396	434	215	219	-
Unsecured payables and accruals	-	219,838	219,838	219,838	-	-
		271,084	272,243	265,788	6,455	-

28. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (Cont'd)

Company	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2012						
Unsecured revolving credits	**2.72**	**9,187**	**9,210**	**9,210**	**-**	**-**
Unsecured payables and accruals	**-**	**5,940**	**5,940**	**5,940**	**-**	**-**
		15,127	**15,150**	**15,150**	**-**	**-**
2011						
Unsecured revolving credits	2.47	9,488	9,510	9,510	-	-
Unsecured payables and accruals	-	2,314	2,314	2,314	-	-
		11,802	11,824	11,824	-	-

Interest rate risk

The Group and the Company's income and operating cash flows are exposed to a risk of change in their fair value due to changes in interest rates. Interest rate exposure arises from the Group and the Company's borrowings and deposits, and is managed through the use of fixed and floating rate debts.

28. FINANCIAL INSTRUMENTS (CONT'D)

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 rate at the end of the reporting period and the period in which they mature, or if earlier, reprice.

Group	Effective interest rate %	Total RM'000
2012		
Fixed rate instruments		
Deposit placed with licensed banks	2.50 - 5.85	14,795
Fixed rate instruments		
Finance lease liabilities - DKK	5.00	197
Unsecured insurance premium finance - AUD	2.95	2,759
Floating rate instruments		
Secured term loan	5.56	5,795
Unsecured revolving credits - USD	2.72	9,187
Secured bank overdraft - SGD	6.18	2,750
Bills payable	3.61	60,185
		80,873
2011		
Fixed rate instruments		
Deposit placed with licensed banks	2.50 - 5.85	7,171
Fixed rate instruments		
Finance lease liabilities - DKK	5.00	396
Unsecured insurance premium finance - AUD	2.95	2,569
Floating rate instruments		
Secured term loan	5.57	7,907
Unsecured revolving credits - USD	2.47	9,488
Bills payable	3.61	30,886
		51,246

Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000
14,795	**-**	**-**	**-**	**-**	**-**
197	**-**	**-**	**-**	**-**	**-**
2,759	**-**	**-**	**-**	**-**	**-**
2,112	**2,112**	**1,571**	**-**	**-**	**-**
9,187	**-**	**-**	**-**	**-**	**-**
2,750					
60,185	**-**	**-**	**-**	**-**	**-**
77,190	**2,112**	**1,571**	**-**	**-**	**-**
7,171	-	-	-	-	-
192	204	-	-	-	-
2,569	-	-	-	-	-
2,112	2,112	2,112	1,571	-	-
9,488	-	-	-	-	-
30,886	-	-	-	-	-
45,247	2,316	2,112	1,571	-	-

28. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis (Cont'd)

Company	2012 Effective interest rate %	2012 Total RM'000	2012 Less than 1 year RM'000	2011 Effective interest rate %	2011 Total RM'000	2011 Less than 1 year RM'000
Fixed rate instruments						
Deposits placed with licensed banks	**2.50**	**4,442**	**4,442**	2.50	6,270	6,270
Floating rate instruments						
Unsecured revolving credits	**2.72**	**9,187**	**9,187**	2.47	9,488	9,488

Interest rate risk sensitivity analysis

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's profit after taxation would have decreased by RM342,000. A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

Foreign currency

The Group and the Company are exposed to currency risk as a result of transactions entered into by subsidiaries in currencies other than Ringgit Malaysia.

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 currencies giving rise to this risk are mainly US Dollar, Euro, Australian Dollar, Singapore Dollar, Danish Krone, Hong Kong Dollar, Japanese Yen, Pound Sterling and Chinese Renminbi.

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.

28. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency (Cont'd)

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

Group	USD RM'000	AUD RM'000	SGD RM'000
2012			
Financial assets	**84,687**	**80,648**	**47,723**
Financial liabilities	**(49,941)**	**(65,186)**	**(16,924)**
Net financial assets	**34,746**	**15,462**	**30,799**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**(33,741)**	**14,038**	**(28,674)**
Less: Forward foreign currency contracts (contracted notional principal)	**(115,010)**	**(54,978)**	**(90,134)**
Net currency exposure	**(114,005)**	**(25,478)**	**(88,009)**
2011			
Financial assets	107,677	73,215	11,676
Financial liabilities	(49,328)	(68,647)	(3,247)
Net financial assets	58,349	4,568	8,429
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(32,245)	8,162	1,116
Less: Forward foreign currency contracts (contracted notional principal)	(167,855)	-	(162,499)
Net currency exposure	(141,751)	12,730	(152,954)

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	USD	AUD	SGD
Effects on profit after taxation			
2012			
- strengthened by 5%	**(4,275)**	**(955)**	**(3,300)**
- weakened by 5%	**4,275**	**955**	**3,300**
2011			
- strengthened by 5%	(5,316)	477	(5,736)
- weakened by 5%	5,316	(477)	5,736

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

It is not practicable to estimate the fair value of the Company's investments in subsidiaries and associates due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

28. FINANCIAL INSTRUMENTS (CONT'D)

Fair values (Cont'd)

The fair values of other financial liabilities, together with the carrying amounts shown in the statements of financial position as at 31 December are as follows:

Group	2012 Carrying amount RM'000	2012 Fair value RM'000	2011 Carrying amount RM'000	2011 Fair value RM'000
Financial liabilities				
Secured term loans	**5,795**	**5,795**	7,907	7,907
Finance lease liabilities	**197**	**197**	396	396

The fair values of secured term loans with variable interest rates approximate their carrying values as they are on floating rates and reprice to market interest rates for liabilities with similar risk profile.

The Company provides financial guarantees to financial institutions for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the subsidiaries are managed by the management team without an expectation of default on the credit lines.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2012				
Financial asset				
Derivative assets	**1,185**	**-**	**-**	**1,185**
2011				
Financial asset				
Derivative assets	2,987	-	-	2,987

29. CONTINGENCIES

Contingent liabilities - unsecured

	Group	
	2012 RM'000	2011 RM'000
Corporate guarantee for credit facilities granted to subsidiaries	**107,529**	86,822

In the ordinary course of business, the Group and the Company also issue bank and performance guarantees to customers who awarded contracts to the Group and the Company.

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 6).

Contingent liabilities - litigation

Litigation against the Company and Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York

A composition of personal injury actions, wrongful death actions, property damage actions, subrogation actions and lien actions ("the Suit") related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York has been filed against the Company and Favelle Favco Cranes (USA) Inc. ("FFCUSA").

The Suit relates to an incident involving the collapse of a Favelle Favco crane said to be caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration ("OSHA") found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The Company's and FFCUSA's inclusion in the Suit is purported simply to be by reason that the crane was a Favelle Favco crane.

The Suit remains ongoing and Company's and FFCUSA's management are of the opinion that it is premature to assess the outcome of the actions at this point in time.

Litigation against Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York, County of New York

The Company's subsidiary, Favelle Favco Cranes (USA) Inc. ("FFCUSA") has been named as a defendant in connection with a lawsuit placed by Mr. Robert Paranella, who is claiming personal injuries resulting from an accident while descending a ladder on a crane. The plaintiff has alleged claims of general negligence and Labor Law claims. Based on the claim as it is, the management believes FFCUSA cannot be held liable.

The case is currently in its discovery phase and it is too early to determine whether or not Mr. Paranella's claims have any merit.

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationships with its ultimate holding company, subsidiaries (see Note 6), related companies, associates (see Note 7) and Directors (see Note 23).

Significant transactions with related parties:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ultimate holding company				
Purchase of property, plant and equipment	48,742	138	-	-
Rental expense payable	3,055	2,283	-	-
Rental income receivable	(11)	(198)	-	-
Sale of goods and services	(2,192)	(1,865)	-	-
Subcontract cost payable	3,443	21	-	-
Subsidiaries				
Dividend income receivable	-	-	(21,754)	(22,037)
Interest expense payable	-	-	4	217
Rental income receivable	-	-	(292)	-
Related companies				
Purchase of property, plant and equipment	-	4,231	-	-
Sale of goods	(230)	-	-	-
Rental income receivable	(315)	-	-	-
Rental expense payable	2,350	2,175	-	-
Subcontract cost payable	6,142	3,587	-	-
Associates				
Sale of goods and services	(9,297)	(14,743)	-	-
Purchase of goods and services	25	67	-	-

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 9 and Note 17 respectively.

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

There are no allowances for impairment losses on receivables as at 31 December 2011 in respect of the above related party balances.

31. ACQUISITION OF SUBSIDIARY

During the financial year, the Group subscribed for additional 10,800,000 ordinary shares of RMB 1 each in Shanghai Favco Engineering Machinery Manufacturing Co., Ltd.

The cash inflow on acquisition is as follows:

	2012 Fair value recognised on acquisition RM'000	2011 Fair value recognised on acquisition RM'000
Purchase consideration satisfied by cash	**5,234**	5,364
Cash and cash equivalent of subsidiary acquired	**(6,979)**	(8,940)
Net cash inflow of the Group	**1,745**	3,576

32. EXPLANATION OF TRANSITION TO MFRS

As stated in Note 1(a), these are the first financial statements of the prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the Company's date of transition to MFRSs).

The transition to MFRSs does not have material financial impact to the financial statements of the Group and of the Company. As a result, the comparative figures for financial position at 1 January 2011 are not presented in each note to the financial statements.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position is set out as follows:

a) *Foreign currency translation reserve*

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

32. EXPLANATION OF TRANSITION TO MFRS (CONT'D)

a) Foreign currency translation reserve (Cont'd)

Reconciliation of equity as at 1 January 2011

	FRSs as at 1.1.2011 RM'000	Effect of transition to MFRSs RM'000	MFRSs as at 1.1.2011 RM'000
Equity			
Translation reserve	7,238	(7,238)	-
Retained earnings	84,896	7,238	92,134

Reconciliation of equity as at 31 December 2011

	FRSs as at 31.12.2011 RM'000	Effect of transition to MFRSs RM'000	MFRSs as at 31.12.2011 RM'000
Equity			
Translation reserve	8,111	(7,238)	873
Retained earnings	124,073	7,238	131,311

33. REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	2012 RM'000	2011 RM'000
Total retained profits of Favelle Favco Berhad and its subsidiaries:		
- Realised	**144,553**	62,092
- Unrealised	**(8,263)**	14,497
	136,290	76,589
Total retained profits from associated companies:		
- Realised	**(1,059)**	(868)
- Unrealised	**3**	-
	135,234	75,721
Less: Consolidation adjustments	**47,074**	55,590
Total Group retained profits	**182,308**	131,311

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 40 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the year then ended.

In opinion of the Directors, the information set out in note 33 on page 105 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Mac Ngan Boon @ Mac Yin Boon

Mac Chung Hui

Klang,

Date: 23 April 2013

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Poh Kwee, 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 40 to 105 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 23 April 2013.

Lee Poh Kwee

Before me:

Sabbir B. Ali Hussin
Pesuruhjaya Sumpah Malaysia
(No. B369)

INDEPENDENT AUDITORS' REPORT

To the Members of Favelle Favco Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Favelle Favco Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 105.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and 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 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 105 in Note 33 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

As stated in Note 1(a) to the financial statements, Favelle Favco Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm Number: AF 1018
Chartered Accountants

Onn Kien Hoe
1772/11/14 (J/PH)
Chartered Accountant

23 April 2013

Kuala Lumpur

GROUP PROPERTIES
As At 31 December 2012

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	15 years	1,920
2.	Geran #51011, Lot 31814 & Geran #51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan.	Factory building with office block	2012#	Freehold	68,846 sq.m.	8 years	32,237
3.	7AL, Nordkranvej, 2 3540, Lynge DK Denmark.	Factory building with office block	2012#	Freehold	59,525 sq.m.	43 years	12,863
4.	PN4072 Lot 3683 Mukim of Teluk Kalung, District of Kemaman, Terengganu Darul Iman.	Vacant land	2010	Leasehold expiry 2057	2,185 sq.m.	NA	147
5.	PN4073 Lot 3684 Mukim of Teluk Kalung, District of Kemaman, Terengganu Darul Iman.	Vacant land	2010	Leasehold expiry 2057	1,822 sq.m.	NA	123
6.	28, Yarrunga Street, Preston, NSW 2170, Australia.	Office building and factory	2012	Freehold	11.6 acres	1 year	50,545
					Total properties		97,835

Note:

Year of Valuation

SHARE CAPITAL

Authorised share capital	:	RM500 million
Issued and fully paid-up capital	:	RM106,181,382
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS OF ORDINARY SHARES

Size of Holdings	No. of holders*2	% of holders*2	No. of shares held*2	% of issued capital*2
Less than 100	48	1.858	1,044	*1
100 to 1,000	714	27.642	587,250	0.277
1,001 to 10,000	1,385	53.620	6,249,259	2.943
10,001 to 100,000	349	13.512	11,233,070	5.290
100,001 to 10,617,637*2	85	3.291	63,041,097	29.687
10,617,638*2 and above	2	0.077	131,241,043	61.803
TOTAL	**2,583**	**100.000**	**212,352,763**	**100.000**

Notes:
*1 Less than 0.001%.
*2 Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 30 April 2013.

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Name of Directors	Direct interests (no. of shares)	% of issued capital(8)	Deemed interest (no. of shares)	% of issued capital(8)
1.	Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.340	106,500(1)	0.050
2.	Tan Sri A. Razak bin Ramli	300,000	0.141	800(1)	-(2)
3.	Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000(3)	0.141	-	-
4.	Mac Ngan Boon @ Mac Yin Boon	8,192,913(4)	3.858	134,861,843(5)	63.508
5.	Mac Chung Hui	1,712,000(6)	0.806	-	-
6.	Lee Poh Kwee	1,085,000(7)	0.511	-	-
7.	Mazlan bin Abdul Hamid	2,014,000	0.948	-	-
8.	Lim Teik Hin	100,000	0.047	-	-

Notes:
(1) Deemed interest pursuant to Section 134 of the Companies Act, 1965 ("Act"), held through his spouse and children.
(2) Less than 0.001%.
(3) 300,000 shares held through AllianceGroup Nominees (Tempatan) Sdn. Bhd.
(4) 5,264,000 shares held through RHB Capital Nominees (Tempatan) Sdn. Bhd.
600,000 shares held through EB Nominees (Tempatan) Sendirian Berhad.
(5) 131,241,043 deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in MEB.
3,620,800 deemed interest pursuant to Section 134 of the Act, held through his spouse and children.
(6) 100,000 shares held through Maybank Securities Nominees (Tempatan) Sdn. Bhd.
(7) 1,015,000 shares held through HLB Nominees (Tempatan) Sdn. Bhd.
70,000 shares held through 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 30 April 2013.

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 2012 from pages 35 to 37 of this Annual Report.

OPTIONS IN THE COMPANY

There is no change in the employee share options held by the Directors in the Company as disclosed in the Directors' Report for the year ended 31 December 2012 on page 36 and 37 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	61.803	-	-
2.	Mac Ngan Boon @ Mac Yin Boon	8,192,913[(1)]	3.858	131,241,043[(2)]	61.803

Notes:

(1) 5,264,000 shares held through RHB Capital Nominees (Tempatan) Sdn. Bhd.
600,000 shares held through EB Nominees (Tempatan) Sendirian Berhad.

(2) 131,241,043 deemed interest pursuant to Section 6A 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 30 April 2013.

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	46.149
2	Muhibbah Engineering (M) Bhd.	33,241,043	15.654
3	Lembaga Tabung Haji	8,282,100	3.900
4	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	5,264,000	2.478
5	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (Norges BK)	3,689,100	1.737
6	Mohamed Taib Bin Ibrahim	2,330,200	1.097
7	Mac Ngan Boon @ Mac Yin Boon	2,328,913	1.097
8	Nik Ibrahim Kamil Bin Nik Ahmad Kamil	2,263,222	1.065
9	Universal Trustee (Malaysia) Berhad CIMB Islamic Small Cap Fund	2,085,500	0.982
10	Mazlan Bin Abdul Hamid	2,000,000	0.942
11	Mac Chung Hui	1,612,000	0.759

No.	Name of Shareholders	No. of Shares held	% of issued capital*
12	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	1,560,200	0.735
13	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For CIMB-Principal Small Cap Fund	1,548,000	0.729
14	HSBC Nominees (Asing) Sdn. Bhd. HSBC-FS For Asian Smaller Companies Fund	1,522,600	0.717
15	Ooi Sen Eng	1,326,000	0.624
16	Amanahraya Trustees Berhad Public Smallcap Fund	1,265,000	0.596
17	Noriyati Binti Hassan	1,178,423	0.555
18	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lee Poh Kwee	1,015,000	0.478
19	SBB Nominees (Tempatan) Sdn. Bhd. Manulife Insurance (Malaysia) Berhad - (Equity Fund)	932,100	0.439
20	OREC Engineering Holdings Pty. Ltd.	900,000	0.424
21	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Noriyati Binti Hassan	900,000	0.424
22	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For MAAKL-CM Shariah Flexi Fund	886,700	0.418
23	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Chew Keng Siew	800,000	0.377
24	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	778,000	0.366
25	SBB Nominees (Tempatan) Sdn. Bhd. Manulife Insurance (Malaysia) Berhad - (Managed Fund)	760,200	0.358
26	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	600,000	0.283
27	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Mac Chung Jin	600,000	0.283
28	Lim Swee Pheng	594,346	0.280
29	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Asia EX Japan Fund (Nomura FDS IRE)	556,100	0.262
30	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Hung Yew Loong	526,500	0.248
		179,345,247	84.456

Note:
* Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 30 April 2013.

NOTES

PROXY FORM

FAVELLE FAVCO BERHAD (249243-W)
(Incorporated in Malaysia)

Number of Shares Held	

*I/*We ______________________ NRIC No. (New) ______________________ (old) ______________________
of ____
being a member/members of **FAVELLE FAVCO BERHAD**, hereby appoint Mr/Ms ______________________
______________________ NRIC No. (New) ______________________ (old) ______________________
of ____
OR failing whom, Mr/Ms ______________________ NRIC No. (New) ______________________
(old) ______________________ of ______________________
OR failing whom, the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Twenty-First Annual General Meeting of the Company to be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 28 June 2013 at 2.30 p.m. and at any adjournment thereof.

The Proportion of *my/*our holding to be represented by *my/*our proxies are as follows:

Proxy 1	%
Proxy 2	%
	100%

*My/*Our proxy(ies) is/are to vote as indicated below:

Resolution No.	Ordinary Business	For	Against
1.	To approve the declaration of a First and Final Dividend of 2.7% (1.35 sen) less 25% income tax and Tax-Exempt Dividend of 13.3% (6.65 sen) per ordinary share.		
2.	To re-elect Tan Sri A. Razak bin Ramli as Director.		
3.	To re-elect Mac Chung Hui as Director.		
4.	To re-appoint Tuan Haji Mohamed Taib bin Ibrahim as Director.		
5.	To re-appoint Lim Teik Hin as Director.		
6.	To re-appoint Messrs Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	Special Business		
7.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
8.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
9.	To approve the Proposed Amendments to the Articles of Association of the Company.		

[* Delete if not applicable]

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this ______________ day of ______________, 2013.

____
[Signature/Common Seal of Shareholder(s)]

NOTES:

(a) The Audited Financial Statement in Agenda 1 is intended for discussion only as the provision of the Section 169(1) of the Act does not require a formal approval of the members and hence is not put for voting.

(b) A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

(c) A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

(e) The duly completed Form of Proxy must be deposited at the office of the Share Registrar or such other place in Malaysia as is specified for that purpose in the notice convening the meeting, at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

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AFFIX STAMP

SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd.
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

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