

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 SEPTEMBER 2016**

	Unaudited As at 30.09.2016 RM'000	Audited As at 31.12.2015 RM'000
Assets		
Property, plant and equipment	207,255	194,431
Intangible assets	392	1,273
Investment in associates	16,224	16,974
Deferred tax assets	19,602	16,906
Receivables	6,588	6,804
Total non-current assets	250,061	236,388
Receivables, deposits and prepayments	255,932	287,419
Contract work-in-progress	131,071	160,767
Inventories	155,798	184,999
Current tax assets	20,400	16,143
Derivative assets	-	-
Cash and cash equivalents	331,271	333,979
Total current assets	894,472	983,307
Total assets	1,144,533	1,219,695
Equity		
Share capital	110,701	109,568
Reserves	459,739	437,535
Total equity attributable to owners of the Company	570,440	547,103
Non-controlling interests	(771)	512
Total equity	569,669	547,615
Liabilities		
Deferred tax liabilities	8,083	8,173
Total non-current liabilities	8,083	8,173
Provisions for warranties	35,785	27,805
Payables and accruals	198,453	231,113
Amount due to contract customers	296,732	323,264
Loans and borrowings	27,254	64,011
Current tax liabilities	4,840	5,851
Derivative liabilities	3,717	11,863
Total current liabilities	566,781	663,907
Total liabilities	574,864	672,080
Total equity and liabilities	1,144,533	1,219,695
Net assets per share attributable to owners of the Company (RM)	2.57	2.50

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2016 (3RD QUARTER)****(The figures have not been audited)**

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue	A9	126,398	283,813	445,504	683,176
Cost of sales, other income and operating expenses		(108,028)	(243,679)	(382,064)	(583,969)
Results from operating activities		18,370	40,134	63,440	99,207
Finance income (including MFRS 139)		750	836	1,712	1,493
Finance costs (including MFRS 139)		(194)	(648)	(685)	(1,986)
Operating profit	B5	18,926	40,322	64,467	98,714
Share of profit/(loss) of associates, net of tax		(210)	116	(750)	(1,695)
Profit before tax		18,716	40,438	63,717	97,019
Tax expense	B6	4,274	(9,453)	(10,488)	(26,862)
Profit for the period		22,990	30,985	53,229	70,157
Other comprehensive (expenses)/ income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		6,572	19,552	(210)	21,461
Other comprehensive income for the period, net of tax		6,572	19,552	(210)	21,461
Total comprehensive income for the period		29,562	50,537	53,019	91,618
Profit/(loss) attributable to:					
Owners of the Company		23,167	31,175	54,436	70,258
Non-controlling interests		(177)	(190)	(1,207)	(101)
Profit for the period		22,990	30,985	53,229	70,157
Total comprehensive income attributable to:					
Owners of the Company		29,761	50,073	54,263	91,086
Non-controlling interests		(199)	464	(1,244)	532
Total comprehensive income for the period		29,562	50,537	53,019	91,618
Earnings per ordinary share					
Basic (Sen)	B11	10.46	14.27	24.70	32.23
Diluted (Sen)	B11	10.46	14.19	24.70	32.06

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016 (3RD QUARTER)**

(The figures have not been audited)

	Attributable to owners of the Company						Retained Earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Non-Distributable			Distributable						
	Share Capital RM'000	Share Premium RM'000	Translation Reserves RM'000	Revaluation Reserves RM'000	Share Option Reserves RM'000	Treasury Shares RM'000				
9 months ended 30 September 2016										
As at 1 January 2016	109,568	41,746	12,451	15,373	1,711	(21)	366,275	547,103	512	547,615
Profit/(loss) for the period	-	-	-	-	-	-	54,436	54,436	(1,207)	53,229
Foreign currency translation	-	-	(173)	-	-	-	-	(173)	(37)	(210)
Total comprehensive income for the period	-	-	(173)	-	-	-	54,436	54,263	(1,244)	53,019
Contribution by and distribution to owners of the Company										
- Subscription of shares in a subsidiary	-	-	-	-	-	-	(653)	(653)	(39)	(692)
- Share options exercised	1,133	1,803	-	-	-	-	-	2,936	-	2,936
- Transfer to share premium for share options exercised	-	920	-	-	(920)	-	-	-	-	-
- Expiry of ESOS	-	-	-	-	(791)	-	791	-	-	-
- Dividends to shareholders	-	-	-	-	-	-	(33,209)	(33,209)	-	(33,209)
As at 30 September 2016	110,701	44,469	12,278	15,373	-	(21)	387,640	570,440	(771)	569,669
9 months ended 30 September 2015										
As at 1 January 2015	108,756	40,596	(3,203)	15,191	1,457	(21)	298,059	460,835	(1,106)	459,729
Profit for the period	-	-	-	-	-	-	70,258	70,258	(101)	70,157
Foreign currency translation	-	-	20,828	-	-	-	-	20,828	633	21,461
Total comprehensive income for the period	-	-	20,828	-	-	-	70,258	91,086	532	91,618
Contribution by and distribution to owners of the Company										
- Share options exercised	693	438	-	-	-	-	-	1,131	-	1,131
- Transfer to share premium for share options exercised	-	481	-	-	(481)	-	-	-	-	-
- Share-based payments	-	-	-	-	315	-	-	315	-	315
- Dividends to shareholders	-	-	-	-	-	-	(26,265)	(26,265)	-	(26,265)
As at 30 September 2015	109,449	41,515	17,625	15,191	1,291	(21)	342,052	527,102	(574)	526,528

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016 (3RD QUARTER)
(The figures have not been audited)**

	Unaudited Period ended 30.09.2016 RM'000	Unaudited Period ended 30.09.2015 RM'000
Cash flows from operating activities		
Profit before tax	63,717	97,019
Adjustments for:		
Amortisation of intangible assets	849	801
Allowance for impairment on receivables	15,601	-
Allowance for impairment on receivables written back	(7,409)	(11,994)
Depreciation of property, plant and equipment	12,880	11,613
Finance costs	641	1,820
Finance costs under MFRS 139	44	166
Finance income	(1,613)	(981)
Finance income under MFRS 139	(99)	(512)
Gain on disposal of property, plant and equipment	(5)	(55)
(Gain)/loss on foreign exchange	3,054	(18,032)
(Gain)/loss on derivatives	(8,124)	67,500
Property, plant and equipment written off	6	185
Provision for warranties	12,748	3,856
Share-based payments	-	315
Share of loss/(profit) of equity accounted associates	750	1,695
Reversal of provision for warranties	(2,345)	(2,158)
Operating profit/(loss) before changes in working capital changes	<u>90,695</u>	<u>151,238</u>
Changes in working capital:		
Inventories	29,201	16,097
Payables and accruals	(104,241)	117,153
Receivables, deposits and prepayments	63,252	(116,026)
Cash generated from operations	<u>78,907</u>	<u>168,462</u>
Interest received	1,613	981
Interest paid	-	(1,539)
Warranties paid	(2,414)	(6,393)
Income tax paid	(18,509)	(29,413)
Net cash generated from/(used in) operating activities	<u>59,597</u>	<u>132,098</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(32,673)	(15,996)
Subscription of shares in a subsidiary	(693)	-
Proceeds from disposal of property, plant and equipment	6,438	2,187
Net cash generated from/(used in) investing activities	<u>(26,928)</u>	<u>(13,809)</u>

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016 (3RD QUARTER)
(cont'd)**

	Unaudited Period ended 30.09.2016 RM'000	Unaudited Period ended 30.09.2015 RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(33,209)	(26,265)
Interest paid	(641)	(281)
Proceeds from issue of shares under ESOS scheme	2,936	1,131
Net proceeds from/(repayment of) revolving credit	(430)	2,665
Net repayment of loans	(3,968)	(5,989)
Net cash generated from/(used in) financing activities	(35,312)	(28,739)
Exchange differences on translation of the financial statements of foreign operations	586	13,046
Net increase/(decrease) in cash and cash equivalents	(2,057)	102,596
Cash and cash equivalents at 1 January	333,979	208,796
Effect of exchange rate fluctuations on cash held	(5,184)	18,542
Cash and cash equivalents at 30 June	326,738	329,934

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	30.09.2016 RM'000	30.09.2015 RM'000
Cash and bank balances	235,630	314,829
Deposit placed with licensed banks	95,641	18,297
Cash and cash equivalents per balance sheet	331,271	333,126
Bank overdrafts	(4,533)	(3,192)
	326,738	329,934

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (3RD QUARTER)****A NOTES TO THE INTERIM FINANCIAL STATEMENTS****A1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), including compliance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2016:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective date</u>
• Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
• Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
• Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
• Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendment to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
• Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016

The adoption of the above amendments and Annual Improvements to Standards did not have any material impact on the Group and the Company's financial statements upon their initial application.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments, if any)</u>	<u>Effective Date</u>
• MFRS 9 Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
• MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15	1 January 2018

The initial application of the abovementioned standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group upon first adoption.

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2015 was not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

A5. EXCEPTIONAL/UNUSUAL ITEMS

There are no exceptional or unusual items affecting financial statements of the Group for the current quarter under review.

A6. MATERIAL CHANGES IN ESTIMATES

There are no material changes in estimates of amounts that have material effect in the current quarter under review.

A7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the current quarter under review except for the following:-

Employees' Share Option Scheme ("ESOS")

- a) During the current quarter ended 30 September 2016, a total of 420,000 new ordinary shares of RM0.50 each were issued at RM0.80 each, pursuant to the exercise of ESOS granted in 2011.
- b) During the current quarter ended 30 September 2016, a total of 25,000 new ordinary shares of RM0.50 each were issued at RM1.57 each, pursuant to the exercise of ESOS granted in 2012.

A8. DIVIDENDS PAID

A first & final tax-exempt dividend of 30% (15sen) per ordinary share of RM0.50 each totalling RM33.209 million in respect of the year ended 31 December 2015 was paid on 11 August 2016.

A9. SEGMENT REVENUE

The financial information by business segment is not presented as the Group's activities are primarily in the manufacturing and supplying of cranes.

	Inside Malaysia RM'000	Outside Malaysia RM'000	Conso- lidated RM'000
GEOGRAPHICAL SEGMENTS			
Revenue	231,092	214,412	445,504
Results from operating activities			63,440
Finance income			1,712
Finance costs			(685)
Share of profit/(loss) of associates, net of tax			(750)
Profit before tax			63,717
Segment assets			1,128,309
Investments in associates			16,224
Total assets			1,144,533
Segments liabilities			574,864

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes to the valuation of property, plant & equipment brought forward from the previous annual financial statements.

A11. MATERIAL SUBSEQUENT EVENT

There were no material subsequent event from the end of the quarter to 22 November 2016, which is likely to substantially affect the results of the operations of the Company.

A12. CHANGES IN THE GROUP'S COMPOSITION

There were no change in the Group's composition in the current quarter under review.

A13. CONTINGENT ASSETS/LIABILITIES

Please refer to note B9 for contingent assets/liabilities for the Group.

A14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 September 2016 and up to 22 November 2016.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q3 2016 vs YTD Q3 2015)

The Group operates only in one business segment. Accordingly, detailed analysis of the performance of each business segment is not presented.

For the current quarter ended 30 September 2016, the Group recorded revenue of RM445.5 million with profit before tax of RM63.7 million as compared to revenue of RM683.2 million with profit before tax of RM97.0 million in the previous quarter ended 30 September 2015. The decrease in profit before tax for the Group was mainly due to decrease in sales which is in line with industry climate and order book.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2016 Q3 vs 2016 Q2)

The Group recorded a profit before tax of RM18.7 million for the current quarter as compared to the profit before tax of RM26.5 million in the preceding quarter. The decrease in profit before tax for the Group was mainly due to lower sales registered.

B3. GROUP'S CURRENT YEAR PROSPECT

Despite the challenging outlook in the current market, the Group has outstanding order book of RM634.3 million as at 22 November 2016 from the global oil and gas, shipyard, construction and wind turbine industries.

The Group will be taking appropriate measures and actions to cater for its business undertaking moving forward.

B4. PROFIT FORECAST

The Group has not issued any profit forecast to the relevant authorities and is not subject to any profit guarantee.

B5. OPERATING PROFIT

	Current Quarter 30.09.2016 RM'000	Cumulative Qtr To-date 30.09.2016 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortization	4,905	13,729
Provision for/(reversal) and write off of receivables	13,568	8,192
Foreign exchange (gain)/loss	(11,271)	3,054
(Gain)/loss on derivatives	6,773	(8,124)
(Gain)/loss on disposal of property, plant and equipment	(1)	5
Other Income	(64)	(419)
Finance costs	179	641
Finance costs under MFRS 139	15	44
Interest income	(717)	(1,613)
Interest income under MFRS 139	(33)	(99)

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (Cont'd)

B6. TAXATION

	Current Quarter 30.09.2016 RM'000	Cumulative Qtr To-date 30.09.2016 RM'000
Current tax expense		
Malaysian Tax	7,989	(8,641)
Overseas	(3,372)	(4,609)
	4,617	(13,250)
Deferred taxation expense		
Malaysian Tax	(343)	2,762
Overseas	-	-
	(343)	2,762
Total tax expense	4,274	(10,488)

The effective tax rate of the Group is lower than the local statutory tax rate mainly due to tax incentive from increase in export enjoyed by the the local subsidiary granted by the relevant authorities.

B7. CORPORATE PROPOSAL

There is no other proposal announced but pending implementation as at the date of this report.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured			
RM	-	-	-
AUD	-	-	-
Sub-total			-
Unsecured			
RM	22,721	22,721	22,721
DKK	7,280	4,533	4,533
Sub-total			27,254
Total short term borrowings			27,254
a) Long term borrowings			
Secured			
RM	-	-	-
Sub-total			-
Total long term borrowings			-
Total borrowings			27,254

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (Cont'd)

B9. CHANGES IN MATERIAL LITIGATION

The ongoing material litigation of the Group as at 22 November 2016 are as follow:

Litigation against the Company and Favelle Favco Cranes (USA) Inc

Supreme Court of the State of New York

The Suits against the Company and its subsidiary, Favelle Favco Cranes (USA) Inc ("FFU"), commenced by persons/companies in New York vide suits instituted in the Supreme Court of the State of New York was resolved and discontinued pursuant to the New York Supreme Court order. Both Company and FFU are covered by insurance.

Supreme Court of the State of New York, County of New York

The Suit against Favelle Favco Cranes (USA) Inc ("FFU"), commenced by Mr. Robert Panarella ("the Plaintiff") in the Supreme Court of the State of New York, as previously reported remains ongoing.

In the matter of Arbitration under the Arbitration rules of the Kuala Lumpur Regional Centre for Arbitration (KLRCA)

The Claim against Favelle Favco Cranes (M) Sdn Bhd ("FFCM"), commenced by Carigali Hess Operating Company Sdn Bhd ("the plaintiff") at the Kuala Lumpur Regional Centre for Arbitration, as previously reported remains ongoing.

B10. PROPOSED DIVIDENDS

The directors did not declare any interim dividend for the financial quarter under review.

B11. EARNINGS PER ORDINARY SHARE ("EPS")

a) Basic EPS

Basic EPS is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period

	Current Quarter 30.09.2016	Cumulative Qtr To-date 30.09.2016
Net profit attributable to the shareholders of the Company (RM'000)	23,167	54,436
Weighted average number of ordinary shares in issue (based on ordinary share of RM0.50 each) ('000)	221,393	220,397
Basic EPS (Sen)	10.46	24.70

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (Cont'd)

B11. EARNINGS PER ORDINARY SHARE ("EPS") (Cont'd)

b) Diluted EPS

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effect of all potential ordinary shares, ie share options granted to employees.

	Current Quarter 30.09.2016	Cumulative Qtr To-date 30.09.2016
Net profit attributable to the shareholders of the Company (RM'000)	23,167	54,436
Weighted average number of ordinary shares in issue (based on ordinary share of RM0.50 each) ('000)	221,393	220,397
Effect of dilution ('000)	-	-
Adjusted weighted average number of ordinary shares in issue and issuable (based on ordinary share of RM0.50 each) ('000)	221,393	220,397
Diluted EPS (Sen)	10.46	24.70

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits / (accumulated losses) of Favelle Favco Berhad and its subsidiaries:		
- Realised	292,750	275,883
- Unrealised	31,893	42,283
Total share of retained profits / (accumulated losses) from associated companies:		
- Realised	(3,955)	(3,080)
- Unrealised	49	38
	320,737	315,124
Less: Consolidation adjustments	66,903	51,151
Total group retained profits / (accumulated losses) as per consolidated accounts	387,640	366,275

B13. COMPARATIVE FIGURES

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

By order of the Board of Directors

Company Secretary

Date: 28 November 2016