

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2017**

	Unaudited As at 31.12.2017 RM'000	Audited As at 31.12.2016 RM'000
Assets		
Property, plant and equipment	241,827	215,247
Intangible assets	203	323
Investment in associates	14,746	15,549
Deferred tax assets	25,234	25,933
Receivables	6,129	6,712
Total non-current assets	288,139	263,764
Receivables, deposits and prepayments	202,225	241,117
Contract work-in-progress	163,703	130,553
Inventories	156,452	141,080
Current tax assets	20,096	17,186
Derivative assets	6,467	-
Cash and cash equivalents	372,128	366,837
Total current assets	921,071	896,773
Total assets	1,209,210	1,160,537
Equity		
Share capital	110,701	110,701
Reserves	518,800	483,294
Total equity attributable to owners of the Company	629,501	593,995
Non-controlling interests	(1,281)	(2,238)
Total equity	628,220	591,757
Liabilities		
Deferred tax liabilities	11,179	9,087
Total non-current liabilities	11,179	9,087
Provisions for warranties	25,342	25,166
Payables and accruals	236,382	228,104
Amount due to contract customers	268,594	261,957
Loans and borrowings	33,929	26,043
Current tax liabilities	5,564	5,287
Derivative liabilities	-	13,136
Total current liabilities	569,811	559,693
Total liabilities	580,990	568,780
Total equity and liabilities	1,209,210	1,160,537
Net assets per share attributable to owners of the Company (RM)	2.84	2.67

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 31 DECEMBER 2017 (4TH QUARTER)****(The figures have not been audited)**

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Revenue	A9	92,970	136,769	526,484	582,273
Cost of sales, other income and operating expenses		(76,565)	(120,284)	(447,455)	(502,348)
Results from operating activities		16,405	16,485	79,029	79,925
Finance income (including MFRS 139)		2,550	2,247	7,075	3,959
Finance costs (including MFRS 139)		(1,465)	(1,992)	(2,024)	(2,677)
Operating profit	B5	17,490	16,740	84,080	81,207
Share of profit/(loss) of associates, net of tax		1,213	(675)	(803)	(1,425)
Profit before tax		18,703	16,065	83,277	79,782
Tax expense	B6	(7,642)	2,746	(19,288)	(7,742)
Profit for the period		11,061	18,811	63,989	72,040
Other comprehensive (expenses)/ income, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		6,844	-	6,844	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(7,181)	3,278	(2,378)	3,068
Other comprehensive income for the period, net of tax		(337)	3,278	4,466	3,068
Total comprehensive income for the period		10,724	22,089	68,455	75,108
Profit/(loss) attributable to:					
Owners of the Company		10,689	20,213	63,089	74,649
Non-controlling interests		372	(1,402)	900	(2,609)
Profit for the period		11,061	18,811	63,989	72,040
Total comprehensive income attributable to:					
Owners of the Company		10,323	23,556	67,498	77,819
Non-controlling interests		401	(1,467)	957	(2,711)
Total comprehensive income for the period		10,724	22,089	68,455	75,108
Earnings per ordinary share					
Basic (Sen)	B11	4.83	9.13	28.50	33.83
Diluted (Sen)	B11	4.78	9.13	28.23	33.83

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 31 DECEMBER 2017 (4TH 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				
12 months ended 31 December 2017										
As at 1 January 2017	110,701	44,469	15,621	15,373	-	(21)	407,852	593,995	(2,238)	591,757
Profit/(loss) for the period	-	-	-	-	-	-	63,089	63,089	900	63,989
Foreign currency translation	-	-	(2,435)	-	-	-	-	(2,435)	57	(2,378)
Movement in revaluation of property, plant and equipment, net of tax	-	-	-	6,844	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(2,435)	6,844	-	-	63,089	67,498	957	68,455
- Share-based payments	-	-	-	-	1,217	-	-	1,217	-	1,217
- Dividends to shareholders	-	-	-	-	-	-	(33,209)	(33,209)	-	(33,209)
As at 31 December 2017	110,701	44,469	13,186	22,217	1,217	(21)	437,732	629,501	(1,281)	628,220
12 months ended 31 December 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 for the period	-	-	-	-	-	-	74,649	74,649	(2,609)	72,040
Foreign currency translation	-	-	3,170	-	-	-	-	3,170	(102)	3,068
Total comprehensive income for the period	-	-	3,170	-	-	-	74,649	77,819	(2,711)	75,108
Contribution by and distribution to owners of the Company										
- Accretion of share in a subsidiary	-	-	-	-	-	-	(654)	(654)	(39)	(693)
- Expiry of ESOS	-	-	-	-	(791)	-	791	-	-	-
- Share options exercised	1,133	1,803	-	-	-	-	-	2,936	-	2,936
- Transfer to share premium for share options exercised	-	920	-	-	(920)	-	-	-	-	-
- Dividends to shareholders	-	-	-	-	-	-	(33,209)	(33,209)	-	(33,209)
As at 31 December 2016	110,701	44,469	15,621	15,373	-	(21)	407,852	593,995	(2,238)	591,757

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 2016 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 31 DECEMBER 2017 (4TH QUARTER)
(The figures have not been audited)**

	Unaudited Period ended 31.12.2017 RM'000	Audited Period ended 31.12.2016 RM'000
Cash flows from operating activities		
Profit before tax	83,277	79,782
Adjustments for:		
Amortisation of intangible assets	130	936
Allowance for impairment losses on receivables	15,855	10,176
Allowance for impairment losses on receivables written back	(11,413)	(11,503)
Allowance for slow moving inventories	6	1,213
Bad debts written off	139	-
Depreciation of property, plant and equipment	20,427	18,140
Finance costs	625	882
Finance costs under MFRS 139	1,399	1,795
Finance income	(6,228)	(2,420)
Finance income under MFRS 139	(847)	(1,539)
Gain on disposal of property, plant and equipment	(145)	(475)
(Gain)/loss on foreign exchange	18,200	2,343
(Gain)/loss on derivatives	(19,601)	1,282
Property, plant and equipment written off	-	6
Provision for warranties	10,110	10,619
Share-based payments	1,217	-
Share of loss/(profit) of equity accounted associates	803	1,425
Reversal of provision for warranties	(7,644)	(7,613)
Writedown of inventories	3,766	13,015
Operating profit/(loss) before changes in working capital changes	110,076	118,064
Changes in working capital:		
Development costs	-	-
Inventories	(19,476)	33,462
Payables and accruals	7,999	(87,768)
Receivables, deposits and prepayments	7,524	66,631
Cash generated from operations	106,123	130,389
Interest received	6,228	2,420
Interest paid	-	(506)
Warranties paid	(1,698)	(5,827)
Income tax paid	(19,218)	(17,475)
Net cash generated from/(used in) operating activities	91,435	109,001
Cash flows from investing activities		
Acquisition of property, plant and equipment	(41,499)	(45,250)
Subscription of shares in a subsidiary	-	(693)
Proceeds from disposal of property, plant and equipment	2,538	3,162
Net cash generated from/(used in) investing activities	(38,961)	(42,781)

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (4TH QUARTER)
(cont'd)**

	Unaudited Period ended 31.12.2017 RM'000	Unaudited Period ended 31.12.2016 RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(33,209)	(33,209)
Interest paid	(625)	(376)
Proceeds from issue of shares under ESOS scheme	-	2,936
Net proceeds from/(repayment of) revolving credit	-	(12,861)
Net repayment of loans	(670)	(391)
Net cash generated from/(used in) financing activities	(34,504)	(43,901)
Exchange differences on translation of the financial statements of foreign operations	(2,211)	1,502
Net increase/(decrease) in cash and cash equivalents	15,759	23,821
Cash and cash equivalents at 1 January	366,837	333,979
Effect of exchange rate fluctuations on cash held	(12,803)	9,037
Cash and cash equivalents at 31 December	369,793	366,837

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

	31.12.2017 RM'000	31.12.2016 RM'000
Cash and bank balances	120,321	111,625
Short Term Investment	59,712	70,844
Deposit placed with licensed banks	192,095	184,368
Cash and cash equivalents per balance sheet	372,128	366,837
Bank overdrafts	(2,335)	-
	369,793	366,837

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 DECEMBER 2017 (4TH 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 2016. 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 2016.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2017:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective date</u>
• Amendments to MFRS 107: Disclosure Initiative	1 January 2017
• Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017

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	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
• Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
• Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
• Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
• Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
• MFRS 16 Leases	1 January 2019

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 2016 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.

A8. DIVIDENDS PAID

A first & final tax-exempt dividend of 30% (15sen) per ordinary share totalling RM33.2 million in respect of the year ended 31 December 2016 was paid on 20 September 2017.

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	123,338	403,146	526,484
Results from operating activities			79,029
Finance income			7,075
Finance costs			(2,024)
Share of profit/(loss) of associates, net of tax			(803)
Profit before tax			83,277
Segment assets			1,194,464
Investments in associates			14,746
Total assets			1,209,210
Segments liabilities			580,990

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

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The carrying value of freehold lands on 31 December 2017 was based on fair value determined from market-based evidenced by independent appraisals. With this, the carrying value of freehold lands have been revalued upwards by approximately RM6.8 million.

Except for the above, all property, plant and equipment of the Group and the Company are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

A11. MATERIAL SUBSEQUENT EVENT

There were no material subsequent event from the end of the quarter to 20 February 2018, 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

	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:-	
- Approval and contracted for	<u><u>3,561</u></u>

--- The rest of this page has been intentionally left blank ---

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

B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q4 2017 vs YTD Q4 2016)

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

For the current year ended 31 December 2017, the Group recorded revenue of RM526.5 million with profit before tax of RM83.3 million as compared to revenue of RM582.3 million with profit before tax of RM79.8 million in the previous year ended 31 December 2016. The increase in profit before tax for the Group was mainly due to the higher interest income generated on group cash management.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2017 Q4 vs 2017 Q3)

The Group recorded a revenue of RM93.0 million with profit before tax of RM18.7 million for the current quarter as compared to the revenue of RM168.2 million with profit before tax of RM26.8 million in the preceding quarter. The decrease in profit before tax for the Group was mainly due to decrease in sales.

B3. GROUP'S CURRENT YEAR PROSPECT

Despite the challenging outlook in the current market, the Group has outstanding order book of RM455.9 million as at 20 February 2018 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 31.12.2017 RM'000	Cumulative Qtr To-date 31.12.2017 RM'000
--	---

Operating profit is arrived at after (crediting)/charging the following:

Depreciation and amortization	5,735	20,557
Provision for/(reversal) and write off of receivables	4,399	4,581
Provision for/(reversal) and write off of inventories	3,558	3,772
Foreign exchange (gain)/loss	5,081	18,200
(Gain)/loss on derivatives	(4,011)	(19,601)
(Gain)/loss on disposal of property, plant and equipment	2	145
Other Income	(107)	(905)
Finance costs	161	625
Finance costs under MFRS 139	1,304	1,399
Interest income	(1,749)	(6,228)
Interest income under MFRS 139	(801)	(847)

--- The rest of this page has been intentionally left blank ---

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

B6. TAXATION

	Current Quarter 31.12.2017 RM'000	Cumulative Qtr To-date 31.12.2017 RM'000
Current tax expense		
Malaysian Tax	1,857	(10,450)
Overseas	(12,400)	(6,135)
	(10,543)	(16,585)
Deferred taxation expense		
Malaysian Tax	4,962	(642)
Overseas	(2,061)	(2,061)
	2,901	(2,703)
Total tax expense	(7,642)	(19,288)

B7. CORPORATE PROPOSAL

Save for the following proposal, there is no other proposal announced but pending implementation as at the date of this report:

Following the entering of the Heads of Agreement ("HOA") on 5 October 2017, the HOA was extended for 2 months up to 4 March 2018 to facilitate the negotiation and finalisation of the detailed terms and conditions of the Proposed Acquisition.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Unsecured			
RM		7,511	7,511
AUD		923	2,907
DKK		36,275	23,511
Sub-total			33,929
Total short term borrowings			33,929
Total borrowings			33,929

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

B9. CHANGES IN MATERIAL LITIGATION

There is no ongoing litigation that may have any material impact on the financial position of the Group.

B10. PROPOSED DIVIDENDS

The directors recommend a first and final tax exempt dividend of 13.5sen per ordinary share in respect of the financial ended 31 December 2017 subject to approval of the shareholders at the forthcoming Annual General Meeting. The payable final dividend is amounted to RM29.888 million.

The first and final dividend for 2017 is computed based on the issued and paid up share capital (excluding treasury share) of 221,392,763 ordinary shares as at 31 December 2017.

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 31.12.2017	Cumulative Qtr To-date 31.12.2017
Profit attributable to owners of the Company (RM'000)	10,689	63,089
Weighted average number of ordinary shares in issue ('000)	221,393	221,393
Basic EPS (Sen)	4.83	28.50

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 31.12.2017	Cumulative Qtr To-date 31.12.2017
Profit attributable to owners of the Company (RM'000)	10,689	63,089
Weighted average number of ordinary shares in issue ('000)	221,393	221,393
Effect of dilution ('000)	2,050	2,050
Adjusted weighted average number of ordinary shares in issue and issuales ('000)	223,443	223,443
Diluted EPS (Sen)	4.78	28.23

--- The rest of this page has been intentionally left blank ---

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

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits / (accumulated losses) of Favelle Favco Berhad and its subsidiaries:		
- Realised	366,642	263,075
- Unrealised	1,581	53,197
Total share of retained profits / (accumulated losses) from associated companies:		
- Realised	(5,288)	(4,655)
- Unrealised	52	57
Less: Consolidation adjustments	362,987 74,745	311,674 96,178
Total group retained profits / (accumulated losses) as per consolidated accounts	437,732	407,852

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: 27 February 2018