Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2013

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

Directors' report for the year ended 31 December 2013

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 2013.

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	67,400	25,795
Non-controlling interests	(2,405)	-
Profit for the year	64,995	25,795

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 dividend as below per ordinary share in respect of the financial year ended 31 December 2012 on 29 August 2013.

	%	Sen	RM'000
Taxable dividend, less tax of 25%	2.7	1.35	2,166
Tax exempt dividend	13.3	6.65	14,228
Total	16.0	8.00	16,394

Company No. 249243-W

Dividend (continued)

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2013 is 20% (10.00 sen) per ordinary share totalling RM21,520,176 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
Interests in the Company				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	2,845,671	-	(2,400,200)	445,471
- Spouse and Child	106,500	2,209,900	-	2,316,400
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	300,000	-	8,492,913
- Spouse and Child	1,908,800	-	(170,000)	1,738,800
Mac Chung Hui	1,712,000	210,000	-	1,922,000

Company No. 249243-W

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Interests in the Company (continued)				
Lee Poh Kwee	1,085,000	210,000	-	1,295,000
Mazlan bin Abdul Hamid	2,064,000	210,000	(241,200)	2,032,800
Lim Teik Hin	100,000	-	(100,000)	-

	Number of ordinary shares of RM0.50 each			
	At 1.1.2013	Alloted	Sold	At 31.12.2013
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	131,241,043	-	-	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.

	Number of ordinary shares of RM0.50 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Interests in the ultimate holding company - Muhibbah Engineering (M) Bhd.				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	7,543,392	-	(6,349,642)	1,193,750
- Spouse and Children	153,750	6,382,642	(15,000)	6,521,392
Mac Ngan Boon @ Mac Yin Boon				
- Own	70,691,416	900,000	-	71,591,416
- Spouse and Children	19,417,500	-	-	19,417,500
Mac Chung Hui	5,405,000	233,000	-	5,638,000
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

Company No. 249243-W

Directors' interests (continued)

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 1.1.2013	**Granted**	**Exercised**	**At 31.12.2013**
Company				
Mac Ngan Boon @ Mac Yin Boon	950,000	-	(300,000)	650,000
Mac Chung Hui	630,000	-	(210,000)	420,000
Lee Poh Kwee	630,000	-	(210,000)	420,000
Mazlan bin Abdul Hamid	630,000	-	(210,000)	420,000

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2013	**Granted**	**Exercised**	**At 31.12.2013**
Ultimate holding company - Muhibbah Engineering (M) Bhd.				
Mac Ngan Boon @ Mac Yin Boon	2,780,000	-	(900,000)	1,880,000
Mac Chung Hui	700,000	-	(233,000)	467,000
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 2013 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 corporation) 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) 3,133,000 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; and

ii) 78,000 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at the exercise price of RM1.57 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 ESOS 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 10,000 shares during the financial year under the ESOS Scheme. This information has been separately filed with the Companies Commission of Malaysia.

Company No. 249243-W

Options granted over unissued shares (continued)

The names of option holders granted options to subscribe for 10,000 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 31.12.2013
Ahmed Fhatullah bin Ahmad Bohari	10,000	-	-	10,000
Anson Tan Teck Jui	10,000	-	-	10,000
Chee Siaw Foong	10,000	-	-	10,000
Chen Wen Kho	10,000	-	-	10,000
Chia Wen Xiang	10,000	-	-	10,000
Choo Jiun Haur	10,000	-	-	10,000
Christopher Selvam A/L Selvam	10,000	-	-	10,000
Hazlan Bin Harun	10,000	-	-	10,000
Izan Shafina Binti Hashim	10,000	-	-	10,000
Izat Harith Al Hakiem bin Ab Jabar	10,000	-	-	10,000
Kaleeswaran Ramaiah	10,000	-	-	10,000
Kumarresaan A/L Veerasundram	10,000	-	-	10,000
Lee Kim Yen	10,000	-	-	10,000
Leng Siong Cheng	10,000	-	-	10,000
Loong Shih-Wai	10,000	-	-	10,000
Mangaletchumy A/P Arumugam	10,000	-	-	10,000
Mohamad Nizar Bin Azizan	10,000	-	-	10,000
Mohamad Suhaizamri Bin Mohd Tayid	10,000	-	-	10,000
Mohamad Zulhilmi bin Ismadi	10,000	-	-	10,000
Mohd Aiful Amir bin Awang Noh	10,000	-	-	10,000
Mohd Haziq Bin Ahzahar	10,000	-	-	10,000
Mohd Rahimie bin Shahruddin	10,000	-	-	10,000
Mohd Zul Hatta B Mohamad Rashad	10,000	-	-	10,000
Muhamad Adli bin Zulkifli	10,000	-	-	10,000
Muhammad Syafiq bin Amiruzan	10,000	-	-	10,000
Muhammad Zulfakar B Zakaria	10,000	-	-	10,000
Ng Seng Choo	10,000	-	-	10,000
Noor Azratul Nadiah Binti Mohd Dom	10,000	-	-	10,000
Nurul Atiqah Binti Abdul Mutallib	10,000	-	-	10,000
Ong Choong Meng	10,000	-	-	10,000
Phan Tat Wai	10,000	-	-	10,000
Seah Kok Chem	10,000	-	-	10,000
Sharulhazrin Bin Mohamad Shah	10,000	-	-	10,000
Syed Hafiiz Annaafi bin Syed Firdaus	10,000	-	-	10,000
Tan Ru Wen	10,000	-	-	10,000
Tang Soon Sum	10,000	-	-	10,000
Tham Jen Seng	10,000	-	-	10,000
Thamodaram A/L Ramasamy Konndar	10,000	-	-	10,000
Yap Kim Yong	10,000	-	-	10,000

Other statutory information (continued)

Before the financial statements 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 require the writing off of bad debts or render the amount of allowance for impairment losses 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 financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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 financial performance of the Group and of the Company for the financial year ended 31 December 2013 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.

Company No. 249243-W

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: 18 April 2014

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2013

		Group		Company	
	Note	**31.12.2013 RM'000**	**31.12.2012 RM'000**	**31.12.2013 RM'000**	**31.12.2012 RM'000**
Assets					
Property, plant and equipment	3	185,383	175,119	-	-
Intangible assets	4	2,946	4,896	-	-
Investment property	5	-	-	50,417	50,545
Investment in subsidiaries	6	-	-	45,728	46,088
Investment in associates	7	17,539	13,285	19,190	15,025
Deferred tax assets	8	2,368	2,368	-	-
Receivables	9	4,933	-	21,262	15,100
Total non-current assets		213,169	195,668	136,597	126,758
Receivables, deposits and prepayments	9	289,659	289,920	55,616	58,321
Contract work-in progress	10	108,445	124,040	-	-
Inventories	11	188,498	184,566	-	-
Current tax assets		7,341	4,258	-	72
Derivative assets	12	-	1,185	-	-
Cash and cash equivalents	13	147,896	102,867	14,518	7,648
Total current assets		741,839	706,836	70,134	66,041
Total assets		955,008	902,504	206,731	192,799

Company No. 249243-W

Statements of financial position as at 31 December 2013

(continued)

		Group		Company	
	Note	**31.12.2013 RM'000**	**31.12.2012 RM'000**	**31.12.2013 RM'000**	**31.12.2012 RM'000**
Equity					
Share capital	14	107,606	106,000	107,606	106,000
Reserves		57,212	53,379	40,430	38,418
Retained earnings		233,314	182,308	42,655	33,254
Total equity attributable to owners of the Company		398,132	341,687	190,691	177,672
Non-controlling interests		3,234	4,501	-	-
Total equity		401,366	346,188	190,691	177,672
Liabilities					
Loans and borrowings	15	1,571	3,683	-	-
Deferred tax liabilities	8	8,291	6,122	-	-
Total non-current liabilities		9,862	9,805	-	-
Provision for warranties	16	36,229	39,111	-	-
Payables and accruals	17	206,675	222,344	6,174	5,940
Amount due to contract customers	10	234,956	206,310	-	-
Loans and borrowings	15	58,414	77,190	9,866	9,187
Current tax liabilities		5,304	1,556	-	-
Derivative liabilities	12	2,202	-	-	-
Total current liabilities		543,780	546,511	16,040	15,127
Total liabilities		553,642	556,316	16,040	15,127
Total equity and liabilities		955,008	902,504	206,731	192,799

The notes set on pages 19 to 91 are an integral part of these financial statements.

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

Statements of profit or loss and other comprehensive income for the year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	19	764,185	696,747	29,793	22,046
Cost of sales		(611,348)	(579,515)	-	-
Gross profit		152,837	117,232	29,793	22,046
Other income		817	863	-	-
Distribution costs		(10,313)	(9,878)	-	-
Administrative expenses		(58,612)	(45,111)	(6,039)	(3,980)
Results from operating activities		84,729	63,106	23,754	18,066
Interest income	20	2,837	7,854	2,562	3,140
Finance costs	21	(7,667)	(3,440)	(541)	(5,980)
Operating profit		79,899	67,520	25,775	15,226
Share of profit/(loss) after tax and minority interest of equity accounted associates		89	(836)	-	-
Profit before tax		79,988	66,684	25,775	15,226
Income tax	24	(14,993)	(5,529)	20	(120)
Profit for the year		64,995	61,155	25,795	15,106
Profit attributable to:					
Owners of the Company		67,400	61,746	25,795	15,106
Non-controlling interests		(2,405)	(591)	-	-
Profit for the year		64,995	61,155	25,795	15,106
Earnings per ordinary share (sen)					
- Basic	26	31.61	33.64		
- Diluted	26	31.02	32.85		

Company No. 249243-W

Statements of profit or loss and other comprehensive income for the year ended 31 December 2013 (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit for the year		64,995	61,155	25,795	15,106
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		-	3,700	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		2,466	(1,146)	-	-
Other comprehensive income for the year, net of tax		2,466	2,554	-	-
Total comprehensive income for the year		67,461	63,709	25,795	15,106
Total comprehensive income attributable to:					
Owners of the Company		69,221	64,509	25,795	15,106
Non-controlling interests		(1,760)	(800)	-	-
Total comprehensive income for the year		67,461	63,709	25,795	15,106

The notes set on pages 19 to 91 are an integral part of these financial statements.

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

Consolidated statement of changes in equity for the year ended 31 December 2013

Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Treasury reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company									
		Non-distribution						*Distribution*			
At as 31 December 2011/ 1 January 2012		89,584	3,356	873	11,325	554	(21)	131,311	236,982	3,556	240,538
Profit for the financial year		-	-	-	-	-	-	61,746	61,746	(591)	61,155
Foreign currency translation differences for foreign operations		-	-	(937)	-	-	-	-	(937)	(209)	(1,146)
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	3,700	-	-	-	3,700	-	3,700
Total comprehensive income for the financial year		-	-	(937)	3,700	-	-	61,746	64,509	(800)	63,709
Contribution by and distribution to owners of the Company											
- Acquisition of a subsidiary		-	-	-	-	-	-	-	-	1,745	1,745
- Share options exercised	18	577	347	-	-	-	-	-	924	-	924
- Transfer to share premium for share options exercised	18	-	485	-	-	(485)	-	-	-	-	-
- Share-based payments	18	-	-	-	-	1,930	-	-	1,930	-	1,930
- Issue of ordinary shares	18	15,839	32,252	-	-	-	-	-	48,091	-	48,091
- Dividend to shareholders	25	-	-	-	-	-	-	(10,749)	(10,749)	-	(10,749)
At 31 December 2012		106,000	36,440	(64)	15,025	1,999	(21)	182,308	341,687	4,501	346,188
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7			

Company No. 249243-W

Consolidated statement of changes in equity for the year ended 31 December 2013 (continued)

Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Treasury reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company									
		Non-distribution						*Distribution*			
At as 31 December 2012/ 1 January 2013		106,000	36,440	(64)	15,025	1,999	(21)	182,308	341,687	4,501	346,188
Profit for the financial year		-	-	-	-	-	-	67,400	67,400	(2,405)	64,995
Foreign currency translation differences for foreign operations		-	-	1,821	-	-	-	-	1,821	645	2,466
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year		-	-	1,821	-	-	-	67,400	69,221	(1,760)	67,461
Contribution by and distribution to owners of the Company											
- Acquisition of a subsidiary		-	-	-	-	-	-	-	-	493	493
- Share options exercised	18	1,606	1,023	-	-	-	-	-	2,629	-	2,629
- Transfer to share premium for share options exercised	18	-	1,322	-	-	(1,322)	-	-	-	-	-
- Share-based payments	18	-	-	-	-	989	-	-	989	-	989
- Dividend to shareholders	25	-	-	-	-	-	-	(16,394)	(16,394)	-	(16,394)
At 31 December 2013		107,606	38,785	1,757	15,025	1,666	(21)	233,314	398,132	3,234	401,366
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7			

Company No. 249243-W

Statement of changes in equity for the year ended 31 December 2013 (continued)

		← *Non-distribution*			→	*Distribution*	
	Note	**Share capital**	**Share premium**	**Share option reserve**	**Treasury shares**	**Retained earnings**	**Total equity**
Company		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2012		89,584	3,356	554	(21)	28,897	122,370
Profit for the financial year/Total comprehensive income 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 2012/1 January 2013		106,000	36,440	1,999	(21)	33,254	177,672
Profit for the financial year/Total comprehensive income the financial year		-	-	-	-	25,795	25,795
Contribution by and distribution to owners of the Company :							
- Share options exercised	18	1,606	1,023	-	-	-	2,629
- Transfer to share premium for share options exercised		-	1,322	(1,322)	-	-	-
- Share-based payments	18	-	-	989	-	-	989
- Dividend to shareholders	25	-	-	-	-	(16,394)	(16,394)
At 31 December 2013		107,606	38,785	1,666	(21)	42,655	190,691
		Note 14.1	Note 14.2	Note 14.5	Note 14.6	Note 14.7	

The notes set on pages 19 to 91 are an integral part of these financial statements.

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

Statements of cash flows for the year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		79,988	66,684	25,775	15,226
Adjustments for:					
Amortisation of intangible assets		1,614	2,220	-	-
Allowance for impairment losses on receivables		3,779	2,147	-	-
Allowance for impairment losses on receivables written back					
- third parties		(3,879)	(2,197)	-	-
- associate		-	(633)	-	-
Depreciation expenses					
- investment property		-	-	128	128
- property, plant and equipment		15,341	12,424	-	-
Dividend income from subsidiaries		-	-	(27,563)	(21,754)
Finance costs	21	7,667	3,440	541	5,980
Finance income	20	(2,837)	(7,854)	(2,562)	(3,140)
Gain on disposal of property, plant and equipment		(37)	(367)	-	-
Net unrealised (gain)/loss on foreign exchange		(2,572)	(1,005)	775	64
Property, plant and equipment written off		76	31	-	-
Provision for warranties		8,118	35,852	-	-
Share-based payments		989	1,930	989	1,930
Share of loss of equity accounted associates		(89)	836	-	-
Reversal of provision for warranties		(6,045)	(2,087)	-	-
Writedown of inventories		776	1,514	-	-
Provision for diminution		-	-	360	-
Operating profit/(loss) before changes in working capital		102,889	112,935	(1,557)	(1,566)

Company No. 249243-W

Statements of cash flows for the year ended 31 December 2013 (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating profit/(loss) before changes in working capital (continued)		102,889	112,935	(1,557)	(1,566)
Changes in working capital:					
Development costs		-	(806)	-	-
Inventories		(15,591)	(2,230)	-	-
Payables and accruals		(5,195)	83,273	(563)	6,313
Receivables, deposits and prepayments		18,050	(146,020)	26,217	17,534
Interest received		1,387	7,854	252	453
Interest paid		(1,576)	(1,948)	-	-
Provision paid		(5,084)	(1,138)	-	-
Taxes paid		(12,474)	(9,353)	92	(17)
Net cash generated from operating activities		82,406	42,567	24,441	22,717
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(13,834)	(33,094)	-	(2,582)
Acquisition of subsidiary, net cash inflow	31	493	1,745	-	-
Acquisition of an associate		(4,165)	(8,389)	(4,165)	(8,389)
Increase of investment in subsidiary		-	-	-	(5,334)
Proceeds from disposal of property, plant and equipment		2,147	2,041	-	-
Net cash used in investing activities		(15,359)	(37,697)	(4,165)	(16,305)
Cash flows from financing activities					
Dividend paid to shareholders of the Company	25	(16,394)	(10,749)	(16,394)	(10,749)
Interest paid		(609)	(633)	(320)	(263)
Proceeds from issue of shares under ESOS scheme		2,629	924	2,629	924
Net (repayment of)/proceeds from revolving credit		679	(301)	679	(301)
Payment of finance lease liabilities		(197)	(198)	-	-
Net repayment of term loans		(591)	(1,922)	-	-
Net repayment from bank overdraft		(404)	-	-	-
Net cash used in financing activities		(14,887)	(12,879)	(13,406)	(10,389)

Company No. 249243-W

Statements of cash flows for the year ended 31 December 2013 (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Exchange differences on translation of the financial statements of foreign operations		(8,552)	(1,022)	-	-
Net increase/(decrease) in cash and cash equivalents		43,608	(9,031)	6,870	(3,977)
Effect of exchange rate fluctuations on cash held		1,825	(5,748)	-	-
Cash and cash equivalents at 1 January	(ii)	100,117	114,896	7,648	11,625
Cash and cash equivalents at 31 December	(ii)	145,550	100,117	14,518	7,648

(i) Cash and cash equivalents

Excludes the purchase of fabrication yard of RM Nil (2012 – RM48,091,000) 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 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash and bank balances	13	94,134	88,072	5,678	3,206
Deposits placed with licensed banks	13	53,762	14,795	8,840	4,442
Bank overdrafts repayable on demand	15	(2,346)	(2,750)	-	-
		145,550	100,117	14,518	7,648

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Notes to the 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 2013 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 2013 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 18 April 2014.

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"), International Financial Reporting Standards and the Companies Act 1965 in Malaysia.

(a) The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") have been adopted by the Group and the Company:-

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 10 *Consolidated Financial Statements*

MFRS 11 *Joint Arrangements*

MFRS 12 *Disclosure of Interests in Other Entities*

MFRS 13 *Fair Value Measurement*

Company No. 249243-W

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(a) **MFRSs and IC Interpretations (Including The Consequential Amendments) (Continued)**

MFRS 119 (2011) *Employee Benefits*

MFRS 127 (2011) *Separate Financial Statements*

MFRS 128 (2011) *Investments in Associates and Joint Ventures*

Amendments to MFRS 7*: Disclosures – Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 10, MFRS 11 and MFRS 12: *Transition Guidance*

Amendments to MFRS 101: *Presentation of Items of Other Comprehensive Income*

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Annual Improvements to MFRSs 2009 – 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group and the Company's financial statements.

(b) The Group and the Company have not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the current financial year.

MFRSs and IC Interpretations (Including the Consequential Amendments)	Effective date
• MFRS 9 (2009) Financial Instruments	To be announced by MASB
• MFRS 9 (2010) Financial Instruments	To be announced by MASB
• MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	To be announced by MASB
• Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	To be announced by MASB
• Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
• Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
• Amendment to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
• Amendment to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
• Amendment to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

Company No. 249243-W

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(b) MFRSs and IC Interpretations (Including the Consequential Amendments) (Continued)	Effective date
• IC Interpretation 21 Levies	1 January 2014
• Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
• Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

(b) Basis of measurement

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

(c) Functional and presentation 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 in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 2 (c) – financial instruments
- Note 2 (d)(iii) – depreciation
- Note 2 (e) – leased assets
- Note 2 (g) – investment property
- Note 2 (q) – interest income
- Note 2 (r) – borrowing costs
- Note 2 (s) – income tax
- Note 2 (u) – 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 have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.
- Potential voting rights are considered when assessing control only when such rights are substantive. In previous financial years, potential voting rights are considered when assessing control when such rights present are exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus the recognised amount of any non-controlling interests in the acquiree; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

(iii) 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 (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

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

(v) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

Foreign currency differences arising 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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the accumulative amount in the FCTR related to that foreign operation is reclassified to profit or 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 or 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 (continued)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. A 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 financial guarantee contract or 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(b) ***Loans and receivables (continued)***

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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company adopted the policy to revalue their freehold land and leasehold land every 5 years or at shorter intervals whenever the fair values of the freehold land and leasehold land are expected to differ materially from their carrying values.

Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• 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 (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company 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.

2. Significant accounting policies (continued)

(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 with indefinite useful lives are not amortised but are tested for impairment at the end of each reporting period and whenever there is an indication that goodwill may be impaired.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised only if development 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 is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) Intellectual property

Intellectual property consists of rights to trade name, knowhow and industrial property rights and is stated at cost less any accumulated amortisation and any impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is recognied 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.

2. Significant accounting policies (continued)

(g) Investment property (continued)

Investment properties carried at cost (continued)

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.

(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. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Contract work-in-progress is presented as part of total current assets in the statements of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus profit recognised, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. 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 investment in 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 classified as available for sale 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 (continued)

(k) Impairment (continued)

(ii) Other assets

The carrying amounts of other 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 units. 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 asset 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 recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Non-financial assets (continued)

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

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are 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.

2. Significant accounting policies (continued)

(m) Loans and borrowings

Loans and borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

(n) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to 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.

(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.

2. Significant accounting policies (continued)

(o) Provisions (continued)

(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 not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(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.

2. Significant accounting policies (continued)

(p) Revenue recognition (continued)

(ii) Goods sold and services rendered

Revenue from the sale of goods, trading of crane inventories and crane components are measured at net fair value of the consideration received or receivable and is recognised in profit or loss. 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.

(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

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.

2. Significant accounting policies (continued)

(r) 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.

(s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax 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.

2. Significant accounting policies (continued)

(s) Income tax (continued)

Deferred tax assets and liability are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against the unutilised tax incentive can be utilised.

(t) 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.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating result are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(v) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Company No. 249243-W

3. Property, plant and equipment

Group	Land	Buildings	Cranes	Plant, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation						
At 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)
Exchange of movements in exchange rates	(242)	(426)	(811)	(425)	-	(1,904)
At 31 December 2012/ 1 January 2013	69,644	44,935	80,517	72,785	804	268,685
Additions	-	355	2,172	10,194	1,113	13,834
Revaluation	-	-	-	-	-	-
Reclassification	-	434	-	2,526	-	2,960
Transfer	-	-	14,781	-	-	14,781
Disposals	-	-	(4,525)	(1,214)	-	(5,739)
Written off	-	-	-	(491)	-	(491)
Effect of movements in exchange rates	1,290	2,032	4,061	531	-	7,914
At 31 December 2013	70,934	47,756	97,006	84,331	1,917	301,944
Representing items at:						
Cost	54,943	47,756	97,006	84,331	1,917	285,953
Valuation – 2008	12,291	-	-	-	-	12,291
Valuation – 2012	3,700	-	-	-	-	3,700
	70,934	47,756	97,006	84,331	1,917	301,944

Company No. 249243-W

3. Property, plant and equipment (continued)

Group	Land	Buildings	Cranes	Plant, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation and impairment loss						
At 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)
Exchange of movements in exchange rates	-	(296)	(546)	(314)	-	(1,156)
At 31 December 2012						
Accumulated depreciation	10	15,240	28,546	46,747	-	90,543
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2012/ 1 January 2013	10	16,734	29,082	47,740	-	93,566
Depreciation for the year	4	1,075	6,795	7,467	-	15,341
Reclassification	-	401	-	2,559	-	2,960
Transfer	-	-	3,849	-	-	3,849
Disposals	-	-	(2,735)	(894)	-	(3,629)
Written off	-	-	-	(415)	-	(415)
Effect of movements in exchange rates	-	1,667	2,903	319	-	4,889
Accumulated depreciation	14	19,877	39,894	56,776	-	116,561
Accumulated impairment losses	-	-	-	-	-	-
At 31 December 2013	14	19,877	39,894	56,776	-	116,561
Carrying amounts						
At 1 January 2013	69,634	28,201	51,435	25,045	804	175,119
At 31 December 2013	70,920	27,879	57,112	27,555	1,917	185,383

3. Property, plant and equipment (continued)

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 RM Nil (2012 – RM 65,000).

3.2 Security

The freehold land and buildings of the Group with total net book value of RM 46,081,000 (2012 – RM 45,391,000) 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 RM 9,221,000 (2012 – RM 9,221,000).

Company No. 249243-W

4. Intangible assets

Group	Development costs RM'000	Intellectual property RM'000	Total RM'000
Cost			
At 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 2012/1 January 2013	11,057	-	11,057
Addition	-	-	-
Written off	-	-	-
Effect of movements in exchange rates	(882)	-	(882)
At 31 December 2013	10,175	-	10,175
Amortisation and impairment loss			
At 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 2012/1 January 2013			
Accumulated amortisation	5,834	-	5,834
Accumulated impairment loss	327	-	327
	6,161	-	6,161
Amortisation for the year	1,614	-	1,614
Written off	-	-	-
Effect of movements in exchange rates	(546)	-	(546)
At 31 December 2013			
Accumulated amortisation	6,902	-	6,902
Accumulated impairment loss	327	-	327
	7,229	-	7,229
Carrying amounts			
At 1 January 2013	4,896	-	4,896
At 31 December 2013	2,946	-	2,946

4. Intangible assets (continued)

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 3 years (2012 - 1 year to 4 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	
	2013	**2012**
	RM'000	**RM'000**
Cost		
At 1 January	50,673	-
Addition	-	50,673
At 31 December	50,673	50,673
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	128	-
Accumulated impairment loss	-	-
	128	-
Addition	128	128
At 31 December		
Accumulated depreciation	256	128
Accumulated impairment loss	-	-
	256	128
Carrying amounts		
At 31 December	50,417	50,545

5. Investment property (continued)

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	
	2013	**2012**
	RM'000	**RM'000**
Unquoted shares - at cost	126,231	126,231
Less: Impairment loss	(80,503)	(80,143)
	45,728	46,088

Details of the subsidiaries are as follows:

Name of subsidiaries	**Principal activities**	**Country of incorporation**	**Effective ownership interest 2013** %	**2012** %
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

Company No. 249243-W

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2013 %	2012 %
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

Company No. 249243-W

7. Investments in associates

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost	19,424	15,259	19,424	15,259
Share of post-acquisition reserves	(1,885)	(1,974)	-	-
Less: Impairment loss	-	-	(234)	(234)
	17,539	13,285	19,190	15,025

Summarised financial information on associates:

Group	**2013 RM'000**	**2012 RM'000**
Total assets (100%)	53,620	34,053
Total liabilities (100%)	19,298	7,999
Revenue (100%)	16,428	13,831
Profit/(Loss) for the year (100%)	696	(1,542)

Details of the associates are as follows:

Company	**Principal activities**	**Country of incorporation**	**Effective Ownership interest 2013 %**	**2012 %**
Favco Offshores Sdn Bhd	Manufacture, supply, servicing and renting of cranes	Malaysia	30	30
Favelle Favco Machinery and Equipment L.L.C	Trading and rental of construction equipment	United Arab Emirates	49	49
Favco Heavy Industry (Changshu) Co., Ltd.	Supply, renting and servicing of lifting equipment and spare parts	China	50	50

7. Investments in associates (continued)

The Group has not recognised losses relating to Favelle Favco Machinery and Equipment L.L.C. totalling RM Nil (2012 – RM301,000) 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:

	Assets		**Liabilities**		**Net**	
Group	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Property, plant and equipment	-	-	9,866	8,804	9,866	8,804
(Deductible)/taxable temporary differences	(5,170)	(6,202)	1,227	1,152	(3,943)	(5,050)
Tax (assets)/ liabilities	(5,170)	(6,202)	11,093	9,956	5,923	3,754
Set off	2,802	3,834	(2,802)	(3,834)	-	-
Net tax (assets)/ liabilities	(2,368)	(2,368)	8,291	6,122	5,923	3,754

Company No. 249243-W

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

Unrecognised deferred tax assets

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property, plant and equipment	(2,992)	(4,826)	-	-
Deductible temporary differences	29,276	35,529	-	-
Tax losses carry-forwards	66,168	69,777	-	-
	92,452	100,480	-	-

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carried forward amounting to RM63,337,000 (2012 – RM60,800,000) 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 1.1.2012 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Exchange differences RM'000	At 31.12.2012 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Exchange differences RM'000	At 31.12.2013 RM'000
Property, plant and equipment	5,914	2,890	-	8,804	1,062	-	9,866
Other items	(2,870)	(2,152)	(28)	(5,050)	729	378	(3,943)
	3,044	738	(28)	3,754	1,791	378	5,923

Company No. 249243-W

9. Receivables, deposits and prepayments

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current					
Non-trade					
Advances to a subsidiary	9.2	-	-	16,329	15,100
Advances to an associate	9.3	4,933	-	4,933	-
		4,933	-	21,262	15,100
		======	=======	======	======
Current					
Trade					
Trade receivables		271,022	269,906	-	-
Less: Allowance for impairment losses		(7,512)	(7,575)	-	-
		263,510	262,331	-	-
Amounts due from ultimate holding company	9.4	642	1,668	-	3
Amounts due from subsidiaries	9.5	-	-	-	605
Amounts due from related companies	9.6	267	522	-	-
Amounts due from associates	9.7	4,085	4,438	-	-
		4,994	6,628	-	608
Non-trade					
Amount due from ultimate holding company	9.4	50	-	-	-
Amounts due from subsidiaries	9.5	-	-	55,484	57,325
Amounts due from related companies	9.6	-	60	-	-
Amounts due from associates	9.7	262	448	-	2
Other receivables	9.8	10,823	14,870	-	373
Deposits		975	483	102	11
Prepayments		9,045	5,100	30	2
		21,155	20,961	55,616	57,713
		289,659	289,920	55,616	58,321
		======	=======	=======	======

Company No. 249243-W

9. Receivables, deposits and prepayments (continued)

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 2013 RM'000	Group 2012 RM'000
RM	AUD	10,321	20,657
RM	EURO	32,463	3,734
RM	HKD	-	-
RM	RMB	36,330	33,440
RM	SGD	471	598
RM	USD	37,083	24,270
AUD	RMB	16,123	15,329
AUD	SGD	1,703	4,253
AUD	USD	179	29
SGD	USD	15,751	1,705
		=====	=====

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 Advances to an associate

The advances to an associate are unsecured, with interest and are not expected to be repaid within the next twelve months.

9.4 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.

9.5 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.

Company No. 249243-W

9. Receivables, deposits and prepayments (continued)

9.6 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.

9.7 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 RM57,037 (2012 – RM52,967).

9.8 Other receivables

Other receivables mainly comprise an insurance claim of RM5,231,000 (2012 – RM4,543,000) and an advance to suppliers amounting to RM2,214,601 (2012 – RM4,417,012).

10. Contract work-in-progress/Amount due to contract customers

	Group	
	2013 RM’000	**2012 RM’000**
Aggregate costs incurred to date	964,368	983,813
Add: Attributable profits less foreseeable losses	138,018	132,118
	1,102,386	1,115,931
Less: Progress billings	(1,228,897)	(1,198,201)
	(126,511)	(82,270)
Representing:-		
Contract work-in-progress	108,445	124,040
Amount due to contract customers	(234,956)	(206,310)
	(126,511)	(82,270)

Company No. 249243-W

11. Inventories

	Group 2013 RM'000	Group 2012 RM'000
At cost:		
Cranes	3	469
Crane components	108,907	101,614
Work-in-progress	63,173	56,812
	172,083	158,895
At net realisable value:		
Cranes	3,984	16,232
Crane components	12,431	9,439
	188,498	184,566

12. Derivative assets/(liabilities)

Group	2013 Contract/ Notional amount RM'000	2013 Derivative assets RM'000	2013 Derivative liabilities RM'000	2012 Contract/ Notional amount RM'000	2012 Derivative assets RM'000	2012 Derivative liabilities RM'000
Forward foreign currency contracts	503,052	-	(2,202)	260,674	1,185	-

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 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash and bank balances	94,134	88,072	5,678	3,206
Deposits placed with licensed banks	53,762	14,795	8,840	4,442
	147,896	102,867	14,518	7,648

Company No. 249243-W

14. Share capital and reserves

14.1 Share capital

	Group and Company			
	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '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	106,000	212,000	89,584	179,167
Issuance of ordinary shares	-	-	15,839	31,678
Issued under ESOS scheme	1,606	3,211	577	1,155
At 31 December	107,606	215,211	106,000	212,000

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.

14.2 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. Share capital and reserves (continued)

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, 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 Retained earnings

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

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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Secured term loan	1,571	3,683	-	-
Finance lease liabilities	-	-	-	-
	1,571	3,683	-	-
Current				
Secured term loan	2,112	2,112	-	-
Bank overdrafts - unsecured	2,346	2,750	-	-
Unsecured revolving credits	9,866	9,187	9,866	9,187
Unsecured insurance premium finance	4,280	2,759	-	-
Bills payable	39,810	60,185	-	-
Finance lease liabilities	-	197	-	-
	58,414	77,190	9,866	9,187
	59,985	80,873	9,866	9,187

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.

Company No. 249243-W

15. Loans and borrowings (continued)

15.2 Terms and debt repayment schedule

	Year of maturity	2013 Carrying amount RM'000	2013 Under 1 year RM'000	2013 1 - 2 years RM'000	2013 2 - 5 years RM'000	2013 Over 5 years RM'000	2012 Carrying amount RM'000	2012 Under 1 year RM'000	2012 1 - 2 years RM'000	2012 2 – 5 years RM'000	2012 Over 5 years RM'000
Group											
Secured term loan											
- RM	2015	3,683	2,112	1,571	-	-	5,795	2,112	2,112	1,571	-
Unsecured bank overdrafts											
- SGD	2014	2,346	2,346	-	-	-	2,750	2,750	-	-	-
Unsecured revolving credits - USD	2014	9,866	9,866	-	-	-	9,187	9,187	-	-	-
Unsecured insurance premium finance - AUD	2014	4,280	4,280	-	-	-	2,759	2,759	-	-	-
Bills payable	2014	39,810	39,810	-	-	-	60,185	60,185	-	-	-
Finance lease liabilities											
- DKK	2014	-	-	-	-	-	197	197	-	-	-
		59,985	58,414	1,571	-	-	80,873	77,190	2,112	1,571	-
Company											
Unsecured revolving credits - USD	2014	9,866	9,866	-	-	-	9,187	9,187	-	-	-

15. Loans and borrowings (continued)

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2013 Minimum lease payments RM'000	2013 Interest RM'000	2013 Principal RM'000	2012 Minimum lease payments RM'000	2012 Interest RM'000	2012 Principal RM'000
Less than one year	-	-	-	200	(3)	197
Between one and five years	-	-	-	-	-	-
	-	-	-	200	(3)	197

16. Provision for warranties

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	39,111	6,536
Provision made during the year	8,118	35,852
Provision used during the year	(5,084)	(1,138)
Provision reversed during the year	(6,045)	(2,087)
Effect of movements in exchange rates	129	(52)
At 31 December	36,229	39,111

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.

Company No. 249243-W

17. Payables and accruals

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade					
Trade payables	17.1	127,789	183,124	-	-
Amount due to ultimate holding company	17.2	209	61	-	-
Amounts due to related companies	17.3	354	162	-	-
		128,352	183,347	-	-
Non-trade					
Amount due to ultimate holding company	17.2	185	397	-	-
Amount due to a subsidiary	17.4	-	-	6,095	5,550
Amounts due to related companies	17.3	1,957	637	9	-
Other payables		45,681	19,343	12	4
Accrued expenses		30,500	18,620	58	386
		78,323	38,997	6,174	5,940
		206,675	222,344	6,174	5,940

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 2013 RM'000	Group 2012 RM'000
RM	AUD	1,130	1,502
RM	SGD	811	3,249
RM	EUR	12,230	11,288
RM	USD	13,720	15,335
RM	RMB	3,734	11,942
RM	GBP	202	349
SGD	AUD	-	1,107
SGD	USD	65	2,472
USD	SGD	-	-
AUD	USD	-	717
AUD	EUR	434	414
AUD	RMB	8,481	6,381
AUD	GBP	296	-
AUD	YEN	79	-

17. Payables and accruals (continued)

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, an employees' share option scheme ("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

18. Employee benefits (continued)

18.1 Share-based payments (continued)

The main features of the 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.

Company No. 249243-W

18. Employee benefits (continued)

18.1 Share-based payments (continued)

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 1.1.2013 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2013 '000	Expiry date
ESOS Scheme							
28.9.2011	RM0.80	8,497	-	(3,133)	(219)	5,145	27.9.2016
28.9.2012	RM1.57	434	-	(78)	(60)	296	27.9.2016
1.10.2013	RM2.50	-	620	-	(9)	611	27.9.2016
		8,931	620	(3,211)	(288)	6,052	

Grant date	Exercise price	At 1.1.2012 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2012 '000	Expiry date
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	

The options granted in 2013, 2012 and 2011 under the ESOS scheme of the Company, which remain outstanding as at 31 December 2013 have an exercise price of RM2.50, RM1.57 and RM0.80 respectively per ordinary share of RM0.50 each and a remaining contractual life of 2 3/4 years (2012 - 3 3/4 years).

During the financial year, 3,133,000 and 78,000 (2012 – 1,155,000) share options of RM0.80 and RM1.57 each respectively under the ESOS scheme of the Company were exercised. The weighted average share price of the Company for the financial year was RM2.53 (2012 – RM1.53).

Details relating to options exercised during the financial year

	Group and Company 2013 RM'000	2012 RM'000
Ordinary share capital at par	1,606	577
Share premium	1,023	347
Proceeds received on exercise of share options	2,629	924

18. Employee benefits (continued)

18.1 Share-based payments (continued)

Details relating to options exercised during the financial year (continued)

	Group and Company	
	2013	**2012**
	RM	**RM**
Fair value of shares issued (based on average exercise price)	2.53	1.53
	===	===

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	
	2013	**2012**
	RM'000	**RM'000**
Share options granted in 2011	769	1,891
Share options granted in 2012	130	39
Share options granted in 2013	90	-
Total expense recognised as share-based payments	989	1,930
	====	====

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	
	2013	**2012**
Fair value at grant date (RM)		
- Granted in Year 2011	RM0.34 - RM0.42	RM0.34 - RM0.42
- Granted in Year 2012	RM0.49 - RM0.67	RM0.49 - RM0.67
- Granted in Year 2013	RM0.83 - RM1.01	-
Weighted average share price		
- Granted in Year 2011	0.88	0.88
- Granted in Year 2012	1.74	1.74
- Granted in Year 2013	2.75	-
	==============	==============

18. Employee benefits (continued)

18.1 Share-based payments (continued)

Fair value of share options and assumptions (continued)

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	
	2013	**2012**
Exercise price		
- Granted in Year 2011	RM0.80	RM0.80
- Granted in Year 2012	RM1.57	RM1.57
- Granted in Year 2013	RM2.50	-
Expected volatility (weighted average volatility)	38.01% - 46.94%	38.01% - 45.20%
Option life	3 years	4 years
Risk-free interest rate (based on Malaysian Government bonds)		
- Granted in Year 2011	3.23% - 3.41%	3.23% - 3.41%
- Granted in Year 2012	3.06% - 3.24%	3.06% - 3.24%
- Granted in Year 2013	3.21% - 3.38%	-
Expected staff turnover	10%	10%

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

Company No. 249243-W

19. Revenue

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Contract revenue	637,001	612,424	-	-
Sales of goods	90,355	53,434	-	-
Services rendered	36,829	30,889	-	-
Dividends	-	-	27,563	21,754
Rental income	-	-	2,230	292
	764,185	696,747	29,793	22,046

20. Finance income

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest income:				
- fixed deposit	1,387	1,584	252	453
Interest income arising on financial assets/(liabilities) measured under MFRS139	1,450	6,270	2,310	2,687
	2,837	7,854	2,562	3,140

21. Finance costs

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest expenses:				
- Bills payable	1,477	1,737	-	-
- Bank overdrafts	99	137	-	-
- Revolving credits	357	259	320	259
- Term loan	252	374	-	-
- Insurance premium finance	-	74	-	-
- Inter-company	-	-	-	4
Interest expenses arising on financial assets/(liabilities) measured under MFRS139	5,482	859	221	5,717
	7,667	3,440	541	5,980

Company No. 249243-W

22. Operating profit

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating profit is arrived at after crediting:					
Allowance for impairment losses on receivables written back					
- third parties		3,879	2,197	-	-
- associate		-	633	-	-
Dividend income from subsidiaries		-	-	27,563	21,754
Gain on disposal of property, plant and equipment		37	367	-	-
Rental income on:					
- premises		6	432	2,230	292
- cranes		11,334	11,418	-	-
Reversal of provision for warranties	16	6,045	2,087	-	-
Net realised foreign exchange gain		-	4,783	-	252
Net unrealised foreign exchange gain		2,572	1,005	-	-
		=====	=====	=====	=====
and after charging:					
Allowance for impairment losses on receivables		3,779	2,147	-	-
Auditors' remuneration:					
- holding company's auditors		111	111	45	45
- other auditors		440	413	-	-
Other services					
- holding company's auditors		10	10	10	10
Amortisation of intangible assets	4	1,614	2,220	-	-
Contract costs		558,297	531,473	-	-
Depreciation expenses:					
- investment property	5	-	-	128	128
- property, plant and equipment	3	15,341	12,424	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		7,012	6,329	166	158
- Share-based payments	18	989	1,930	989	1,930
- Wages, salaries and others		74,438	65,550	1,152	1,040
Property, plant and equipment written off	3	76	31	-	-

Company No. 249243-W

22. Operating profit (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
and after charging (continued):					
Provision for warranties	16	8,118	35,852	-	-
Rental expense on:					
- cranes		6,918	7,389	-	-
- premises		4,506	5,799	53	53
- equipment		1,257	1,172	-	-
Writedown of inventories		776	1,514	-	-
Provision for diminution		-	-	360	-
Net realised foreign exchange loss		518	-	-	-
Net unrealised foreign exchange loss		-	-	775	64
		=====	=====	=====	=====

23. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Directors				
- Fees	426	426	396	396
- Remuneration	1,373	1,255	1,370	1,252
	1,799	1,681	1,766	1,648
	=====	=====	=====	=====

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.

Company No. 249243-W

24. Tax expense

Recognised in the comprehensive income

Major components of tax expense include:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current tax expense				
Malaysia - current	10,573	1,868	34	110
- prior year	(541)	366	(54)	10
	10,032	2,234	(20)	120
Overseas - current	3,210	2,728	-	-
- prior year	(40)	(171)	-	-
	3,170	2,557	-	-
Total current tax expense	13,202	4,791	(20)	120
Deferred tax expense (Note 8)				
Origination of temporary differences	1,486	1,018	-	-
Under/(over)provision in prior years	305	(280)	-	-
Total deferred tax	1,791	738	-	-
Total tax expense	14,993	5,529	(20)	120
	=====	=====	=====	=====
Reconciliation of tax expense				
Profit for the year	64,995	61,155	25,795	15,106
Total tax expense	14,993	5,529	(20)	120
Profit excluding tax	79,988	66,684	25,775	15,226
	=====	=====	=====	=====

Company No. 249243-W

24. Tax expense (continued)

Reconciliation of tax expense (continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Tax at Malaysian tax rate of 25%	19,997	16,671	6,534	3,807
Effect of different tax rates in foreign jurisdictions	926	504	-	-
Non-deductible expense	9,238	6,714	192	2,404
Non-taxable gain	(1,893)	(727)	-	(592)
Double deductions	(234)	-	-	-
Tax exempt income	(112)	(19,653)	(6,746)	(5,509)
Tax incentives	(8,836)	(409)	-	-
Effect of utilisation of deferred tax assets previously not recognised	(4,179)	(5,444)	-	-
Effect of non-recognition of deferred tax benefits	796	7,928	-	-
(Over)/Underprovision in prior years	(276)	2	-	10
Others	(434)	(57)	-	-
Tax expense	14,993	5,529	(20)	120

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 expired on 31 May 2012 and had not been renewed.

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
2013			
First and final 2012 ordinary	7.66	16,394	29 August 2013
2012			
First and final 2011 ordinary	6.00	10,749	10 August 2012

Company No. 249243-W

25. Dividends (continued)

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 Per Share (tax exempt)	Total amount RM'000
First and final ordinary	10.00	21,520
	=====	=====

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 2013 of RM21,520,176 (2012 – RM16,243,792) on the issued and paid-up share capital (excluding treasury shares) of 215,201,763 (2012 – 211,990,763) ordinary shares of RM0.50 each as at the end of the 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 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Profit for the financial year attributable to owners of the Company	67,400	61,746
	=====	=====

Weighted average number of ordinary shares

	Group	
	2013 '000	**2012 '000**
Number of ordinary shares in issue at 1 January	212,000	179,167
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under ESOS	1,265	4,406
Total weighted average number of ordinary shares in issue (unit)	213,255	183,563
	======	======

26. Earnings per ordinary share (continued)

	Group	
	2013	**2012**
	Sen	**Sen**
Basic earnings per ordinary share	31.61	33.64
	====	====

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 2013 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	
	2013	**2012**
	RM'000	**RM'000**
Profit for the financial year attributable to owners of the Company	67,400	61,746
	=====	=====

Weighted average number of ordinary shares (diluted)

	Group	
	2013	**2012**
	'000	**'000**
Weighted average number of ordinary shares at 31 December	213,255	183,563
Effect of share options in issue	4,040	4,387
Weighted average number of ordinary shares (diluted) at 31 December	217,295	187,950
	======	======

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	
	2013	**2012**
	Sen	**Sen**
Diluted earnings per ordinary share	31.02	32.85
	====	====

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**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Geographical segments								
Revenue from external customers	407,500	302,561	356,685	394,186	-	-	764,185	696,747
Inter-segment revenue	155,517	256,533	54,310	74,212	(209,827)	(330,745)	-	-
Total revenue	563,017	559,094	410,995	468,398	(209,827)	(330,745)	764,185	696,747
Operating profit							84,729	63,106
Interest income							2,837	7,854
Interest expense							(7,667)	(3,440)
Share of profit/(loss) of associates							89	(836)
Profit before tax							79,988	66,684
Segment assets	833,062	816,370	453,469	395,323	(349,062)	(322,474)	937,469	889,219
Investments in associates	22	22	19,168	15,003	(1,651)	(1,740)	17,539	13,285
Total assets	833,084	816,392	472,637	410,326	(350,713)	(324,214)	955,008	902,504

27. Segment reporting (continued)

Geographical segments (continued)

	Inside Malaysia 2013 RM'000	Inside Malaysia 2012 RM'000	Outside Malaysia 2013 RM'000	Outside Malaysia 2012 RM'000	Eliminations 2013 RM'000	Eliminations 2012 RM'000	Consolidated 2013 RM'000	Consolidated 2012 RM'000
Segment liabilities	498,840	499,526	326,259	303,377	(271,457)	(246,587)	553,642	556,316
Capital expenditure - Property, plant and equipment	9,675	70,756	4,246	10,429	(87)	-	13,834	81,185
Depreciation and amortisation	9,008	7,253	7,947	7,391	-	-	16,955	14,644

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 two (2012 – two) major customers amounting to RM66,073,000 (2012 – RM65,599,000). 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 2013 RM'000	Group 2012 RM'000
Asia	160,946	170,955
Europe	54,284	48,846
America	27,791	25,830
Australia	20,489	12,852
Middle East	-	3,848
	263,510	262,331

Company No. 249243-W

28. Financial instruments (continued)

Credit risk (continued)

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

Group	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2013			
Not past due	94,804	-	94,804
Past due 0 – 90 days	49,741	-	49,741
Past due 91 – 180 days	39,463	-	39,463
Past due more than 180 days	87,014	(7,512)	79,502
	271,022	(7,512)	263,510
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

Impairment losses

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

	Group	
	2013 RM'000	**2012 RM'000**
At 1 January	7,575	7,678
Impairment loss recognised	3,779	2,147
Impairment loss written back	(3,879)	(2,197)
Effect of movements in exchange rates	37	(53)
At 31 December	7,512	7,575

The Group's trade receivables as at 31 December 2013 which is past due but not impaired amounted to RM168,706,000 (2012 – RM158,101,000). Trade receivables which are past due and impaired as at 31 December 2013 amounted to RM7,512,000 (2012 – RM7,575,000). For those trade receivables which are past due but not impaired, the Group is satisfied that these debtors are recoverable.

Company No. 249243-W

28. Financial instruments (continued)

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**
2013						
Secured term loan	5.40	3,683	3,696	2,254	1,442	-
Unsecured revolving credits	3.29	9,866	9,895	9,895	-	-
Unsecured bank overdrafts	6.18	2,346	2,447	2,447	-	-
Unsecured insurance premium finance	4.88	4,280	4,308	4,308	-	-
Bills payable	3.35	39,810	39,810	39,810	-	-
Finance lease liabilities	5.00	-	-	-	-	-
Unsecured payables and accruals	-	206,675	206,675	206,675	-	-
		266,660	266,831	265,389	1,442	-
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	-

Company No. 249243-W

28. Financial instruments (continued)

Liquidity risk (continued)

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**
2013						
Unsecured revolving credits	3.29	9,866	9,895	9,895	-	-
Unsecured payables and accruals	-	6,174	6,174	6,174	-	-
		16,040	16,069	16,069	-	-
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	-	-

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.

Company No. 249243-W

28. Financial instruments (continued)

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	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
2013								
Fixed rate instruments								
Deposit placed with licensed banks	4.07 – 5.60	53,762	53,762	-	-	-	-	-
		======	======	======	======	======	======	======
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	-	-	-	-	-	-	-
Unsecured insurance premium finance - AUD	4.88	4,280	4,280	-	-	-	-	-
Floating rate instruments								
Secured term loan	5.40	3,683	2,112	1,571	-	-	-	-
Unsecured revolving credits - USD	3.29	9,866	9,866	-	-	-	-	-
Unsecured bank overdraft - SGD	6.18	2,346	2,346					
Bills payable	3.35	39,810	39,810	-	-	-	-	-
		59,985	58,414	1,571	-	-	-	-
		======	======	======	======	======	======	======

Company No. 249243-W

28. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Group	Effective interest rate %	Total RM'000	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
2012								
Fixed rate instruments								
Deposit placed with licensed banks	2.50 – 5.85	14,795	14,795	-	-	-	-	-
		======	======	=====	=====	=====	=====	=====
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	197	197	-	-	-	-	-
Unsecured insurance premium finance - AUD	2.95	2,759	2,759	-	-	-	-	-
Floating rate instruments								
Secured term loan	5.56	5,795	2,112	2,112	1,571	-	-	-
Unsecured revolving credits - USD	2.72	9,187	9,187	-	-	-	-	-
Secured bank overdraft – SGD	6.18	2,750	2,750					
Bills payable	3.61	60,185	60,185	-	-	-	-	-
		80,873	77,190	2,112	1,571	-	-	-
		======	======	=====	=====	=====	=====	=====

28. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Company	**2013** Effective interest rate %	Total RM'000	Less than 1 year RM'000	**2012** Effective interest rate %	Total RM'000	Less than 1 year RM'000
Fixed rate instruments						
Deposits placed with licensed banks	2.50	8,840	8,840	2.50	4,442	4,442
		=====	=====		=====	=====
Floating rate instruments						
Unsecured revolving credits	3.29	9,866	9,866	2.72	9,187	9,187
		======	======		======	=====

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 RM709,000. 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 United State Dollar, Euro, Australian Dollar, Singapore Dollar, Norwegian 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 (continued)

Foreign currency (continued)

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

Group	**USD RM'000**	**AUD RM'000**	**SGD RM'000**
2013			
Financial assets	126,797	55,283	41,995
Financial liabilities	(49,257)	(58,027)	(5,519)
Net financial assets	77,540	(2,744)	36,476
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(18,162)	10,997	3,730
Less: Forward foreign currency contracts (contracted notional principal)	(256,922)	(27,122)	(195,629)
Net currency exposure	(197,544)	(18,869)	(155,423)
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)

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:

Effects on profit after taxation

	USD RM'000	AUD RM'000	SGD RM'000
2013			
- strengthened by 5%	(7,408)	(708)	(5,828)
- weakened by 5%	7,408	708	5,828
2012			
- strengthened by 5%	(4,275)	(955)	(3,300)
- weakened by 5%	4,275	955	3,300

28. Financial instruments (continued)

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.

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	2013 Carrying amount RM'000	2013 Fair value RM'000	2012 Carrying amount RM'000	2012 Fair value RM'000
Financial liabilities				
Secured term loans	3,683	3,683	5,795	5,795
Finance lease liabilities	-	-	197	197
	=====	=====	=====	=====

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.

28. Financial instruments (continued)

Fair values (continued)

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 are 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
2013				
Financial asset				
Derivative assets	-	-	-	-
	======	======	======	======
Financial liability				
Derivative liabilities	(2,202)	-	-	(2,202)
	======	======	======	======
2012				
Financial asset				
Derivative assets	1,185	-	-	1,185
	======	======	======	======
Financial liability				
Derivative liabilities	-	-	-	-
	======	======	======	======

29. Contingencies

Contingent liabilities - unsecured

	Group	
	2013 RM'000	**2012 RM'000**
Corporate guarantee for credit facilities granted to subsidiaries	110,267	107,529
	======	======

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.

29. Contingencies (continued)

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 remains on-going 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**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Ultimate holding company				
Purchase of property, plant and equipment	112	48,742	-	-
Rental expense payable	908	3,055	-	-
Rental income receivable	-	(11)	-	-
Sale of goods and services	(612)	(2,192)	-	-
Subcontract cost payable	1,336	3,443	-	-
	=====	=====	=====	=====
Subsidiaries				
Dividend income receivable	-	-	(27,563)	(21,754)
Interest expense payable	-	-	-	4
Rental income receivable	-	-	(2,230)	(292)
	=====	=====	=====	=====
Related companies				
Purchase of property, plant and equipment	300	-	-	-
Sale of goods	(108)	(230)	-	-
Rental income receivable	(320)	(315)	-	-
Rental expense payable	3,334	2,350	106	105
Subcontract cost payable	29,528	6,142	-	-
	=====	=====	=====	=====

30. Related parties (continued)

Significant transactions with related parties (continued):

	Group		Company	
	2013 RM’000	**2012 RM’000**	**2013 RM’000**	**2012 RM’000**
Associates				
Sale of goods and services	(4,663)	(9,297)	-	-
Purchase of goods and services	324	25	-	-
	=====	=====	=====	=====

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 allowance for impairment losses on receivables as at 31 December 2013 in respect of the above related party balances.

31. Acquisition of subsidiary

During the financial year 2012, 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:-

	2013 Fair value recognised on acquisition RM’000	**2012 Fair value recognised on acquisition RM’000**
Purchase consideration satisfied by cash	-	5,234
Cash and cash equivalents of subsidiary acquired	(493)	(6,979)
Net cash inflow of the Group	493	1,745

32. 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:-

	2013 RM'000	**2012 RM'000**
Total retained profits of Favelle Favco Berhad and its subsidiaries:		
- Realised	204,768	144,553
- Unrealised	(26,933)	(8,263)
	177,835	136,290
Total retained profits from associated companies:		
- Realised	(2,349)	(1,059)
- Unrealised	-	3
	175,846	135,234
Less: Consolidation adjustments	57,828	47,074
Total Group retained profits	233,314	182,308

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

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 9 to 91 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 2013 and of their financial performance and cash flows for the year then ended.

In opinion of the Directors, the information set out in note 32 on page 92 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: 18 April 2014

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

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 9 to 91 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 18 April 2014.

…………………..
Lee Poh Kwee

Before me:

Azmi bin Ishak
Pesuruhjaya Sumpah Malaysia
(No. B413)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FAVELLE FAVCO BERHAD
(Company No. 249243-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Favelle Favco Berhad, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 91.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FAVELLE FAVCO BERHAD (CONT'D)
(Company No. 249243-W)
(Incorporated in Malaysia)

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 2013 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 financial statements 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 financial statements 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 92 in Note 32 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FAVELLE FAVCO BERHAD (CONT'D)
(Company No. 249243-W)
(Incorporated in Malaysia)

Other Matters

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

James Chan Kuan Chee
Approval No: 2271/10/15 (J)
Chartered Accountant

18 April 2014

Kuala Lumpur