

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Unaudited As at 31.03.2019 RM'000	Audited As at 31.12.2018 RM'000
Assets		
Property, plant and equipment	326,551	333,875
Intangible assets	71,263	71,283
Investment in associates	11,333	12,186
Deferred tax assets	25,681	24,949
Receivables	4,327	4,465
Total non-current assets	<u>439,155</u>	<u>446,758</u>
Receivables, deposits and prepayments	168,251	213,112
Contract assets	129,251	124,597
Inventories	174,694	164,120
Current tax assets	6,534	7,885
Derivative assets	970	336
Cash and cash equivalents	333,996	323,800
Total current assets	<u>813,696</u>	<u>833,850</u>
Total assets	<u>1,252,851</u>	<u>1,280,608</u>
Equity		
Share capital	155,838	155,170
Reserves	514,815	504,541
Total equity attributable to owners of the Company	<u>670,653</u>	<u>659,711</u>
Non-controlling interests	<u>28,990</u>	<u>30,103</u>
Total equity	<u>699,643</u>	<u>689,814</u>
Liabilities		
Loans and borrowings	21,618	23,123
Payables and accruals	15,575	15,575
Deferred tax liabilities	11,298	11,194
Total non-current liabilities	<u>48,491</u>	<u>49,892</u>
Provisions for warranties	33,696	31,774
Payables and accruals	242,407	258,586
Contract Liabilities	182,982	211,061
Loans and borrowings	30,321	24,042
Current tax liabilities	15,311	15,439
Total current liabilities	<u>504,717</u>	<u>540,902</u>
Total liabilities	<u>553,208</u>	<u>590,794</u>
Total equity and liabilities	<u>1,252,851</u>	<u>1,280,608</u>
Net assets per share attributable to owners of the Company (RM)	<u>3.03</u>	<u>2.98</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019 (1ST QUARTER)****(The figures have not been audited)**

	Note	Current/Preceding Qtr Ended 31.03.2019 RM'000	31.03.2018 RM'000	Cumulative Qtr YTD 31.03.2019 RM'000	31.03.2018 RM'000
Revenue	A9	156,007	102,247	156,007	102,247
Cost of sales, other income and operating expenses		(139,281)	(93,870)	(139,281)	(93,870)
Results from operating activities		16,726	8,377	16,726	8,377
Finance income		3,075	1,126	3,075	1,126
Finance costs		(362)	(200)	(362)	(200)
Operating profit	B5	19,439	9,303	19,439	9,303
Share of profit/(loss) of associates, net of tax		(853)	(338)	(853)	(338)
Profit before tax		18,586	8,965	18,586	8,965
Tax expense	B6	(3,926)	(2,608)	(3,926)	(2,608)
Profit for the period		14,660	6,357	14,660	6,357
Other comprehensive (expenses)/ income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(4,911)	(7,504)	(4,911)	(7,504)
Other comprehensive income for the period, net of tax		(4,911)	(7,504)	(4,911)	(7,504)
Total comprehensive income for the period		9,749	(1,147)	9,749	(1,147)
Profit/(loss) attributable to:					
Owners of the Company		14,775	5,509	14,775	5,509
Non-controlling interests		(115)	848	(115)	848
Profit for the period		14,660	6,357	14,660	6,357
Total comprehensive income attributable to:					
Owners of the Company		9,872	(2,006)	9,872	(2,006)
Non-controlling interests		(123)	859	(123)	859
Total comprehensive income for the period		9,749	(1,147)	9,749	(1,147)
Earnings per ordinary share					
Basic (Sen)	B11	6.67	2.49	6.67	2.49
Diluted (Sen)	B11	6.61	2.47	6.61	2.47

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019 (1ST QUARTER)**

(The figures have not been audited)

	Attributable to owners of the Company									
	Non-Distributable			Distributable			Total attributable to owners of the Company		Non-controlling Interests	Total Equity
	Share Capital RM'000	Share Premium RM'000	* Translation Reserves RM'000	Revaluation Reserves RM'000	Share Option Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	RM'000	RM'000	RM'000
3 months ended 31 March 2019										
As at 1 January 2019	155,170	-	8,579	22,217	5,500	(21)	468,266	659,711	30,103	689,814
Profit/(loss) for the period	-	-	-	-	-	-	14,775	14,775	(115)	14,660
Foreign currency translation	-	-	(4,903)	-	-	-	-	(4,903)	(8)	(4,911)
Total comprehensive income for the period	-	-	(4,903)	-	-	-	14,775	9,872	(123)	9,749
- Transfer to share capital for share options exercised	160	-	-	-	(160)	-	-	-	-	-
- Share-based payments	-	-	-	-	562	-	-	562	-	562
- Issue of ordinary shares	508	-	-	-	-	-	-	508	-	508
- Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(990)	(990)
As at 31 March 2019	155,838	-	3,676	22,217	5,902	(21)	483,041	670,653	28,990	699,643
3 months ended 31 March 2018										
As at 1 January 2018	110,701	44,469	13,186	22,217	1,217	(21)	437,740	629,509	(1,281)	628,228
Change in accounting policies	-	-	-	-	-	-	(5,096)	(5,096)	-	(5,096)
	110,701	44,469	13,186	22,217	1,217	(21)	432,644	624,413	(1,281)	623,132
Profit for the period	-	-	-	-	-	-	5,509	5,509	848	6,357
Foreign currency translation	-	-	(7,515)	-	-	-	-	(7,515)	11	(7,504)
Movement in revaluation of property, plant and equipment, net of tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(7,515)	-	-	-	5,509	(2,006)	859	(1,147)
- Share-based payments	-	-	-	-	1,071	-	-	1,071	-	1,071
As at 31 March 2018	110,701	44,469	5,671	22,217	2,288	(21)	438,153	623,478	(422)	623,056

* On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount RM 44.469m standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019 (1ST QUARTER)****(The figures have not been audited)**

	Unaudited Period ended 31.03.2019 RM'000	Unaudited Period ended 31.03.2018 RM'000
Cash flows from operating activities		
Profit before tax	18,586	8,965
Adjustments for:		
Amortisation of intangible assets	16	32
Allowance for impairment losses	376	2,510
Allowance for impairment losses on receivables written back	(447)	-
Depreciation of property, plant and equipment	5,858	5,972
Finance costs	362	200
Finance income	(3,075)	(1,126)
Gain on disposal of property, plant and equipment	(267)	(49)
(Gain)/loss on foreign exchange	62	7,335
(Gain)/loss on derivatives	(633)	2,449
Provision for warranties	2,620	2,616
Share-based payments	562	1,071
Share of loss/(profit) of equity accounted associates	853	338
Reversal of provision for warranties	(182)	(1,012)
Operating profit/(loss) before changes in working capital	<u>24,691</u>	<u>29,301</u>
Changes in working capital:		
Inventories	(10,574)	6,545
Payables and accruals	(41,949)	(37,481)
Receivables, deposits and prepayments	41,078	7,629
Cash generated from/(used in) operations	<u>13,246</u>	<u>5,994</u>
Interest received	3,068	1,099
Interest paid	(330)	(147)
Warranties paid	(31)	(614)
Income tax paid	(3,181)	(1,746)
Net cash generated from/(used in) operating activities	<u>12,772</u>	<u>4,586</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,515)	(10,452)
Proceeds from disposal of property, plant and equipment	613	843
Net cash generated from/(used in) investing activities	<u>(2,902)</u>	<u>(9,609)</u>

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019 (1ST QUARTER)
(cont'd)**

	Unaudited Period ended 31.03.2019 RM'000	Unaudited Period ended 31.03.2018 RM'000
Cash flows from financing activities		
Interest paid	-	(25)
Proceeds from issue of shares under SIS scheme	508	-
Payment of deferred consideration	(2,310)	-
Dividend paid to non-controlling interests	(990)	-
Net proceeds/(repayment) of loans and borrowings	(4,079)	(1,447)
Net cash generated from/(used in) financing activities	(6,871)	(1,472)
Exchange differences on translation of the financial statements of foreign operations	(421)	(5,999)
Net increase/(decrease) in cash and cash equivalents	2,578	(12,494)
Cash and cash equivalents at 1 January	318,653	369,793
Effect of exchange rate fluctuations on cash held	(1,235)	(7,337)
Cash and cash equivalents at 31 March	319,996	349,962

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

	31.03.2019 RM'000	31.03.2018 RM'000
Cash and bank balances	116,758	78,837
Short Term Investment	61,536	85,183
Deposit placed with licensed banks	155,702	186,401
Cash and cash equivalents per balance sheet	333,996	350,421
Bank overdrafts	(14,000)	(459)
	319,996	349,962

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2019 (1ST QUARTER)**

A NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. BASIS OF PREPARATION

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2019:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective date</u>
• MFRS 16 Leases	1 January 2019
• IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
• Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
• Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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

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

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments, if any)</u>	<u>Effective Date</u>
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

Adoption of MFRS 16 Leases

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117 and did not have an impact of leases where the Group is the lessor.

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

A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Adoption of MFRS 16 Leases (Cont'd)

The changes in accounting policies have been applied retrospectively from 1 January 2019. The group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e. printing and photocopying machines) that are considered of low value. In accordance with the transition requirements, comparatives are not restated.

The Group has performed a detailed impact assessment of MFRS 16 and in the opinion that there is no material impact for the Group.

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2018 was not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL/UNUSUAL ITEMS

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

A6. MATERIAL CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

Share Issuance Scheme ("SIS")

During the current quarter ended 31 March 2019, a total of 216,000 new ordinary shares were issued at RM2.35 each, pursuant to the exercise of SIS granted in 2017.

A8. DIVIDENDS PAID

There is no dividend paid for the financial quarter under review.

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

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Cranes RM'000	Intelligent Automation RM'000	Consolidated RM'000
Revenue			
Inside Malaysia	34,276	22,897	57,173
Outside Malaysia	98,834	-	98,834
	<u>133,110</u>	<u>22,897</u>	<u>156,007</u>
Profit before tax	16,448	2,138	18,586
Segment assets	1,114,953	126,565	1,241,518
Investments in associates	11,333	-	11,333
Total assets	<u>1,126,286</u>	<u>126,565</u>	<u>1,252,851</u>
Segments liabilities	<u>535,953</u>	<u>17,255</u>	<u>553,208</u>

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

A11. MATERIAL SUBSEQUENT EVENT

There were no material subsequent event from the end of the quarter to 23 May 2019, which is likely to substantially affect the results of the operations of the Company.

A12. CHANGES IN THE GROUP'S COMPOSITION

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

A13. CONTINGENT ASSETS/LIABILITIES

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

A14. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 March 2019 and up to 23 May 2019.

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

B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q1 2019 vs YTD Q1 2018)

The Group reported consolidated revenue (including the Intelligent Automation segment of RM22.9 million) of RM156.0 million with profit before tax of RM18.6 million (including Intelligent Automation segment of RM2.1 million) as compared to revenue (without Intelligent Automation segment) of RM102.2 million with profit before tax of RM9.0 million in the previous year quarter ended 31 March 2018.

The increase in the group profit before tax was mainly due to increase in sales.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2019 Q1 vs 2018 Q4)

The Group recorded a lower revenue of RM156.0 million with lower profit before tax of RM18.6 million for the current quarter as compared to the revenue of RM173.9 million with profit before tax of RM39.1 million in the preceding quarter mainly due to a decrease in sales

B3. GROUP'S CURRENT YEAR PROSPECT

Despite the challenging outlook in the current market, the Group has outstanding order book of approximately RM557 million as at 23 May 2019 from the global oil and gas, shipyard, construction, wind turbine industries and intelligent automation.

The Group will also increase the Tower crane rental fleet in order to improve the rental income globally.

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

B4. PROFIT FORECAST

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

B5. OPERATING PROFIT

	Current Quarter 31.03.2019 RM'000	Cumulative Qtr To-date 31.03.2019 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortization	5,874	5,874
Allowance for impairment loss/(gain)	(71)	(71)
Foreign exchange (gain)/loss	62	62
(Gain)/loss on derivatives	(633)	(633)
(Gain)/loss on disposal of property, plant and equipment	(267)	(267)
Other Income	(556)	(556)
Finance costs	362	362
Interest income	(3,075)	(3,075)

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

B6. TAXATION

	Current Quarter 31.03.2019 RM'000	Cumulative Qtr To-date 31.03.2019 RM'000
Current tax expense		
Malaysian Tax	(1,315)	(1,315)
Overseas	(3,089)	(3,089)
	(4,404)	(4,404)
Deferred taxation expense		
Malaysian Tax	478	478
Overseas	-	-
	478	478
Total tax expense	(3,926)	(3,926)

The effective corporate tax expenses is lower than statutory tax rate mainly due to utilisation of unutilised tax losses carried forward from previous year.

B7. CORPORATE PROPOSAL

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign currency		RM'000
	Currency	Amount	
a) Short term borrowings			
- Secured	RM	638	638
	DKK	5,602	3,437
	AUD	677	1,960
	Sub-total		6,035
- Unsecured	RM	10,286	10,286
	SGD	508	1,531
	DKK	20,325	12,469
			24,286
Total short term borrowings			30,321
a) Long term borrowings			
- Secured	RM	8,964	8,964
	DKK	20,627	12,654
Total long term borrowings			21,618
Total borrowings			51,939

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

B9. CHANGES IN MATERIAL LITIGATION

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

B10. PROPOSED DIVIDENDS

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

B11. EARNINGS PER ORDINARY SHARE ("EPS")

a) Basic EPS

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

	Current Quarter 31.03.2019	Cumulative Qtr To-date 31.03.2019
Profit attributable to owners of the Company (RM'000)	14,775	14,775
Weighted average number of ordinary shares in issue ('000)	221,426	221,426
Basic EPS (Sen)	6.67	6.67

b) Diluted EPS

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

	Current Quarter 31.03.2019	Cumulative Qtr To-date 31.03.2019
Profit attributable to owners of the Company (RM'000)	14,775	14,775
Weighted average number of ordinary shares in issue ('000)	221,426	221,426
Effect of dilution ('000) *	2,069	2,069
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	223,495	223,495
Diluted EPS (Sen)	6.61	6.61

* Potential shares are dilutive only when the average market price for the ordinary shares during the period exceeds the exercise price of the options.

B12. COMPARATIVE FIGURES

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

By order of the Board of Directors

Company Secretary

Date: 28 May 2019