

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

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

	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Assets		
Property, plant and equipment	338,971	333,875
Intangible assets	71,217	71,283
Investment in associates	10,029	12,186
Deferred tax assets	31,368	24,949
Right-of-use assets	961	-
Receivables	4,449	4,465
Total non-current assets	456,995	446,758
Receivables, deposits and prepayments	197,112	213,112
Contract assets	165,102	124,597
Inventories	185,204	164,120
Current tax assets	2,396	7,885
Derivative assets	120	336
Cash and cash equivalents	288,921	323,800
Total current assets	838,855	833,850
Total assets	1,295,850	1,280,608
Equity		
Share capital	162,746	155,170
Reserves	551,301	504,541
Total equity attributable to owners of the Company	714,047	659,711
Non-controlling interests	35,481	30,103
Total equity	749,528	689,814
Liabilities		
Loans and borrowings	22,551	23,123
Payables and accruals	-	15,575
Deferred tax liabilities	12,620	11,194
Total non-current liabilities	35,171	49,892
Provisions for warranties	34,704	31,774
Payables and accruals	222,710	258,586
Contract liabilities	180,942	211,061
Leases liabilities	1,364	-
Loans and borrowings	47,885	24,042
Current tax liabilities	23,537	15,439
Derivative liabilities	9	-
Total current liabilities	511,151	540,902
Total liabilities	546,322	590,794
Total equity and liabilities	1,295,850	1,280,608
Net assets per share attributable to owners of the Company (RM)	3.19	2.98

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 DECEMBER 2019 (4TH QUARTER)**

(The figures have not been audited)

		Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	226,176	173,946	693,881	530,590
Cost of sales, other income and operating expenses		(181,274)	(135,197)	(580,691)	(432,920)
Results from operating activities		44,902	38,749	113,190	97,670
Finance income		2,411	1,952	8,692	6,519
Finance costs		(1,748)	(1,816)	(2,731)	(2,602)
Operating profit	B5	45,565	38,885	119,151	101,587
Share of profit/(loss) of associates, net of tax		37	196	(2,157)	(2,561)
Share of profit/(loss) of joint venture		(650)	-	(650)	-
Profit before tax		44,952	39,081	116,344	99,026
Tax expense	B6	(10,992)	(15,320)	(27,745)	(30,434)
Profit for the period		33,960	23,761	88,599	68,592
Other comprehensive (expenses)/ income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		13	(1,479)	(4,953)	(4,512)
Other comprehensive income for the period, net of tax		13	(1,479)	(4,953)	(4,512)
Total comprehensive income for the period		33,973	22,282	83,646	64,080
Profit/(loss) attributable to:					
Owners of the Company		26,531	20,483	81,335	63,328
Non-controlling interests		7,429	3,278	7,264	5,264
Profit for the period		33,960	23,761	88,599	68,592
Total comprehensive income attributable to:					
Owners of the Company		26,567	18,950	76,289	58,721
Non-controlling interests		7,406	3,332	7,357	5,359
Total comprehensive income for the period		33,973	22,282	83,646	64,080
Earnings per ordinary share					
Basic (Sen)	B11	11.89	9.25	36.58	28.60
Diluted (Sen)	B11	11.76	9.25	36.21	28.60

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 DECEMBER 2019 (4TH QUARTER)**

(The figures have not been audited)

	Attributable to owners of the Company						Distributable		Non-controlling Interests RM'000	Total Equity RM'000
	Non-Distributable			Distributable			Total attributable to owners of the Company RM'000			
	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			
12 months ended 31 December 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	-	-	-	-	-	-	81,335	81,335	7,264	88,599
Foreign currency translation	-	-	(5,046)	-	-	-	-	(5,046)	93	(4,953)
Total comprehensive income for the period	-	-	(5,046)	-	-	-	81,335	76,289	7,357	83,646
- Transfer to share capital for share options exercised	1,786	-	-	-	(1,786)	-	-	-	-	-
- Share-based payments	-	-	-	-	2,368	-	-	2,368	-	2,368
- Issue of ordinary shares	5,790	-	-	-	-	-	-	5,790	-	5,790
- Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(1,979)	(1,979)
- Dividends to shareholders	-	-	-	-	-	-	(30,111)	(30,111)	-	(30,111)
As at 31 December 2019	162,746	-	3,533	22,217	6,082	(21)	519,490	714,047	35,481	749,528
12 months ended 31 December 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	-	-	-	-	-	-	(2,914)	(2,914)	(2,183)	(5,097)
	110,701	44,469	13,186	22,217	1,217	(21)	434,826	626,595	(3,464)	623,131
Profit for the period	-	-	-	-	-	-	63,328	63,328	5,264	68,592
Foreign currency translation	-	-	(4,607)	-	-	-	-	(4,607)	95	(4,512)
Total comprehensive income for the period	-	-	(4,607)	-	-	-	63,328	58,721	5,359	64,080
- Subscription of subsidiary	-	-	-	-	-	-	-	-	28,208	28,208
- Transfer to share capital due to implementation of Companies Act 2016	44,469	(44,469)	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	4,283	-	-	4,283	-	4,283
- Dividends to shareholders	-	-	-	-	-	-	(29,888)	(29,888)	-	(29,888)
As at 31 December 2018	155,170	-	8,579	22,217	5,500	(21)	468,266	659,711	30,103	689,814

* 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 DECEMBER 2019 (4TH QUARTER)****(The figures have not been audited)**

	Unaudited Period ended 31.12.2019 RM'000	Unaudited Period ended 31.12.2018 RM'000
Cash flows from operating activities		
Profit before tax	116,344	99,026
Adjustments for:		
Amortisation of intangible assets	63	129
Allowance for impairment losses	12,496	6,159
Allowance for impairment losses on receivables written back	(3,514)	(18,488)
Allowance for slow moving inventories	337	2,090
Amortisation of prepaid lease	1,350	-
Depreciation of property, plant and equipment	24,103	20,998
Finance costs	2,731	2,602
Finance income	(8,692)	(6,519)
Gain on disposal of property, plant and equipment	(313)	(171)
(Gain)/loss on foreign exchange	9,485	3,306
(Gain)/loss on derivatives	250	6,168
Property, plant and equipment written off	2	-
Provision for warranties	8,857	16,440
Provision of foreseeable losses	-	750
Share-based payments	2,368	4,283
Share of loss/(profit) of equity accounted associates	2,157	2,561
Reversal of provision for warranties	(4,788)	(7,149)
Write-back of Inventories	-	4,190
Writedown of inventories	9,289	-
Operating profit/(loss) before changes in working capital	172,525	136,375
Changes in working capital:		
Inventories	(30,710)	(6,698)
Payables and accruals	(64,519)	(57,489)
Receivables, deposits and prepayments	(42,926)	54,353
Cash generated from/(used in) operations	34,370	126,512
Interest received	7,695	5,866
Interest paid	(1,933)	(1,015)
Warranties paid	(470)	(1,844)
Income tax paid	(19,116)	(4,222)
Net cash generated from/(used in) operating activities	20,546	125,297
Cash flows from investing activities		
Acquisition of property, plant and equipment	(40,777)	(102,022)
Additional to prepaid lease payment	(961)	-
Acquisition of subsidiary	-	(38,347)
Proceeds from disposal of property, plant and equipment	7,293	2,819
Net cash generated from/(used in) investing activities	(34,445)	(137,550)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019 (4TH QUARTER)
(cont'd)**

	Unaudited Period ended 31.12.2019 RM'000	Unaudited Period ended 31.12.2018 RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(30,111)	(29,888)
Interest paid	-	(76)
Proceeds from issue of shares under SIS scheme	5,790	-
Repayment of lease liabilities	(1,463)	-
Payment of deferred consideration	(15,676)	-
Dividend paid to non-controlling interests	(1,979)	-
Net proceeds/(repayment) of loans and borrowings	3,158	(1,723)
Net cash generated from/(used in) financing activities	(40,281)	(31,687)
Exchange differences on translation of the financial statements of foreign operations	(588)	(5,031)
Net increase/(decrease) in cash and cash equivalents	(54,768)	(48,971)
Cash and cash equivalents at 1 January	318,653	369,793
Effect of exchange rate fluctuations on cash held	(224)	(2,169)
Cash and cash equivalents at 31 December	263,661	318,653

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

	31.12.2019 RM'000	31.12.2018 RM'000
Cash and bank balances	89,392	88,239
Short Term Investment	91,433	80,456
Deposit placed with licensed banks	108,096	155,105
Cash and cash equivalents per balance sheet	288,921	323,800
Bank overdrafts	(25,260)	(5,147)
	263,661	318,653

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 DECEMBER 2019 (4TH QUARTER)**

A NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. BASIS OF PREPARATION

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 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 and 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

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.

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

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 December 2019, a total of 777,000 new ordinary shares were issued at RM2.35 each, pursuant to the exercise of SIS granted in 2017.

A8. DIVIDENDS PAID

A first & final tax-exempt dividend of 27% (13.5sen) per ordinary shares totalling RM30.1 million in respect of the year ended 31 December 2018 was paid on 29 July 2019.

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	170,663	158,448	329,111
Outside Malaysia	364,770	-	364,770
	<u>535,433</u>	<u>158,448</u>	<u>693,881</u>
Profit before tax	84,821	31,523	116,344
Segment assets	1,125,531	160,290	1,285,821
Investments in associates	10,029	-	10,029
Total assets	<u>1,135,560</u>	<u>160,290</u>	<u>1,295,850</u>
Segments liabilities	<u>513,769</u>	<u>32,553</u>	<u>546,322</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 20 February 2020, 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 December 2019 and up to 20 February 2020.

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

B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q4 2019 vs YTD Q4 2018)

The Group reported consolidated revenue of RM693.9 million with profit before tax of RM116.3 million as compared to revenue of RM530.6 million with profit before tax of RM99.0 million in the previous financial year ended 31 December 2018.

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

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2019 Q4 vs 2019 Q3)

The Group recorded a revenue of RM226.2 million with profit before tax of RM45.0 million for the current quarter as compared to the revenue of RM112.4 million with profit before tax of RM30.4 million in the preceding quarter, the increase in group profit was mainly due to increase in sales.

B3. GROUP'S CURRENT YEAR PROSPECT

Despite the challenging outlook in the current market, the Group has outstanding order book of approximately RM582 million (including order book of Intelligent Automation of RM68 million) as at 20 February 2020 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 31.12.2019 RM'000	Cumulative Qtr To-date 31.12.2019 RM'000
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Operating profit is arrived at after (crediting)/charging the following:

Depreciation and amortization	8,115	24,166
Allowance for impairment loss/(gain)	12,808	8,982
Foreign exchange (gain)/loss	5,188	9,485
(Gain)/loss on derivatives	6	250
(Gain)/loss on disposal of property, plant and equipment	(10)	(313)
Other Income	293	(1,358)
Finance costs	1,748	2,731
Interest income	(2,411)	(8,692)

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

B6. TAXATION

	Current Quarter 31.12.2019 RM'000	Cumulative Qtr To-date 31.12.2019 RM'000
Current tax expense		
Malaysian Tax	(15,447)	(21,130)
Overseas	(2,602)	(11,574)
	(18,049)	(32,704)
Deferred taxation expense		
Malaysian Tax	7,254	5,012
Overseas	(197)	(53)
	7,057	4,959
Total tax expense	(10,992)	(27,745)

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	546	546
	DKK	5,602	3,437
	AUD	1,531	4,390
	Sub-total		8,373
- Unsecured	RM	14,252	14,252
	SGD	-	-
	DKK	41,178	25,260
			39,512
Total short term borrowings			47,885
a) Long term borrowings			
- Secured	RM	8,582	8,582
	DKK	22,771	13,969
Total long term borrowings			22,551
Total borrowings			70,436

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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 recommend a first and final tax exempt dividend of 15.0sen per ordinary share in respect of the financial ended 31 December 2019 subject to approval of the shareholders at the forthcoming Annual General Meeting. The payable final dividend is amounted to RM33.579 million.

The first and final dividend for 2019 is computed based on the issued and paid up share capital (excluding treasury share) of 223,856,763 ordinary shares as at 31 December 2019.

B11. EARNINGS PER ORDINARY SHARE ("EPS")

a) Basic EPS

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

	Current Quarter 31.12.2019	Cumulative Qtr To-date 31.12.2019
Profit attributable to owners of the Company (RM'000)	26,531	81,335
Weighted average number of ordinary shares in issue ('000)	223,228	222,318
Basic EPS (Sen)	11.89	36.58

b) Diluted EPS

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

	Current Quarter 31.12.2019	Cumulative Qtr To-date 31.12.2019
Profit attributable to owners of the Company (RM'000)	26,531	81,335
Weighted average number of ordinary shares in issue ('000)	223,228	222,318
Effect of dilution ('000)	2,329	2,329
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	225,557	224,647
Diluted EPS (Sen)	11.76	36.21

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: 26 February 2020