Annual Report 2018

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

A MEMBER OF MUHIBBAH ENGINEERING (M) BHD

Board of Directors

Tan Sri A. Razak bin Ramli
(Chairman, Senior Independent Non-Executive Director)

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
(Vice Chairman, Independent Non-Executive Director)

Mac Chung Hui
(Managing Director/Chief Executive Officer)

Mac Ngan Boon @ Mac Yin Boon
(Executive Director)

Lee Poh Kwee
(Executive Director)

Mazlan bin Abdul Hamid
(Executive Director)

Sobri bin Abu
(Independent Non-Executive Director)

Dato' Sri Khazali bin Haji Ahmad
(Independent Non-Executive Director)

Corporate Information

Audit Committee
Sobri bin Abu *(Chairman)*
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Dato' Sri Khazali bin Haji Ahmad

Company Secretaries
Tew Siew Chong *(MIA 20729)*
Lim Suak Guak *(MIA 19689)*
Tia Hwei Ping *(MAICSA 7057636)*

Registered Office
Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3349 5465
Fax : (603) 3342 9807

Auditors
Crowe Malaysia PLT
(Firm No. LLP0018817-LCA & AF 1018)
Chartered Accountants
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

Principal Bankers
Ambank (Malaysia) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Share Registrar
Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : (603) 2783 9299
Fax : (603) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Tricor Customer Service Centre:
Unit G-3, Ground Floor
Vertical Podium, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Investor Relations
Tel : (603) 3376 2530
Fax : (603) 3344 6302
E-mail : ir@favellefavco.com.my

Stock Exchange Listing
Main Market of Bursa Malaysia
Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg stock code: FFB MK
Listing date: 15 August 2006

Websites
www.favellefavco.com

E-mail Address
ffb@favellefavco.com.my

Tower crane, Signature Tower, Malaysia


Tower and Offshore crane, Crown Sydney, Australia

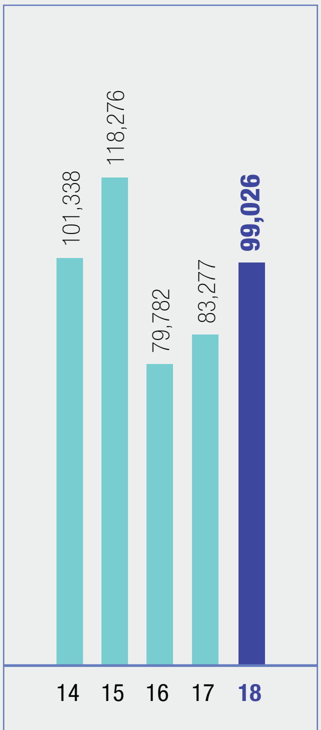

Offshore crane, Load Testing, Europe

Contents

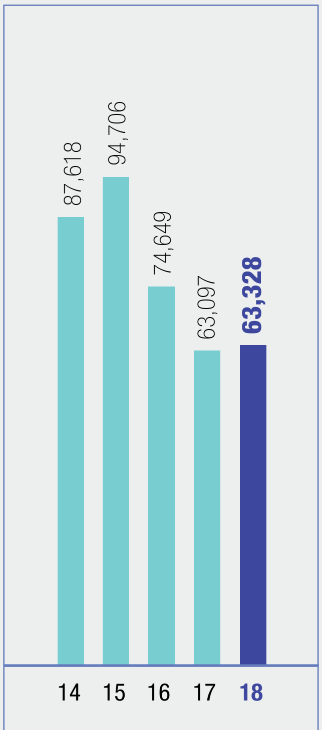

Tower crane, 22 Bishopsgate, United Kingdom

Group Financial Highlights

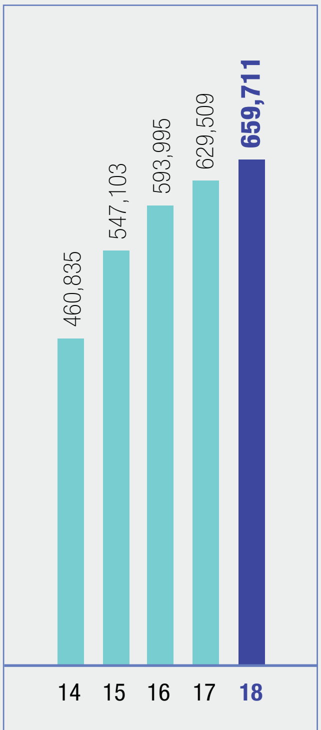
	2014	2015	2016	2017	2018
Turnover (RM'000)	797,895	867,348	582,273	526,484	**530,590**
Profit Before Tax (RM'000)	101,338	118,276	79,782	83,277	**99,026**
Profit After Tax Attributable to Owners of the Company (RM'000)	87,618	94,706	74,649	63,097	**63,328**
Total Equity Attributable to Owners of the Company (RM'000)	460,835	547,103	593,995	629,509	**659,711**
Share Capital (RM'000)	108,756	109,568	110,701	110,701	**155,170**
Basic Earnings Per Ordinary Share (Sen)	40.55	43.40	33.83	28.50	**28.60**
Net Assets Per Ordinary Share (RM)	2.12	2.50	2.68	2.84	**2.98**



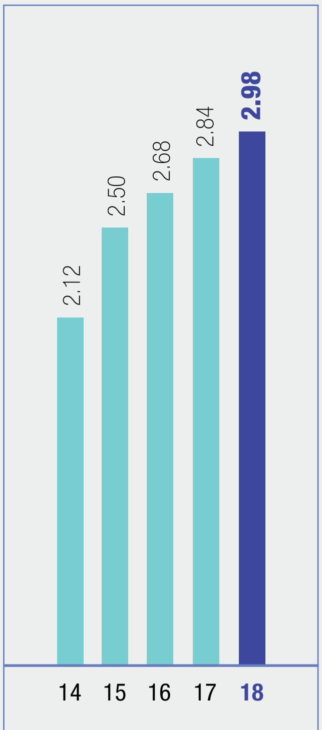
Profit Before Tax
(RM'000)



Profit After Tax
Attributable to Owners of the Company
(RM'000)



Total Equity
Attributable to Owners of the Company
(RM'000)



Net Assets
Per Ordinary Share
(RM)

Group Structure as at 29 March 2019

FAVELLE FAVCO BERHAD

CRANES

100%	**FAVELLE FAVCO CRANES (M) SDN. BHD.** (MALAYSIA)
100%	**FAVELLE FAVCO CRANES PTE. LTD.** (SINGAPORE)
100%	**FAVELLE FAVCO CRANES (USA), INC.** (USA)
100%	**FAVELLE FAVCO CRANES PTY. LIMITED** (AUSTRALIA)
100%	**KRØLL CRANES A/S** (DENMARK)
100%	**FES EQUIPMENT SERVICES SDN. BHD.** (MALAYSIA)
80%	**SHANGHAI FAVCO ENGINEERING MACHINERY MANUFACTURING CO., LTD.** (CHINA)
30%	**FAVCO OFFSHORES SDN. BHD.** (MALAYSIA)
49%	**FAVELLE FAVCO MACHINERY and EQUIPMENT L.L.C.** (ABU DHABI, UAE)
50%	**FAVCO HEAVY INDUSTRY (CHANGSHU) CO., LTD.** (CHINA)

INTELLIGENT AUTOMATION

70%	**EXACT AUTOMATION SDN BHD** (MALAYSIA)
70%	**EXACT ANALYTICAL SDN BHD** (MALAYSIA)
70%	**EXACT OIL & GAS SDN BHD** (MALAYSIA)
70%	**SEDIA TEGUH SDN BHD** (MALAYSIA)

* Dormant companies are excluded from the above Group Structure

Management Discussion and Analysis

The Favelle Favco Group comprises 2 main divisions, the Crane division and the Intelligent Automation division.

Cranes

For over 40 years the crane division has been driving crane technology forward and pushing the envelopes of tailor made, high speed heavy lifting.

Comprising 2 international brands, Favelle Favco and Kroll, the group is home of the largest hammerhead crane in the world, the Kroll K10,000 and the largest luffing tower crane in the world, the Favelle Favco M2480.

Our reputation for building the world's fastest cranes has cemented our position in the market for super high-rise buildings, having constructed 8 out of the world's 10 tallest buildings ever built.

Our full range of products includes Offshore cranes, Tower cranes, Wharf cranes, as well as rental, service and maintenance of cranes. We have 7 operating facilities (Malaysia, Australia, Denmark, the USA, China, Singapore and the UAE) with a total workforce of approximately 1,050 teammates spanning the globe. This global structure allows us to build these heavy lift cranes as close to the delivery point as economically feasible.

Intelligent Automation

The Intelligent Automation division ("Exact Group") comprises several segments which include Automation, Control and Instrumentation, Rotating Machinery systems, Renewable Energy systems, Gas and liquid analysis systems, Valves automation and Industrial Information digital systems.

Exact Group currently holds more than 20 live maintenance contracts established with most of the oil majors in Malaysia.

Tower crane, KL118, Malaysia


Tower crane, Tun Razak Exchange, Malaysia

Gas Control System


Pipeline Leak System


Installation of HCN and H2S toxic gas detectors at Kualiti Alam Incinerator Plant

We provide systems for Rotating Machinery like compressors and turbines, and also supply hybrid solar and wind turbine solutions for offshore facilities.

Furthermore, we provide various gas and liquid analytical equipment including portable and fixed detection systems as well as fire and gas systems.

The Industrial Information systems supplied by Exact Group include pipeline monitoring and plant intelligence solutions. Exact Group will be our way of penetrating the intersection of industrial processes and the automation world, generally coined today as Industry 4.0.


Vapor Recovery Unit Project (VRU) in Klang Valley Distribution Terminal (KVDT)

Offshore crane, EDrill-3, China

Market review and Strategies

The first 9 months of 2018 was a very slow market. Whilst the oil and gas market had more activities than before, it certainly wasn't a return to the good times. Luckily, the last 3 months of 2018 did bring in a fair amount of work which will give us a stable base load.

The construction crane market remained low in terms of crane sales. However, it was a very busy market if you consider the rental market. Clearly the market has shifted quite dramatically in that direction. This is extremely encouraging as it allows a few years of runway to continue our penetration into this segment.

Combining the rental market with our entry into the small crane market has borne further fruit with some large rental contracts and early indications of interest in a rental fleet in Australia. Clearly, we are able to regain ground in our home markets.

Review and discussion of financial results

Our full year's result of RM531m was approximately similar to last year's RM526m (2017). However, this year's result included a half year consolidation of Exact Group of approximately RM73m. Hence, the Crane division revenue dropped from RM526m (2017) to RM458m (2018).

Nevertheless, for our consolidated results, we managed to maintain our Profit After Tax of RM69m as compared to last year's RM64m with the half year consolidation of Exact Group profit after tax of RM17m. This is a good result as it has been our intention over the last few years to mitigate the drop in the offshore crane industry by finding new alternative revenue streams. In that sense, I am happy to report that we are doing exactly that.

We have declared a dividend per share of 13.5 sen representing approximately 47% of our Earnings Per Share.

Capex requirements and treasury commentary

During the year 2018, we invested RM137m in the acquisition of 70% of the Exact Group. We further invested approximately RM93m in crane assets for the tower crane rental fleet.

After all these investments above, we maintained a consolidated net cash position of RM324m as at 31st December 2018.

I am glad to report that the investments above have been performing well and contributing to our results in 2018. Moving forward, we continue to envisage further investments in our rental fleet and will keep an eye out for further investment opportunities.

Tower crane, Wind Turbine Installation, Thailand

Operational review

Cranes

We had a slight bounce in Order Intake albeit still at a low level. This allowed our factories to maintain a base load. As we have been very conscious of our overhead costs over the last few years, I believe that we structured ourselves well to be sustainably profitable at these low levels. Hence, I would say that we have sailed out of the oil and gas crisis of 2014 the same of which cannot be said of many other industry participants.

We introduced several new models in 2018, these being the tower crane luffing model MK220F where we delivered 11 cranes to a client in Malaysia. This machine represents another successful penetration into the smaller crane market which we have been targeting the last few years.

Other models introduced during the year are 2 large flattop tower cranes, model K830F and K1230F by Kroll cranes. With the introduction of these models, we have an excellent flattop range stretching all the way from the 100mt to 1200mt market. This is significant as the market moves away from traditional hammerheads to flattops due to its ease in erection and low head height. We are certainly well positioned to cater to this trend.

We invested reasonably heavily in our tower crane rental fleet in 2018. Whilst this was spread globally, the majority was focused in Europe. This service has been well received by our customers as we build more channels for our customers to engage with us.

Exact Group

We commenced the inclusion of Exact Group on 3rd July 2018. Our focus on this company so far has been to understand the business dynamics, providing solid financial backing, consolidating real estate footprints as well as introducing Exact Group to our existing dealer network.

The year of 2018 has been a very fruitful year for the Exact Group. Whilst the core business lies in the offshore maintenance contracts which provide systems upgrades, service and manpower supply to existing installed base, there were some other interesting developments.

As the trend towards cleaner air and environmentally friendly industrial plants come about, we are riding the wave with several notable projects including the delivery of a Vapour Recovery Unit (VRU), the 1st VRU project which complies with the Department of Environment's (DOE) stringent regulations of Volatile Organic Compound emission limits.

Another emission control activity was the supply of a continuous emission monitoring system to a coal fired power plant and this system has been hooked up to DOE for live access and now complies to current environmental quality regulations.

Furthermore, as part of Petronas' digitalization efforts, we were awarded a 2-year PRiME Integrated Operations (IO) contract. The PRiME project is an initiative by Petronas to address the needs for a predictive approach in instrument reliability and availability. Our scope is to provide user friendly software which provides support services of intelligence information.

In other downstream activities, we were involved in the rejuvenation of an ammonia flare stack at Asean Bintulu Fertilizer plant and completion of the commissioning of integrated Actuated Ball Valves to RAPID Pengerang project.

Current challenges and risks

Whilst the market has basically stabilised at these low levels, it has become very price sensitive. Customers are constantly looking for price reductions. This has created a market where we need to stay very sharp on our offerings. We have found working with the customer to be the most effective way forward as we both discuss how to collectively reduce the costs, effectively "customizing" the new normal.

There is currently a lot of market talk of a global economic slowdown. It is quite hard to gauge these market noises at the moment and how they translate directly to our business. Nevertheless, having managed our way through several downturns before, we believe we will take a slowdown in our own stride.

Future expectations

Notwithstanding the current market talk of a global slowdown, our base case is that the crane market stays stable, perhaps with even a small uptick. We have a current order book of RM637 million (including intelligent automation) as at 29 March 2019.

We expect the automation market to also remain stable. The team there is working on several exciting initiatives which, if they come through, could give the business there a boost.

Managing Director/Chief Executive Officer

Profile of Directors

Tan Sri A. Razak bin Ramli

Aged 70, Male, Malaysian

(Chairman, Senior Independent Non-Executive Director)

Chairman of the Remuneration Committee and Nominating Committee, Member of the Audit Committee

Tan Sri A. Razak bin Ramli was appointed as an Independent Non-Executive Director of Favelle Favco Berhad on 1 November 2004 and re-designated as Senior Independent Non-Executive Director and appointed as Chairman of Nominating Committee on 18 January 2013. He is a member of the Audit and Remuneration Committees. On 15 May 2014, he was appointed as Senior Independent Non-Executive Chairman and Chairman of Audit Committee and Remuneration Committee and re-designated as member of Audit Committee on 28 February 2018. He joined the Malaysian Civil Service in 1972 and served in the Prime Minister's Department, the Public Services Department and the Economic Planning Unit before being seconded to the private sector for a year in 1984. He joined MITI in 1985 where he rose to the post of Secretary-General on 19 January 2001. Tan Sri A. Razak bin Ramli retired from the Malaysian Civil Service on 24 October 2004. He obtained a Bachelor of Arts (Honours) degree majoring in Public Administration from the University of Tasmania in 1971. He also holds a Diploma (Gestion Publique) from the Institut Internationale d'Administration Publique, Paris (1980). He is the Chairman of Shangri-La Hotels (Malaysia) Berhad.

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor

Aged 75, Male, Malaysian

(Vice Chairman, Independent Non-Executive Director)

Member of the Audit Committee, Nominating Committee and Remuneration Committee

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor was appointed as an Independent Non-Executive Director of FFB on 5 May 2004 and member of the Audit Committee on 10 May 2004. He was further appointed as a member of the Nominating Committee of FFB on 18 January 2013. On 4 February 2015, he was appointed as Independent Non-Executive, Vice Chairman. On 28 February 2018 he was appointed as member of the Remuneration Committee of FFB. He was also an Independent Non-Executive Director of MEB, a position he had assumed since 19 April 2001 until 10 June 2013. He retired as the Chief of the Royal Malaysian Navy in January 1999. During his 35 years of service in the Navy, he received numerous awards, both local and international. He holds a Masters Degree in Public Administration from Harvard University, USA. He is a Director of several private limited companies and is also a Director of Affin Islamic Bank Berhad and Boustead Heavy Industries Corporation Bhd.

Mac Chung Hui

Aged 40, Male, Malaysian

(Managing Director/Chief Executive Officer)

Mac Chung Hui was appointed as the Deputy Managing Director of the FFB Group on 5 May 2004 and appointed Chief Executive Officer in the same year. He was re-designated as Managing Director on 26 August 2013. He holds a Bachelor of Civil Engineering degree from the University of Nottingham, United Kingdom. He joined FFB as Supervisory Board Member in 1999 and was responsible in assisting the Managing Director in the execution of operational decisions of the FFB Group. He has also been overseeing the production and operation of Favelle Favco Cranes Pty Limited ("FFA") and Favelle Favco Cranes (M) Sdn Bhd ("FFM") over the past eighteen (18) years.

Mac Ngan Boon @ Mac Yin Boon

Aged 75, Male, Malaysian
(Executive Director)

Mac Ngan Boon @ Mac Yin Boon was appointed as the Managing Director of FFB on 23 March 1993 and re-designated as Executive Director on 26 August 2013. He was later appointed as member of both Nominating (up to 18 January 2013) and Remuneration Committees. On 28 February 2018, he resigned as member of the Remuneration Committee of FFB. He is the co-founder of MEB and has been its Managing Director since its inception on 4 September 1972. He obtained a Bachelor of Engineering (Civil) degree from the University of Western Australia in 1967. He is a professional engineer and a member of the Institute of Engineers Malaysia. He has been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998 and the Chairman of Machinery and Engineering Industries Federation (MEIF)) since 2016. Mac Ngan Boon @ Mac Yin Boon has been playing the leading role in the business expansion and strategic growth of the FFB Group since its acquisition by MEB in 1995. He is also the representative of MEB on the Board of Directors of FFB.

Shirleen Lee Poh Kwee

Aged 53, Female, Malaysian
(Executive Director)

Shirleen Lee Poh Kwee was appointed to the Board of FFB on 24 January 2003 as Executive Director. She is also an Executive Director of MEB. She is a qualified Chartered Accountant with the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. She is also a Certified Financial Planner of the Financial Planning Association of Malaysia. Prior to joining MEB as Group Financial Controller in 1993, she was attached to an international accounting firm, KPMG Malaysia, for 4 years. She was involved in the listing exercise of MEB on the Main Board of the Bursa Securities in 1994.

She is currently the Group Finance Director of MEB and Finance Director of major subsidiaries of the MEB Group. She was involved in the acquisition of the business and assets of the FFB Group in 1995, and subsequently, financial planning and management of the FFB Group over the past twenty four (24) years.

Mazlan bin Abdul Hamid

Aged 56, Male, Malaysian
(Executive Director)

Mazlan bin Abdul Hamid was appointed as Executive Director of FFB on 17 May 2004 and heads the Marketing & Business Development of the FFB Group. He is also a Director of FFM, Favco Offshores Sdn Bhd, Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd, Sedia Teguh Sdn Bhd and Muhibbah Marine Engineering Sdn Bhd, a subsidiary of MEB. He is also a Non-Independent Non-Executive Director of MEB. He obtained a Diploma in Engineering from the University of Mara Technology in 1984 and attended an Advanced Metallurgy course in the United Kingdom in 1985. In the same year, he started his career as a project coordinator in DNT (M) Sdn Bhd. He then joined SCS Petrotechnical (M) Sdn Bhd and was seconded to Sarawak Shell Berhad, and thereafter, he joined Bureau Veritas (M) Sdn Bhd as Surveyor and Marketing Manager. He joined FFM in 1996 as Sales & Marketing General Manager and has played a key role in penetrating the international cranes manufacturing market.

Sobri bin Abu

Aged 66, Male, Malaysian
(Independent Non-Executive Director)

Chairman of the Audit Committee, Member of the Remuneration Committee and Nominating Committee

Sobri bin Abu was appointed as an Independent Non-Executive Director and member of the Audit Committee, Remuneration Committee and Nominating Committee of FFB on 15 May 2014. On 28 February 2018, he was re-designated as Chairman of Audit Committee. He is also an Independent Non-Executive Director of MEB.

Sobri bin Abu's career spans more than thirty (30) years in the oil and gas industry. He worked not only for major national and international oil companies, namely ExxonMobil and PETRONAS but also major international engineering construction companies like Babcock King Wilkinson (UK) Ltd of United Kingdom, Stone and Webster Engineering Construction, Inc of the United States of America, Petrofac Engineering and Construction of the United Arab Emirates and local engineering companies such as Sumatec Engineering Bhd and Ranhill WorleyParsons of Malaysia.

Dato' Sri Khazali bin Haji Ahmad

Aged 64, Male, Malaysian
(Independent Non-Executive Director)

Member of the Audit Committee

Dato' Sri Khazali bin Haji Ahmad was appointed as an Independent Non-Executive Director and member of the Audit Committee of FFB on 16 April 2018. He is also an Independent Non-Executive Director of MEB.

He graduated with a Bachelor of Economics degree from University Kebangsaan Malaysia in 1980 and obtained a Diploma in Public Administration from Institute Tadbiran Awam Malaysia (INTAN) in 1981. He received a Masters Degree in Economics from the University of Central Oklahoma, USA in 1991. He was the recipient of the Excellence Service Awards in 2003 and 2006 by the Ministry of Finance. He was also awarded the Asia Tax Commissioner of The Year 2015 for his excellent leadership in the Royal Malaysian Customs (Customs), particularly in the implementation of Goods and Services Tax.

Dato' Sri Khazali bin Haji Ahmad began his career as Assistant Director in the Public Service Department Malaysia in 1981. He was subsequently posted to the International Trade Division of the Ministry of International Trade and Industry (MITI) where he held various positions before he was transferred to the Tax Analysis Division under the Ministry of Finance in 1997 and became Section Chief in the Division from 2005 to 2007. Between 2007 and 2008, he served as Special Functions Officer to the Chief Secretary to the Government in the Prime Minister's Department. In early 2009, Dato' Sri Khazali was appointed Deputy Director General of Customs. His last held position before his retirement in 2017 was Director General of Customs. He is also an Independent Director and Audit Committee member of Malaysia Venture Capital Management Bhd, Bank Islam Malaysia Berhad and Shangri-la Hotels (Malaysia) Berhad.

Profile of Key Senior Management

Tew Siew Chong

Aged 50, Male, Malaysian

Tew Siew Chong is currently the Group Financial Controller of Favelle Favco Berhad ("FFB") and has been appointed since 2002. He was later appointed as Director of Shanghai Favco Engineering Machinery Manufacturing Co., Ltd. ("SFEMM") in October 2011. On July 2018, he was also appointed as Director of Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd and Sedia Teguh Sdn Bhd. He is involved in the formulation and implementation of the Group's financial and accounting policies. He was previously the Group Accountant of Favelle Favco Cranes (M) Sdn. Bhd. ("FFM"). Prior to joining the FFB Group, he was attached to MOL Berhad as the Group Management Accountant. He was also the Cost Accountant in LKH Power Transformer Sdn Bhd for two years, from 1995 to 1997. He is a member of the Chartered Institute of Management Accountants, United Kingdom and Malaysia Institute of Accountants.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Ooi San Kooi

Aged 70, Male, Malaysian

Ooi San Kooi is currently the Senior Operations General Manager of FFB and has been appointed since 2004. He is in charge of the operations and development of FFB. He was previously the Managing Director of Mitramega Sdn Bhd. Prior to that, from 1972 to 1993 he was the Factory Manager of BM Engineering Sdn Bhd, which is principally involved in the crane industry. He graduated from University of Malaya with a Degree in Mechanical Engineering in 1972. He was awarded Professional Engineer (P.E) by the Board of Engineers Malaysia in 1972 and has been a Member of the Institute of Engineers Malaysia (M.I.E.M.) since 1980. In 1994, he was honoured as a Fellow of the Institute of Engineers Malaysia (F.I.E.M.).

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Teo Kai Sze, Henry

Aged 64, Male, Singaporean

Teo Kai Sze, Henry has been the General Manager of Favelle Favco Cranes Pte. Ltd. ("FFS") since 1995. He was later appointed as Director of Favelle Favco Winches Pte. Ltd. ("FFW") and FFS on 25 February 2011 and 31 December 2015 respectively. He is in charge of the overall operations of FFS and FFW. He also oversees the sales and marketing of cranes in Singapore and Vietnam. Prior to joining the FFB Group, he was an Assistant Manager at Compoform Industries and Marine & Onshore Trading Co. Pte Ltd. He obtained his Diploma in Civil Engineering from the Singapore Polytechnic in 1974.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Michael Khoo Kok Eng

57, Male, Malaysian

Michael Khoo Kok Eng has been the General Manager of Favelle Favco Cranes (USA), Inc. ("FFU") since 1999. He was later appointed as Director of FFU on September 2004. He is in charge of managing all operational aspects of the business of FFU. He also oversees the after-market parts and services business for the FFB Group. His previous working experience include being a Site/Design Engineer with Connel Wagner Pty Ltd (Australia), Project Manager at EL Project Management Consultants, Project/General Manager at MEB and General Manager at Sanyco Grand Industries. He obtained his Bachelor's Degree in Engineering (Civil) in 1984, and subsequently, a Graduate Diploma in Computing in 1990, both from Monash University, Australia.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Shenandoah Chong Shin Kwek

Aged 50, Male, Malaysian

Shenandoah Chong Shin Kwek has been the General Manager of Favelle Favco Cranes Pty. Limited ("FFA") since 2002. He was later appointed as Director of FFA on 1 October 2002. He is responsible for the overall operations in Australia. He was previously in International Sales in FFM from 2000 to 2001. His past working experience prior to joining the FFB Group include being a Regional Underwriter at HSB Engineering Insurance Limited, Senior Loss Control Surveyor at Straits & Island General Insurance Sdn Bhd and Risk Engineer at Malaysian National Reinsurance Berhad. He obtained his Bachelor's Degree in Mechanical Engineering in 1993 from the University of Auckland.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Yap Eng Jin

Aged 61, Male, Malaysian

Yap Eng Jin is the General Manager of FFM. As General Manager of FFM, he assumes all functions of the operations of the business unit of FFM, except for sales/marketing, service and spare parts. He started his career as a QC Engineer at Hong Leong Yamaha Motor in 1981. In 1991, he became the Engineering Manager at Allied Auto Parts, and subsequently, the Operating Manager at Kolok (M) Sdn.Bhd. Prior to joining the FFB Group, he was General Manager at Greenworld (M) Sdn. Bhd. Subsequently, he joined FFM in 1996 as the Production Manager and was promoted as the Works Manager in 2005 and re-designated as General Manager on 15th July 2015. He obtained his Bachelor's Degree in Mechanical Engineering from University of Malaya in 1981.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Henrik Brønsholm Nielsen

Aged 50, Male, Danish

Henrik Brønsholm Nielsen was appointed as General Manager of Krøll Cranes A/S on January 1, 2008. He is responsible for the overall operations of the company. He began his career as a Production Engineer in Shamban Denmark A/S in 1994. Thereafter, he joined FFA as Production Manager in 1999. Subsequent to that, he was transferred to Krøll Cranes A/S as Production Manager in 2004. He obtained his Bachelor of Engineering Degree from Copenhagen University College of Engineering in 1994.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Alex Chan Soon Nam

Aged 53, Male, Malaysian

Alex Chan Soon Nam has been the General Manager of SFEMM since 2013. He is responsible for the overall operation of SFEMM in China. His previous working experience prior to joining FFB Group include being a Production Engineer at Kris Component Bhd and General Manager at Dunham-Bush Industries Bhd. He obtained a Diploma in Mechanical and Automotive Engineering from Tunku Abdul Rahman College in 1987.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the company. He does not have any conflict or interest with the company and has no connections for any offences within the past five (5) years, other than traffic offences.

Other Information

Additional Information on Directors

1. Family Relationship with any Director and/or major shareholder of Favelle Favco Berhad

None of the Directors have any relationship with each other and/or major shareholders of Favelle Favco Berhad except for Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui. Mac Ngan Boon @ Mac Yin Boon is a major shareholder of Favelle Favco Berhad (indirectly via MEB) and is also the father of Mac Chung Hui, the Managing Director/ Chief Executive Officer of Favelle Favco Berhad.

2. Conflict of interest

None of the Directors have any conflict of interest with the Company.

3. Convictions for Offences within the past 5 years, other than traffic offences

None of the Directors have been convicted for offences.

Additional Compliance Information

1. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Fees for services rendered by External Auditors

The amount of fees payable/paid to the external auditors for the financial year ended 31 December 2018 were as follows:

	Group RM'000	Company RM'000
Audit services	250	80
Non-audit services		
- Tax compliance and advisory	49	25

3. Material Contracts

Save for the recurrent related party transactions disclosed below, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2018 or entered into since the end of the previous financial year ended 31 December 2017.

4. Recurrent Related Party Transactions

At the Annual General Meeting held on 26 June 2018, the Company had obtained a shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 30 April 2018.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2018 pursuant to the shareholders' mandate are disclosed as follows :-

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2018 RM'000
FFB Group and MEB Group	MEB, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Mac Chung Jin and Mazlan bin Abdul Hamid	Purchases of cranes and parts and rental of cranes, plant and equipment and barges by FFB Group from MEB Group; and subcontracting work awarded by FFB Group to MEB Group	1,985
		Sales, rental of cranes and provision of maintenance and services by FFB Group to MEB Group	382
		# Rental of factory and office premises located at Geran #26559, Lot 9895, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres	1,265
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	65
		# Rental of land held under PN 109083 Lot No. 104626, Mukim & District of Klang, State of Selangor measuring in area approximately 36,000 square metres by MEB Group to FFB Group.	2,566
		# Rental of plant and equipment and scaffolding service by FFB Group to MEB Group	-
		Shared services expenses/charges by MEB Group to FFB Group which includes amongst others legal, information technology and internal audit by MEB Group to FFB Group	2,000

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2018 RM'000
FFB Group and FO	Mac Ngan Boon @ Mac Yin Boon and Mazlan bin Abdul Hamid	Rental of plant and equipment, barges and its related maintenance cost by FFB Group to FO Sale of spare parts, and provision of crane maintenance and services by FFB Group to FO	50
		Provision of crane maintenance and services and sale of spare parts by FO to FFB Group Rental of plant and equipment, barges and its related maintenance cost by FO to FFB Group	-

\# *Tenancies are for terms not exceeding three (3) years with rentals payable on monthly basis.*

Abbreviations

"FFB" : Favelle Favco Berhad
"MEB" : Muhibbah Engineering (M) Bhd
"FFB Group" : FFB, its subsidiaries and associated companies collectively
"MEB Group" : MEB, its subsidiaries and associated companies collectively
"FO" : Favco Offshores Sdn Bhd, an associated company of FFB

Corporate Governance Overview Statement

INTRODUCTION

The Board of Directors ("**the Board**") is committed towards ensuring that good Corporate Governance ("**CG**") is observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

This Corporate Governance Overview Statement ("**CG Overview Statement**") describes how the Group has applied the principles set out in the Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**") issued by the Securities Commission of Malaysia and except where stated otherwise, its compliance with the recommended practices of the MCCG 2017 for the financial year ended 31 December 2018.

This CG Overview Statement is also prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and should be read together with CG Report of the Company which is published on the Company's website at www.favellefavco.com.

The Board is pleased to present this CG Overview Statement to provide an overview of the CG practices adopted by the Company in achieving the intended outcomes as set out in the MCCG 2017 with reference to the following three (3) key principles under the stewardship of the Board:-

a) Principle A: Board Leadership and Effectiveness;
b) Principle B: Effective Audit and Risk Management; and
c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board of Directors

Duties and Responsibilities of the Board

The Board assumes the following principal roles and responsibilities in discharging its fiduciary and leadership functions:

- Oversee the conduct of the Group's businesses and financial performance to determine if the businesses are being properly managed and provide stewardship in monitoring the businesses are aligned with the Group's short and long term objectives and goals;

- Review and adopt financial results of the Company and the Group and adequacy of financial information disclosure;

- Review the conduct and performance of major projects to determine whether they are properly managed;

- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively. The details of the processes are set out in Statement on Risk Management and Internal Control;

- Review related party transactions;

- Review the Board Charter, Whistleblowing Policy and Code of Ethics;

- Review the material litigations, Group's order book, debt collection status, capital expenditure, borrowing and cash status;

- Establish and implement succession planning for the Directors and the Group's key senior management for the purpose of business continuity. This includes ensuring implementation of appropriate systems for recruitment, training and retention; and

- Deliberate on the market outlook, corporate and business strategies.

The Board has delegated specific responsibilities to the committees to assist the Board in the effective operation and in the governance of the Group. The functions and the authority delegated by the Board have been defined in the Terms of Reference of the respective committees. These committees are the Audit Committee, Nominating Committee and Remuneration Committee. In addition, the Board is also assisted by the Risk Management Committee which comprises members of the Board and Senior Management.

Board Charter

The Board had adopted a Board Charter, which set out the roles and responsibilities of the Board, the division of authority and responsibilities of the Board and Management, terms of reference and composition of Board Committees and other administrative policies and procedures in relation to the operation of the Board as a whole.

The Board Charter is available on the Company's website at www.favellefavco.com.

Composition and Balance

An experienced Board consisting of members with a wide range of business, technical, financial and public service backgrounds lead and control the Group. This brings insightful depth and diversity to the leadership and management of the Group's businesses.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of eight (8) members, comprising four (4) Independent Non-Executive Directors and four (4) Executive Directors. As such, more than one third (1/3) of the Board comprises Independent Non-Executive Directors. This present composition complies with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and MCCG 2017.

The Board believes that the current composition is appropriate given the nature of business and scale of operations of the Group. Profiles of the Directors are presented in this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge of and experience in other business sectors.

A Senior Independent Non-Executive Director of the Company leads the Board, to whom concerns of the Group may be conveyed. The Chairman manages the Board's effectiveness by focusing on strategy, governance and compliance.

Division of roles and responsibility between Chairman and Managing Director

The Board subscribes to the principle that clear division of responsibilities between the Board Chairman and the Managing Director is beneficial to facilitate a check and balance mechanism for the effective functioning of the Board. The Chairman of the Board is a Senior Independent Non-Executive Director who is leading the Board in the oversight of management while the Managing Director focuses on the business and the day-to-day management of the Group. Such separation of positions promotes accountability and ensures that there is a balance of power and authority in the Board's overseeing the management of the Company.

Company Secretaries

The Board is supported by the Company Secretaries who are qualified under the Companies Act 2016. The Company Secretaries advise the Board on CG related matters and ensure the Board adheres to the relevant rules and regulatory requirements as well as Board's policies and procedures.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretaries are responsible for ensuring that the secretarial function provides adequate support to the Board and the Board committees. The Company Secretaries are accessible at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures, policies and all applicable rules and regulations are complied with. As permitted by the Constitution of the Company, the removal of the Company Secretary is a matter for the Board as a whole.

Board Meetings

Board meetings are held at regular intervals with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled before end of the previous financial year so as to enable the Directors to plan their schedules accordingly. During the financial year under review, the Board met four (4) times to review the Group's operations, strategy and review and approve the quarterly financial results and the relevant operational, strategy matters requiring the Board's approval. The Company Secretary records all the deliberations, particularly the issues discussed, in reaching that decision in the minutes of Board meetings. All Directors had attended the board meetings held during the financial year and have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR of Bursa Securities. Details of the attendance of the Directors at the board meetings held during the financial year under review are as follows:

Names of Directors	Attendance at Meetings in 2018
Tan Sri A. Razak bin Ramli	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	4/4
Mac Chung Hui	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Lee Poh Kwee	4/4
Mazlan bin Abdul Hamid	4/4
Sobri bin Abu	4/4
Dato' Sri Khazali bin Haji Ahmad *(Appointed on 16 April 2018)*	3/3^
Lim Teik Hin *(Resigned on 16 April 2018)*	1/1^

^ *Reflects the number of meetings held during the period the Director held office*

All Board members are required to declare their directorships in other companies to the Board and are expected to devote sufficient time and attention to carry out their roles and responsibilities as Board members. The Board is of the opinion the requirements under the Companies Act, 2016 and MMLR of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated. This is evidenced by the Directors' attendance at Board meetings as shown above. Schedule for the Company's Board meeting was formulated and is shared with the Directors prior to the beginning of each financial year to ensure the Directors' time commitment.

Access to Information and Advice

Due notice is given to the Directors prior to each Board and Board Committee meetings. All Directors are provided with the agenda and Board papers which include minutes of meetings, details of operational, financial, safety and corporate development and other relevant documents prior to each meeting so as to enable the Directors to make well-informed decisions on matters arising at the meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

Furthermore, the Board is regularly kept updated and apprised of any regulations and guidelines as well as amendments thereto issued by regulators, particularly the effects of such new and amended regulations and guidelines on directors specifically, and the Company and the Group generally.

Senior Management staff may be invited to attend the Board and Board Committee meetings to provide the Board or Committees with detailed presentations, and clarification of relevant agenda items to enable them to arrive at a decision. In addition, the Directors have authority to access all information within the Company in furtherance of their duties as well as to the advice and services of the Company's senior management. They are also empowered to seek external independent professional advice in connection with their role as a Director at the Company's expense so as to enable them to make well-informed decisions.

Code of Conduct

The Board is committed to ensuring that all its business activities operate within the good standards of business ethics and integrity as summarised in the Company's code on business practices, which are applicable Group-wide. The key principles of the Company's code on business practices include avoiding conflict of interest situations, insider trading, unethical practices, exercising caution and due care in safeguarding the Company's assets and confidential information.

The Code of Conduct is available on the Company's website at www.favellefavco.com.

Whistleblower Policy

The Board has also adopted a Whistleblower Policy to provide avenues for stakeholders of the Company to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices.

The Whistleblower Policy is available on the Company's website at www.favellefavco.com.

Sustainability

The Board views the commitment to sustainability and environment, social and governance performance as part of its broader responsibility to clients, employees, workplace and the communities in which the Group operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. The corporate responsibility initiatives undertaken by the Company for the financial year ended 31 December 2018 are disclosed in the Sustainability Statement of this Annual Report.

II. Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined Terms of Reference. The final decision on all matters, however, lies with the entire Board. During the Board meetings, the Chairmen of the various Board committees will present the respective committee's recommendations and seek Board approval where appropriate.

(i) Audit Committee

The present members of the Audit Committee are as follows:-

Names of Committee Members	Designation
Sobri bin Abu	Chairman *(Independent Non-Executive Director)*
Tan Sri A. Razak bin Ramli	Member *(Senior Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*
Dato' Sri Khazali bin Haji Ahmad	Member *(Independent Non-Executive Director)*

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to the accounting and reporting practices of the Group. This includes reviewing the quarterly financial results to be disclosed, the scope of works and management letter of the external auditors as well as undertaking any such other functions as may be determined by the Board from time to time.

The Audit Committee consists exclusively of Independent Non-Executive Directors.

The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role, activities and of the Audit Committee is presented in the Audit Committee Report of this Annual Report.

(ii) Nominating Committee

The present members of the Nominating Committee consist of all Non-Executive Directors as follows:

Names of Committee Members	Designation
Tan Sri A. Razak bin Ramli	Chairman *(Senior Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*

The Nominating Committee met once during the financial year 2018. In accordance with its Terms of Reference, the Nominating Committee reviewed that the Board structure, size, composition in the Board has the appropriate mix of skills, experience and other core competencies in fulfilling the relevant requirements or guidelines of Bursa Securities.

The Nominating Committee had carried out the following activities during the financial year under review:-

- Reviewed and assessed the performance of each Independent Directors including the requirements under the MMLR of Bursa Securities. All assessments and evaluations carried out by the Nominating Committee are properly documented whereby the Nominating Committee was satisfied by the level of independence demonstrated by all the Independent Directors;
- Reviewed the existing balance, size and composition of the Board of Directors and its committees, the performance of individual Directors and Audit Committee's members through an evaluation survey questionnaire known as Board and Board Committee Assessment Questionnaire. The duly completed questionnaire was compiled and used as guidance for recommendation of appropriate actions for further improvement;
- Reviewed and discussed the criteria to be used for effective composition of the Board including appointment of new Directors, gender diversity, diversity of ethnicity and age as well as the proposed measures to be taken to fulfill the recommended practices of MCCG 2017; and
- Identified and recommended to the Board, the Directors who were due for retirement by rotation and subject to re-election at the forthcoming Annual General Meeting.

The Nominating Committee's Terms of Reference is available on the Company's website at www.favellefavco.com.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	Designation
Tan Sri A. Razak bin Ramli	Chairman *(Senior Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*

(iii) Remuneration Committee (continued)

The Remuneration Committee met once during the financial year 2018. In accordance with its Terms of Reference, the Remuneration Committee reviewed the remuneration packages of the Executive Directors in accordance with their performance, contribution and level of responsibilities undertaken for the Board and benchmarked against other companies in similar industries to ensure the Company's remuneration packages remain competitive to attract and retain high calibre executives to run the Company successfully. Directors do not participate in deliberations and decisions on their own remuneration.

At the same time, the Non-Executive Directors' fees were also reviewed based on their experience and level of responsibilities and were recommended for the Board's approval. The individual Non-Executive Directors concerned had abstained from discussing and shall abstain from voting on decisions in respect of of their own remuneration packages.

Although the Group does not have written remuneration policies, remuneration comparison for similar positions with other Malaysia public listed companies operating in similar industries is performed on an annual basis so as to ensure that the remuneration packages of the Directors are competitive with the market that reflect their duties and responsibilities.

The Remuneration Committee's Terms of Reference is available on the Company's website at www.favellefavco.com.

III. Board Evaluation

The process of assessing Directors is an ongoing responsibility of the entire Board. For the financial year under review, the Board assisted by the Nominating Committee reviewed the skills and experience of the individual Directors and assessed the effectiveness of the Board as a whole.

The Board was satisfied with the performance and effectiveness of the Board and Board Committees who have discharged their duties and responsibilities effectively. The Board evaluation criteria was reviewed and enhanced by the Nominating Committee during the financial year.

The Board evaluation comprises Board and Board committee assessments as well as an assessment of independence of Independent Directors and the contribution of each individual Director which are conducted on an annual basis. The evaluations involve the individual Directors and members of committees completing a set of evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered by the Company. Based on the outcome of evaluations, the Nominating Committee shall recommend to the Board the areas requiring continuous improvement and form a basis for recommending the directors due for re-election.

The criteria for assessing the independence of an Independent Director includes assessing their respective relationship with the Group and their involvement in any significant transactions with the Group. The Board also undertook a self-assessment in which they assessed their own performance.

IV. Appointments, Re-appointment and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders at the Annual General Meeting.

The Board believes that diversity in the Board's composition will bring values to board deliberation. The Board also recognises the benefit of diversity in gender and hence gender had been inherently considered in the recruitment and appointment of Directors. The board has one (1) woman Director and the Board is comfortable with its current composition. Nevertheless, to ensure effective appointment of female Directors, the Board does not set any specific target for female Directors but continues to work actively towards having more female Directors on the Board, all things being equal.

V. Reinforcement of Independence

The Board acknowledges the importance of Independent Non-Executive Directors in bringing objectivity and impartiality in providing unbiased opinion and judgment to ensure that the interests of the Group, shareholders, customers and other stakeholders are taken into account during its decision-making process. The Board consists of four (4) Independent Directors who have neither been involved in the business transactions nor participated in the day-to-day management of the Group. The Independent Directors satisfy the definition set out in the MMLR of Bursa Securities and the Company meets the minimum requirement prescribed by the MMLR of Bursa Securities to have at least one-third (1/3) of its Board members being Independent Non-Executive Directors.

In line with the recommendation of MCCG 2017, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Should the Board intend to retain a Director as Independent Director after serving beyond nine (9) years, shareholders' approval shall be sought. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

Currently, there are two (2) Board Members who have served as Independent Directors for more than twelve (12) years. The Nominating Committee and the Board have performed the assessment on independence of the Independent Directors and noted that Tan Sri A. Razak bin Ramli and Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor, who had served the Board for more than twelve (12) years as Independent Directors. The Board on the recommendation of the Nominating Committee has proposed their re-appointment as Independent Directors at the forthcoming Annual General Meeting based on their independence, vast experience cumulated from the relevant industries, networking and ability to continue to provide valuable contributions and independent insights to support the Board.

Each Independent Director is responsible to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an Independent Director of the Company.

The Board takes cognisance of Practice 4.2 of the MCCG 2017 that the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Nevertheless, the Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age.

The Board continues to strike an appropriate balance between tenure of service and continuity of experience of the Board. However, such change will take some time in order to maintain stability to the Board. Furthermore, the Company acknowledged the benefits from the Independent Directors who have, over time, gained invaluable insights into the Group, its market and the industry.

VI. Directors' Training

The Board is cognizant of the added value that can be brought by the Directors when they are kept up to date with the industry and regulatory development. All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities. During the financial year, the seminars and training programmes attended include topics relating to corporate governance, risk management, corporate strategy, finance, taxation, leadership management and new legislations, rules and guidelines. Training for Directors will be provided consistently so as to ensure that they are kept up to date on latest development in relevant laws and business practices and to discharge their duties effectively.

An induction briefing will be provided by the Board and senior management to newly appointed Independent Non-Executive Directors to provide them with in-depth knowledge of the Group's businesses and strategies.

VI. Directors' Training (continued)

The seminars, training programmes, conferences and forums attended by the Directors during the financial year under review among others, were as follows:-

Programme title	Organiser
Sustainability Report - Setting The Agenda For Value Creation	Bursatra Sdn Bhd
Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide	Bursa Malaysia Berhad
Corporate Liability Under The Malaysian Anti-Corruption commission (Amendment) Act 2018	PPB Group Berhad
Busatra programme - Board Committees - Disclosure Framework & Key Activities	BURSATRA SDN BHD
CIISS International Conference on Belt & Road Initiatives 2018: "Turning Risks of Conflict in the Region into Opportunities for Cooperation"	MIMA
Malaysian Technical Cooperation Programme 2018	MIMA
1st Distinguished Board Leadership Series – Navigating the VUCA World	FIDE Forum
Anti-corruption Summit 2018 - "Good Governance And Integrity For Sustainable Business Growth"	Aram Global Sdn Bhd & Transparancy International Malaysia
Know The Process, Know Your Rights: Tax Does Not Have to be Taxing	Malaysian Institute of Accountants
Invest Malaysia 2018	Bursa Malaysia Berhad & Maybank Investment Bank Berhad
Strategic Finance For Decision Makers	Kexxel Group International Events Organizer
MFRS 9 Financial Instruments Applying It Right the First Time	Malaysian Institute of Accountants
Labuan IBFC Asset Leasing Symposium 2018 "Meeting the Needs of Transparency and Substance"	Labuan International Business and Financial Centre
KPMG Tax & Business Summit 2018	KPMG Tax Services Sdn Bhd
2019 Budget Tax Conference	Crowe CPE Sdn Bhd
Market Insights Forum 2018 - Riding The Global Wave, Leading Investment	RHB Asset Management
2018 EO San Francisco Global University	Enterpreneurs' Organization Malaysia

VII. Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

	Group RM	Company RM
Executive:		
Fees	360,000	288,000
Other emoluments	1,537,840	1,528,480
	1,897,840	1,816,480
Independent Non-Executive:		
Fees	309,000	285,000
Other emoluments	62,400	59,280
	371,400	344,280
Total Directors' remuneration	2,269,240	2,160,760

The number of Directors in each remuneration band for the financial year 2018 is as follows:

Range of Remuneration	Executive Directors	^Non-Executive Directors	Total
Below RM50,000	-	1	1
RM50,001 to RM100,000	-	2	2
RM100,001 to RM150,000	-	2	2
RM150,001 to RM200,000	1	-	1
RM200,001 to RM250,000	1	-	1
RM700,001 to RM750,000	2	-	2
	4	5	9

^ *Inclusive of one Non-Executive Director who retired during the financial year 2018*

The Board has considered the disclosures of details of the remuneration of each Director as required in MMLR of Bursa Securities and Practice 7.1 of the MCCG 2017. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "band disclosure" as above.

The Company departs from Practices 7.2 and 7.3 of the MCCG 2017 in view that there would be adverse implication including dissatisfaction and animosity among the staff in the event that the Company disclose salaries, bonuses, benefits in-kind and other emoluments of Senior Management on a named basis.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("AC") comprises four (4) members who are Independent Non-Executive Directors and is chaired by Encik Sobri bin Abu. All members of the Audit Committee possess the required skills and experience to effectively discharge their duties and responsibilities as members of the AC. None of the members were former key audit partners for the Company or the Group in the past two (2) years.

Further details of the Audit Committee and its activities are set out in the Audit Committee Report of this Annual Report.

II. Relationship with the Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. The internal auditors report directly to the Audit Committee and details of their activities are provided in the Audit Committee Report. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views in issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of Executive Board members and management, at least twice a year.

The external auditors have declared that they are independent and do not have any conflict of interest to carry out the audits and provision of non-audit services to the Group.

III. Internal Audit Function

Details of the internal audit function and activities are as set out in the Audit Committee report of this Annual Report.

IV. Recurring Related Party Transactions

The Board, through the Audit Committee, reviews all recurring related party transactions.

All recurring related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurring related party transactions.

V. Risk Management Framework and Internal Control

The Group's Statement on Risk Management & Internal Control which provides an overview of the risk management framework and state of internal control within the Group is presented in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Corporate Disclosure Policy

The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company releases all announcements, material and price sensitive information in a timely manner to Bursa Securities as required under the MMLR of Bursa Securities as well as releases the Company's updates to the market and community through the Company's website, media releases and other appropriate channels.

The Executive Directors evaluate the release of all major communications to investors and Bursa Securities.

II. Communication with Investors and Shareholders

The Board recognises the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy have been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and the public generally. An Investor Relation function has been established to facilitate communication between the Company and its existing shareholders and potential investors.

The Investor Relation function communicates with shareholders and investors through periodic roadshows and investor briefings both locally and abroad, with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investor briefings.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Securities, the Group maintains a website (www.favellefavco.com) that allows all shareholders to gain access to information, business activities and recent developments of the Group and for feedback.

III. Annual General Meeting

The Annual General Meeting ("AGM") is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. Shareholders who are unable to attend the AGM are allowed to appoint proxy/proxies to attend, participate, speak and vote on their behalf. In line with good CG practices, the notice of the AGM was circulated at least 28 days before the date of AGM to enable shareholders to make the necessary arrangements to attend and make informed voting decisions at the AGM.

The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting. External auditors were also invited to attend the Annual General Meeting to provide independent clarification on issues relating to the conduct of audit and Auditors' Report, if any.

In accordance with the MMLR of Bursa Securities, voting at the AGM shall be conducted by poll. All shareholders shall be briefed on the voting procedures by the poll administrator prior to the poll voting and the appointed independent scrutineer shall validate the votes cast and announce the poll results.

COMPLIANCE STATEMENT

The Company has complied to a substantial extent, with the principles set out in the MCCG 2017 and the relevant requirements of the MMLR of Bursa Securities on CG to the extent as set out above throughout the financial year ended 31 December 2018.

This CG Overview Statement was approved by the Board of Directors on 16 April 2019.

Audit Committee Report

The Board of Directors ("Board") of Favelle Favco Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

Composition and Attendance

The Audit Committee ("AC") comprises four (4) Independent Non-Executive Directors. The AC therefore complied with paragraphs 15.09 (1) and 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which state that the AC must be composed of not fewer than three (3) members, all of whom must be non-executive directors with a majority of them being independent directors with at least one (1) member being a qualified accountant and the Chairman, an Independent Director.

During the financial year under review, the AC held four (4) meetings. The members of the AC and record of their attendance at the Committee Meetings held during the financial year ended 31 December 2018 are as follows:

Members	Designation	Attendance at meetings in 2018
Sobri bin Abu	Chairman *(Independent Non-Executive Director)* *(Re-designated as Chairman of Audit Committee on 28 February 2018)*	4/ 4
Tan Sri A. Razak bin Ramli	Member *(Senior Independent Non-Executive Director)* *(Re-designated as member of Audit Committee on 28 February 2018)*	3/ 4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Independent Non-Executive Director)*	4/ 4
Lim Teik Hin	Member *(Non-Independent Non-Executive Director)* *(Resigned on 16 April 2018)*	1/ 1
Dato' Sri Khazali bin Haji Ahmad	Member *(Independent Non-Executive Director)* *(Appointed on 16 April 2018)*	3/ 3

Whilst the AC reported to the Board on principal matters deliberated during the four (4) AC meetings, minutes of the meetings had also been circulated to each member of the Board.

The Group's Finance Director, Group Financial Controller and the Group Internal Audit Manager attended all meetings by invitation. Representative of the External Auditors and other Board members also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2018

The AC carries out its duties in accordance with its Terms of Reference. The main works and activities undertaken by the AC are as follows:

(i) Financial Reporting & External Audit

- Reviewed the quarterly financial results as well as the year end financial statements of the Group before recommending them to the Board of Directors for consideration and approval for announcement. The AC deliberated on book orders, budgeted revenue, profitability and cash position.
- Reviewed the external auditors' audit plan, scope of work and results of the annual audit for the Group and the Management Letter, including Management's response.
- Convened two (2) meetings with the external auditors without the presence of the Executive Directors and Management to discuss relevant issues and obtain feedbacks.

Summary of Activities in 2018 (continued)

(ii) Internal Audit

- Reviewed and approved the internal audit plan to ensure adequacy of the scope of coverage;
- Reviewed the recurrent related party transactions review report;
- Reviewed the internal audit reports presented by the Internal Auditors which comprise internal auditors' recommendations and management's committed action plans; and
- Reviewed the results of follow-up audits performed by the Internal Auditors to monitor the status of management's implementation of those committed action plans.

(iii) Reviewed the recurrent related party transactions that arose within the Group to ensure that the amounts transacted were within the mandate approved by the shareholders.

(iv) Deliberated on major business risks such as the cranes on-time delivery performance and material litigation affecting the Group.

(v) Reviewed the Company's dividend proposal and recommended the same to the Board for approval.

Internal Audit Function

The Group Internal Audit Department ("GIAD") of the holding company provides internal audit services to the Company. GIAD is governed by the Internal Audit Charter that defines the scope, authority, roles and responsibilities of its function. GIAD reports directly to the AC and has unrestricted access to the Executive Directors as well as the Senior Management. As the third line of defence, GIAD performs independent assessment on the adequacy and effectiveness of the Group's system of internal control, risk management and governance processes.

GIAD is headed by Foo Sek Thai who is a member of the Malaysian Institute of Accountants and is a Chartered Member of the Institute of Internal Auditors Malaysia. As at 31 December 2018, he was supported by three (3) internal audit staff who possess professional qualifications and/or university degrees. All internal auditors have signed a declaration to confirm that they have complied with the code of conduct and are free from any relationships or conflicts of interest which could compromise their independence or impair their objectivity during the course of their audit works. GIAD is guided by the International Professional Practice Framework (IPPF) and the internal audit works use risk based approach.

GIAD performs its works in accordance with the risk-based internal audit plan approved by the AC. For the financial year ended 2018, the scope of review included the following:

- Procurement Process
- Management of Cranes Assets
- Recurrent and Related Party Transactions

Results of the audit which included findings, recommendations and management's mitigation action plans are reported to the AC for deliberations. In addition, GIAD carried out the following:

- Facilitated Risk Management Committee meetings and Risk Management Unit meetings for the various business units.
- Reviewed the Statement on Risk Management and Internal Control for the Company's 2018 Annual Report.

The total cost incurred by GIAD for the financial year ended 31 December 2018 was approximately RM237,000.

Terms of Reference

The AC Terms of reference is available on the Company's website at www.favellefavco.com.

Statement on Risk Management & Internal Control

Board's Responsibilities

The Board, in discharging its responsibilities, is committed to the maintenance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board affirms its overall responsibility for maintaining a sound system of risk management and internal control so as to safeguard the shareholders' interests and the Group's assets. The Board has also received assurance from the Managing Director/Chief Executive Officer and Group Financial Controller that the Group's risk management and internal control system are reasonably adequate and effective in material aspects, based on the risk management and internal control system of the Group.

Due to inherent limitations in any risk management and internal control system, such system established by Management is designed to manage rather than to eliminate the risks of failure to achieve the Group's business objectives. Accordingly, the risk management and internal control system can only provide reasonable and not absolute assurance against material error, misstatement or loss.

Risk Management

In line with the good practice to closely monitor the Group's risk exposures, a Risk Management Committee ("RMC") with its principal roles and responsibilities stated in the risk management policy and procedure was established at the Group level. The RMC that consists of Executive Directors and members from Senior Management, monitors the Group's risk exposures by meeting on a quarterly basis to review the risk profile. During the meetings, the status of the Group's major risks is deliberated and the reports on the major risks submitted by the Risk Management Units ("RMUs") are reviewed. The outcome of the RMC meetings is reported to the Board by the RMC Chairman who is also an Executive Director.

The RMC is supported by RMUs set up at the respective business entities. The RMU within each business entity meets on a quarterly basis to review the status of the risks profile and the results of their reviews are documented in the report that comprises risk profile and risk matrix.

The RMC and RMUs are established with the aim of providing a continuing and consistent approach in identifying and assessing risks as well as facilitating the review of the adequacy of the related key internal control procedure in mitigating the risk. Such risk management process was in place until the date of approval of this Statement.

Key Elements of Internal Control

- Organisation Structure & Authorisation Procedures

  The Group maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, review and approval procedures to enhance the internal control system of the Group's various business units.

- Authority Limits

  The Group has issued a Discretionary Authority Limit that refers to the authority limits for financial and non-financial transactions which have been assigned to certain personnel to approve or carry out transactions in order to enable timely decision making and ensure check and balance on the commitments to be undertaken on behalf of the Group.

Key Elements of Internal Control (continued)

- Group Policies and Procedures

  Policies, objectives, quality procedures and safety procedures for key business processes are formalised and documented in quality manuals. The Quality Assurance/Quality Control ("QA/QC") Department conducts yearly Internal Quality Audits and checks to ensure that the operational processes are in accordance with the ISO 9001:2015 and ISO/TS29001:2010 Quality Management System, API Specification Q1 and API Specification 2C respectively. API Specification Q1 and API Specification 2C are certifications from the American Petroleum Institute.

- Budgetary Review on Profit & Loss

  An annual profit and loss budget is prepared by Management and tabled to the Board for approval. Quarterly monitoring is carried out to measure the actual performance against budget to identify significant variances and report to the Board.

- Quality Assurance / Quality Control

  The QA/QC Department of the respective entities within the Group focuses on Quality Assurance of the manufacturing works of the Group. Quality Control Inspectors have been carrying out quality control activities at manufacturing plants and fabrication yards as well as on sub-contractors to ensure that the work performances comply with the quality specifications.

- Health, Safety and Environment

  The Health, Safety and Environment Department has been embarking on periodic training and inspection to ensure reasonable levels of awareness of and compliance with the required law and standards. Their activities are compiled and reported on a monthly basis.

- Information and Communication

  Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the attention of the Board and Senior Management are highlighted for review, deliberation and decision on a timely basis.

- External Audit

  If the external auditors detect any internal control weakness during the course of their audit, they will highlight such weakness in the audit review memorandum to the Audit Committee for their attention.

The Group's system of internal control does not apply to Associate Companies where the Group does not have full management control over these entities. However, the Group's interest is served through representations on the board of the respective Associate Companies.

Review of Internal Controls

The AC is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. In addition to reviewing of the quarterly reports submitted by Management and observations reported by the external auditors, the AC is also supported by the Group Internal Audit Department which performs independent assessment on the adequacy and effectiveness of the internal controls based on the audit plan approved by the AC. The internal audit findings and recommendations are reviewed by the AC on a quarterly basis. A description of the work and activities of the AC can be found in the Audit Committee Report in this Annual Report.

Review of Statement by External Auditors

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control, in all material aspects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers, or is factually inaccurate. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG3") (formerly known as Recommended Practice Guide ("RPG") 5 (Revised 2015)) issued by the Malaysian Institute of Accountants.

Conclusion

The Board is of the view that the Group's system of internal control is reasonably adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, effect appropriate action plans to further enhance the system of internal control and risk management framework.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("the Act") to ensure that the annual financial statements of the Group and the Company are prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and that these financial statements provide a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2018.

In preparing these financial statements, the Directors have adopted appropriate accounting policies on a consistent basis, made judgments and estimates that are reasonable and prudent and ensured that the financial statements are prepared on a going concern basis in accordance with the applicable accounting standards.

The Directors are required to keep proper accounting records with reasonable accuracy to enable them to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

At Favelle Favco, our business is run based on continuous improvement and striving to be the best in the industry. This year, we have taken up the call towards sustainable development, integrating our business operations with sustainable practices that will not only enhance our market presence, but safeguard the environment and improve the livelihood of society and future generations as well.

About this Statement
LIFTING THE SCENE TO KEEPING IT SUSTAINABLE

Long-term planning and responsible actions have led to our success as one of the builders of the world's fastest cranes. By steering our focus towards sustainability, we efficiently manage our economic, environmental and social ("EES") risks that may impact our business value chain whilst showcasing our commitment towards building a sustainable future for the Group.

We have prepared our inaugural sustainability statement in accordance with the requirements set out by the Sustainability Reporting Guide published by Bursa Malaysia Securities Berhad (Bursa Malaysia). The format that we have adopted is in line with the Global Reporting Initiative ("GRI") G4 Guidelines.

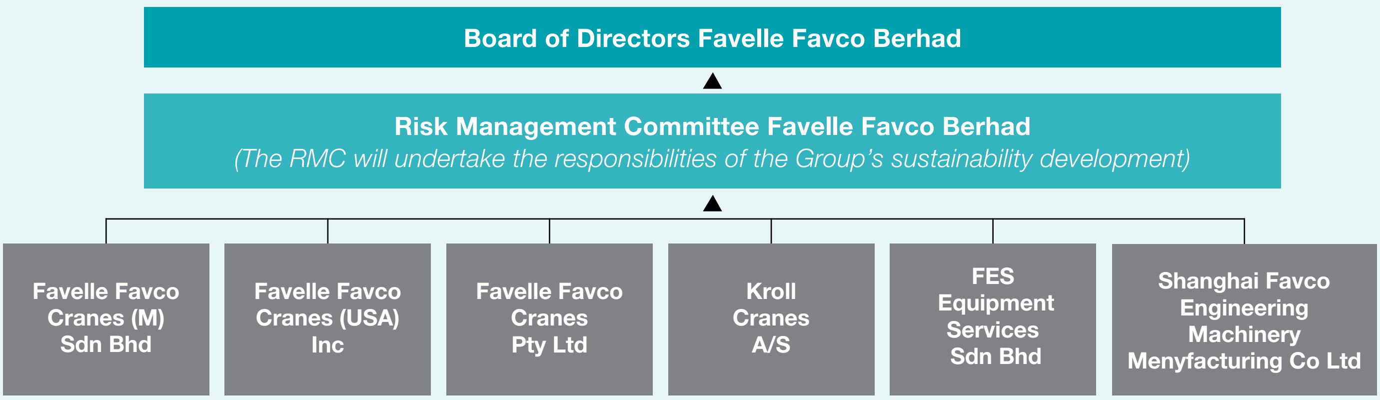
Scope and Boundary
For the purpose of this sustainability statement, we have focused on our operations in Malaysia, specifically, our sustainability initiatives at our corporate headquarters in Klang and, our manufacturing operations in Senawang, Seremban.

Governing Our Sustainability Efforts
A robust governance structure is fundamental in the integration of sustainable practices across the Group. The Group's **Risk Management Committee ("RMC")** has taken on the additional responsibility of managing sustainability across the Group to ensure the initiatives put in place are aligned with the Group's long-term business strategy with the **Board of Directors** at its apex.

Roles and Responsibilities

Board of Directors
- Issues the final approval for all sustainability strategies and material issues identified by the RMC
- Oversees the overall progress of the committee's sustainability efforts

RMC
- Monitors the Group's risk exposures by reviewing the organisation's risk profile on a quarterly basis,
- Monitors sustainability initiatives and reports the sustainability progress to the Board of Directors,
- Develops an overarching sustainability strategy for the Group and implement approved sustainability initiatives across the Group levels, and
- Recommends sustainability matters that are applicable to the Group.



Maintaining Good Stakeholders Engagement

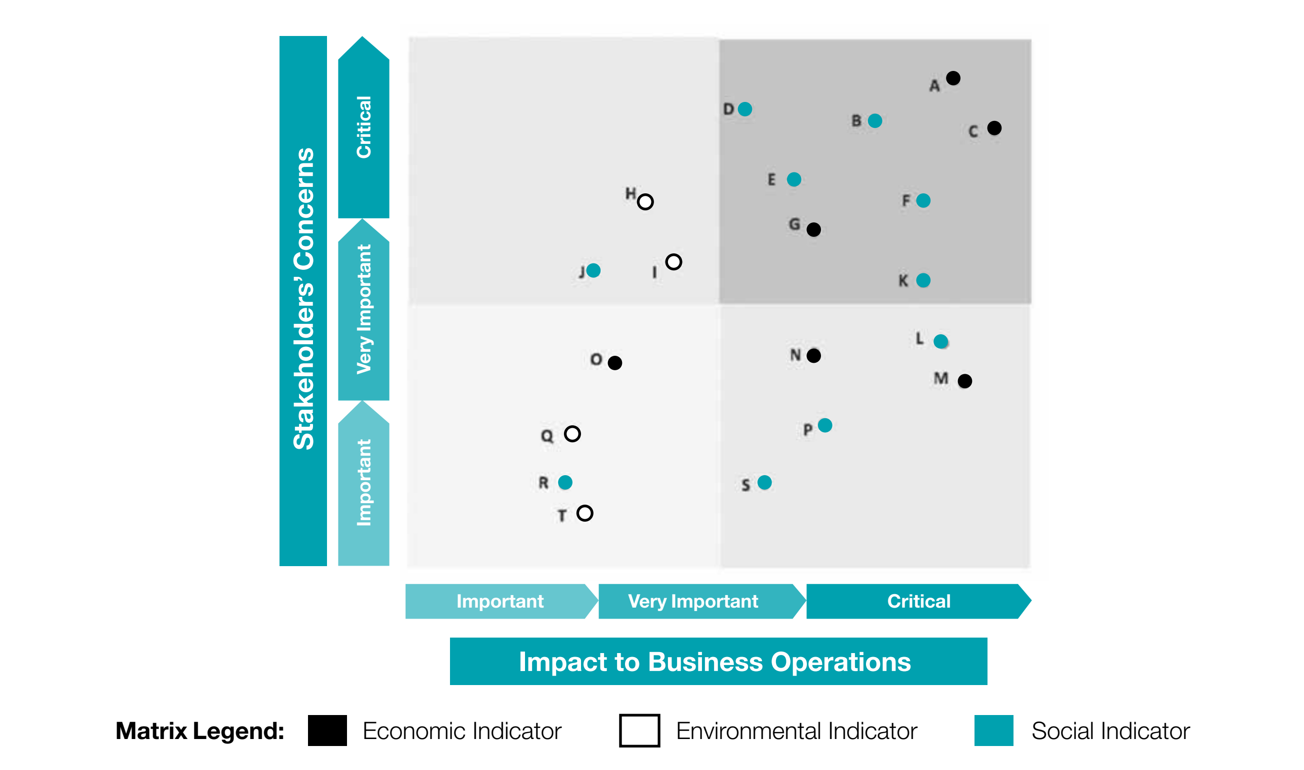
The Group's stakeholders comprise internal and external groups that are directly or indirectly impacted by our organisation and the crane industry. Through multi-platform communication channels, we engage our stakeholders, and their respective concerns, to effectively address and manage their issues and expectations.

Employees	Regulatory Agencies and Statutory Bodies	Customers
Areas of Concern		
• Performance Management System • Learning, Competency and Career Development • Industrial Harmony • Work-life Balance • Equal Pay • Safe and Healthy Working Environment	• Governance Compliance • Statutory and Regulatory Compliance • Labour Practices • Occupational Safety and Health • Environmental Management and Compliance	• Efficient Complaints Resolution • Customer-Company Relationship Management • Safety and Security • Meeting Technical and Commercial Requirements • After-sales Service Support • Training of Customers' Technical Personnel
Engagement Platform		
• Circulation of Internal Policies • Management Meetings • Annual Staff Appraisals • Competency-based Training • Communal Sensitivities in Counselling and Housing Practices • Sports and Recreation Activities • HSE Committee meetings, Inspections and Audits activities • Unsafe Condition and Unsafe Act (UCUA) Activities	• Renewal of Permits and Licensing • Waste and Effluent Management • Inspection by Local Authority • Annual Reports • General Meetings with Managers and Local Regulators • Internal and External Audit	• Regular Client Reports and Meeting • Customer Feedback Management • Customer Satisfaction Survey • Community and Networking Events • Training

Suppliers and Contractors	Local Communities	Investors
Areas of Concern		
• Transparent Procurement Practices • Intellectual Properties • Clear Scope of Supply and Requirements • Payment Schedule • Pricing of Services • Prioritisation of Local Product • Capability and Facilities to Meet Requirements	• Social Issues • Impact of Business Operation • Transparency and Accountability • Environmental Impacts • Mismatch of Qualification with Job Requirements • Industry Safety	• Group Financial Performance • Group Business Strategy • Sustainable and Stable Distribution Income • Share Price Growth
Engagement Platform		
• Supplier Performance Appraisal • Supplier Quality Management • Contract / Quotation Negotiation • Vendor Registration • Open Tender	• Community Engagement with Local Council • Job Opportunities • Training	• Investors Seminars and Conference • Investors Meetings • Annual General Meetings • Annual Reports • Non-Deal Roadshows

Our Materiality Assessment

Identifying our material sustainability matters is an important step towards recognising the EES that are embedded in our value chain. To better understand the material sustainability matters that impact the Group's business activities and, that are important to our stakeholders, the **RMC** identified and ranked the material issues based on GRI's economic, environmental and social aspects using a weighted ranking method.



	Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Concerned
A.	Corporate Governance and Transparency	GRI General Standard Disclosure	Employees and Investors
B.	Regulatory Compliance	Compliance	Regulatory Agencies, Investors and Customers
C.	Financial Performance	Economic Performance	Employees and Investors
D.	Training and Development	Training and Education	Employees
E.	Quality Control	Product Service and Labelling	Supplies and Contractors, and Customers
F.	Occupational Health and Safety	Occupational Health and Safety	Employees, Regulatory Agencies and Suppliers and Contractors
G.	Risk Management	GRI General Standard Disclosure	Investors
H.	Hazardous Waste Management	Effluent and Waste	Local Communities, Investors and Regulatory Agencies
I.	Air Emissions	Emissions	Local Communities and Regulatory Agencies
J.	Employee Wellbeing	Diversity and Equal Opportunity	Employees

	Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Concerned
K.	Ethics and Integrity	GRI General Standard Disclosure	Employees, Investors and Customers
L.	Investors Relation	GRI General Standard Disclosure	Investors
M.	Human Rights and Labour Practices	Child Labour and Forced or Compulsory Labour	Employees and Regulatory Agencies
N.	Contractor Management	GRI General Standard Disclosure	Suppliers and Contractors
O.	Supply Chain Management	GRI General Standard Disclosure	Suppliers and Contractors
P.	Customer Satisfaction	Product Service and Labelling	Customers
Q.	Manufacturing Materials	Materials	Local Communities, Investors and Regulatory Agencies
R.	Contribution to Society	Local Communities	Local Communities
S.	Talent Retention	Training and Education	Employees
T.	Water Consumption	Water	Local Communities, Investors and Regulatory Agencies

Our Road to Sustainability

Our sustainability efforts will be guided by an overarching strategy to achieve our goals on sustainable development. We begin by presenting a sustainability vision that encompasses the Group's overall sustainability aspirations, drawing upon four main pillars *(Marketplace, Workplace, Environment and Community*) that will become building blocks for us to achieve our vision.

Sustainable Workplace

As one of the market leaders in the cranes manufacturing industry, we are committed to delivering sustainable long-term returns to our shareholders in an ethical and transparent manner while sustaining healthy economic growth. Our policies and guidelines shape the way we conduct our business operations.

Embedding Ethical Business Practices

Effectively managing EES risks ensures business sustainability while meeting stakeholders' expectations. The listed policies and guidelines we adhere to further highlight our commitment to maintaining corporate integrity through effective governing.

Product Quality and Control

The Group manufactures some of the best cranes used globally. To maintain this reputation, we conduct product quality monitoring on a real-time basis using inspection and test plans on each of the cranes that we manufacture.

A Quality Policy was also established in 2017 to formalize our monitoring procedure and quality assurance methods. The monitoring process includes product quality objectives to be met for the following aspects: financial, customer, internal process, people management and suppliers.

Sustainable Workplace

Human capital is the most valuable and integral part of our business sustainability. In view of this, we have made it our priority to nurture a work environment that is both well-balanced and rewarding for our employees. We empower our workforce through systematic training programmes and career development opportunities to facilitate best practices and work performance.

Diversity and Inclusion

Our continuous efforts to uphold fair employment practices safeguards a working environment that is respectful, safe and fair - regardless of gender, age or racial distribution - for all our employees.

Employment Level

The Group employs a total of 666 individuals consisting primarily of non-executives who make up 74% of the total workforce. The executive level employees account for 23% and the remaining 3% are employed at management level.

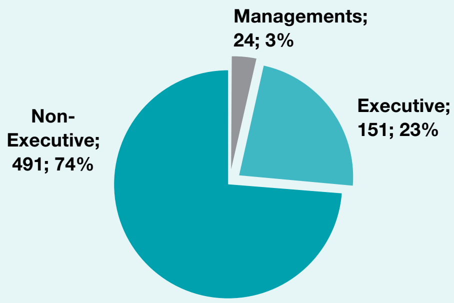
Gender and Age Distribution

While we strive towards gender diversity in the workplace, we also appreciate that the manufacturing industry is heavily dominated by males due to the tasks performed and risk associated with working in such an environment. Thus, the majority of our employees (89%) are men.

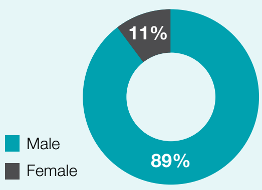
The employee age distribution is made up of 56% employees within the 30 to 50 years old age range, followed by 38% and 6% in the less than 30 years old and more than 50 years old age range respectively.

Favelle Favco's Policies and Procedures
National Policy
Malaysia's Minimum Wage Order 2016
Employment Act 1955
Accountants Act 1967; In compliance to Malaysia's Financial Reporting Standards (FRS)
Companies Act 2016
Electricity Supply Act 1990
Factories and Machinery Act 1967
Fire Services Act 1988
Occupational Safety and Health Act 1994
Environmental Quality (Scheduled Waste) Regulations 2005
Quality Management Systems ISO 19001:2015
American Petroleum Institute (API) Specification Q1; Quality Management System Requirements for Manufacturing Organisations for the Petroleum and Natural Gas Industry
API Specification 2C; *Offshore Pedestal Mounted Cranes*
Internal Policy
Safety, Health and Environment Policy 2015
Quality Policy 2017
Drug and Alcohol Policy 2015

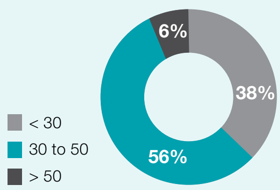
Favelle Favco's Employment Levels Based on Number of Individuals



Gender Distribution



Age Distribution, Years



Employee Advancement and Development

A competent workforce is crucial for the Group's performance. The investments we make in fostering the individual skills of our employees are through targeted programmes that include a wide range of competency-related training courses and industry related seminars.

Health and Safety Measures

At our Group, we make safety a part of everything we do and continuously review and improve our working conditions and ensure adherence to the Occupational Safety and Health Act, 1996. Our Safety, Health and Environment Policy is a reflection of our commitment to ensuring a safe and conducive workplace.

The management of safety and health initiatives is helmed by our Environment, Health and Safety Committee comprising 29 members. Their responsibilities include the implementation and monitoring of safety and health practices at our active work sites and at our manufacturing facilities. Our employees are trained to stop unsafe work at any of our locations, make safety observations and report near-misses and loss time injury.

Sustainable Environment

A sustainable and responsible use of energy and environmental resources is an integral part of our Group's corporate culture. We abide by the Environmental Quality Act, 1974 and its subsidiary regulations as well as the policies and guidelines put in place by the Department of Environment.

Reducing Energy Usage

Climate change remains an ongoing material sustainability issue that affects all industries at a global level. The effects of climate change are exacerbated by uncontrolled carbon emissions through industrial processes and urbanization. We installed transparent roof cladding at our Senawang manufacturing facility to utilise natural lighting which reduces the amount of electricity consumption, one of the main contributors to carbon emissions, used to light the factory. We are also in the mid of switching to solar power. Additionally, we implemented a timer-system for the light fixtures that lights the outside of our factory.

Monitoring Emission Levels

Our manufacturing operations include the assembly and spray painting of the cranes that we build. We monitor and manage our emissions by conducting the painting activities within a designated paint booth equipped with a water curtain. The impurities from the painting activity is removed by the water curtains and only the clean air is released to the environment via a stack. To monitor the efficiency of the system, we undertake stack monitoring three times a year.

Managing Air Emissions

- Water curtain
- Stack monitoring

Responsible Waste Management

Scheduled wastes are by-products of most manufacturing processes. Examples of the scheduled waste produced by our manufacturing operations include spent lubricating oil, spent hydraulic oil, spent mineral oil-water emulsions; and rags, plastics, papers or filters contaminated with scheduled wastes. As required under the Environmental Quality (Scheduled Wates) Regulations 2005, we comply with the requirements for handling, storage and disposal by contractors licensed by the Department of Environment, Malaysia. We also keep up to date inventory of the waste quantities generated, stored and disposed.

Sustainable Community

As our business continues to expand regionally and globally, we remain committed to improving the lives and wellbeing of those living in the community we operate in. Our community contribution is mainly focused on enhancing the local economy and job employability of the people living in Senawang, Seremban. The Group hires most of its employees from the surrounding local community, providing job opportunities for local talents rather than hiring foreign human capital.

We further contribute towards uplifting job employability and technical skills for our local hires by providing sponsorship for vocational training. This includes the sponsorship of 202 local employees residing in Senawang for job-related training programmes which covers technical skills, safety and health awareness, chemical safety training, financial and administration training for FY2018. We further sponsored 28 employees for specialized health and safety training and conferences held by DOSH.

Moving forward for the coming years, we aim to deepen our understanding of material societal issues that can be managed or improved by the Group to achieve harmonious living and societal prosperity.

We conclude our 2018 sustainability efforts on a positive note and remain optimistic of future prospects with regards to sustainable development. The Group remains driven and eager to continue and build on our sustainability efforts in the coming years, further improving the way we manage our material sustainability issues identified in this financial year.

Financial Statements

Directors' Report for the financial year ended 31 December 2018

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 2018.

Principal activities

The Company is principally engaged in the business of investment holding, whilst the principal activities of the subsidiaries and associates are set out in Notes 7 and 8 respectively to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	63,328	46,502
Non-controlling interests	5,264	-
Profit after taxation for the financial year	68,592	46,502

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.

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 13.50 sen per ordinary share totaling RM29,888,023 in respect of the financial year ended 31 December 2017 on 24 September 2018.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2018 is 13.50 sen per ordinary share totaling RM29,888,023 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

The Directors who served since the date of the last report and at the date of this report are:

Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Mac Chung Hui
Mac Ngan Boon @ Mac Yin Boon
Lee Poh Kwee
Mazlan bin Abdul Hamid
Sobri bin Abu
Dato' Sri Khazali bin Haji Ahmad *(Appointed on 16.4.18)*
Lim Teik Hin *(Resigned on 16.4.18)*

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Andrew Yan Hean Howe
Azly Bin Abdul Kadir
Bong Yong Ching
Dr. Rolf Buhr
Henrik Thal Jantzen
Hui Siew May
Michael Khoo Kok Eng

Directors of the Company (continued)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:- (continued)

Michael Klit Stjernholm
Morgens Bronsholm Nielsen
Mohammad Amin Bin Yahya
Ng Keng San
Shenandoah Chong Shin Kwek
Shih-Chuan Chen
Soh Huk Lin
Soren Rasmus Carstens
Syed Firdaus Alsagoff Bin S Imran
Syed Ismail Bin Syed Abdillah
Teo Kai Sze, Henry
Tew Siew Chong
Tey Hwee Yee
Thomas Steen Jensen

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 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			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Interests in the Company				
Tan Sri A. Razak bin Ramli				
- Direct	300,000	-	-	300,000
- Indirect	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Mac Chung Hui	2,342,000	-	-	2,342,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,142,913	-	-	9,142,913
- Indirect	1,738,800	-	-	1,738,800
Lee Poh Kwee	1,715,000	-	-	1,715,000
Mazlan bin Abdul Hamid	2,432,000	-	(155,100)	2,276,900

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	131,241,043	-	-	131,241,043

* Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his direct substantial shareholding in Muhibbah Engineering (M) Bhd.

Directors' interests (continued)

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Interests in the ultimate holding company - Muhibbah Engineering (M) Bhd.				
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	3,000	-	-	3,000
Mac Chung Hui	5,705,000	-	-	5,705,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	73,501,416	-	-	73,501,416
- Indirect	21,017,500	-	(100,000)	20,917,500
Lee Poh Kwee				
- Direct	6,046,272	-	-	6,046,272
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000

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 Share Issuance Scheme are set out below:

	Number of options over ordinary shares			
	At 1.1.2018	Granted	Exercised	At 31.12.2018
The Company				
Mac Chung Hui	1,500,000	-	-	1,500,000
Mac Ngan Boon @ Mac Yin Boon	1,700,000	-	-	1,700,000
Lee Poh Kwee	1,200,000	-	-	1,200,000
Mazlan bin Abdul Hamid	1,200,000	-	-	1,200,000

	Number of options over ordinary shares			
	At 1.1.2018	Granted	Exercised	At 31.12.2018
Ultimate holding company - Muhibbah Engineering (M) Bhd.				
Mac Chung Hui	1,250,000	-	-	1,250,000
Mac Ngan Boon @ Mac Yin Boon	3,500,000	-	-	3,500,000
Lee Poh Kwee	2,500,000	-	-	2,500,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000

Directors' interests (continued)

By virtue of his direct and indirect interests in shares of the Company, Mac Ngan Boon @ Mac Yin Boon's shareholding of more than 20% 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, in accordance with Section 8 of the Companies Act 2016.

Other than the abovementioned Directors, none of the Directors holding office at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefit shown under the Key Management Personnel Compensation of our report) 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 interests as disclosed in Note 31 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the SIS of the Company.

The details of the directors' remuneration are disclosed in Note 25 to the financial statements.

Holding Company

The holding company during the financial year is Muhibbah Engineering (M) Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Issue of shares and debentures

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company except for the transfer of share premium pursuant to section 615(2) of the Company Act 2016 amounting to RM44,469,000 which became part of the issued share capital of the Company; and

(b) there were no issues of debentures by the Company.

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 Company's Share Issuance Scheme ("SIS").

The Company operates an SIS that was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 22 June 2017.

The main features of the SIS, details of share options offered and exercised during the financial year are disclosed in Note 19. The SIS will be expiring on 09 July 2022.

Indemnity and insurance cost

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 36 to the financial statements.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ensure that:

i) there are no known bad debts and that adequate allowance had been made for impairment losses on receivables, and

ii) any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and the Company, have been written down to an amount which they might be expected so to realise.

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.

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 of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company 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 2018 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.

Auditors

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 24 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Mac Ngan Boon @ Mac Yin Boon	**Lee Poh Kwee**

Klang, Selangor Darul Ehsan

11 April 2019

Statements of Financial Position as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	333,875	241,827	313	341
Intangible assets	4	100	203	-	-
Goodwill	5	71,183	-	-	-
Investment property	6	-	-	51,455	51,896
Investment in subsidiaries	7	-	-	172,031	35,130
Investment in associates	8	12,186	14,746	19,266	19,266
Deferred tax assets	9	24,949	25,234	620	-
Receivables, deposits and prepayments	10	4,465	6,129	4,465	6,129
Total non-current assets		446,758	288,139	248,150	112,762
Receivables, deposits and prepayments	10	213,112	199,972	38,502	57,893
Contract assets	11	124,597	164,184	-	-
Inventories	12	164,120	156,455	-	-
Current tax assets		7,885	20,096	-	-
Derivative assets	18	336	6,467	-	-
Cash and cash equivalents	13	323,800	372,128	2,090	68,042
Total current assets		833,850	919,302	40,592	125,935
Total assets		1,280,608	1,207,441	288,742	238,697

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Equity					
Share capital	14	155,170	110,701	155,170	110,701
Reserves		36,275	81,068	5,479	45,665
Retained earnings		468,266	437,740	96,076	82,117
Total equity attributable to owners of the Company		659,711	629,509	256,725	238,483
Non-controlling interests		30,103	(1,281)	-	-
Total equity		689,814	628,228	256,725	238,483
Liabilities					
Deferred tax liabilities	9	11,194	11,179	-	-
Loans and borrowings	15	23,123	18,780	-	-
Payables and accruals	16	15,575	-	15,575	-
Total non-current liabilities		49,892	29,959	15,575	-
Contract liabilities	11	211,061	270,308	-	-
Loans and borrowings	15	24,042	15,149	-	-
Payables and accruals	16	258,586	232,886	16,370	82
Provision for warranties	17	31,774	25,347	-	-
Current tax liabilities		15,439	5,564	72	132
Total current liabilities		540,902	549,254	16,442	214
Total liabilities		590,794	579,213	32,017	214
Total equity and liabilities		1,280,608	1,207,441	288,742	238,697

The notes set on pages 57 to 126 are an integral part of these financial statements.

Statements of Profit or Loss and other Comprehensive Income

for the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	20	530,590	526,484	54,368	46,863
Cost of sales		(353,819)	(376,355)	-	-
Gross profit		176,771	150,129	54,368	46,863
Other income		2,226	3,287	-	-
Distribution costs		(7,769)	(7,732)	-	-
Administrative expenses		(85,887)	(59,977)	(9,864)	(6,437)
Results from operating activities		85,341	85,707	44,504	40,426
Finance income	21	6,519	7,075	1,850	4,255
Finance costs	22	(2,602)	(2,024)	(56)	(98)
Net impairment losses on financial assets and contract assets	23	12,329	(6,678)	908	-
Operating profit		101,587	84,080	47,206	44,583
Share of loss in associates, net of tax		(2,561)	(803)	-	-
Profit before tax	24	99,026	83,277	47,206	44,583
Income tax	26	(30,434)	(19,280)	(704)	(613)
Profit for the year		68,592	63,997	46,502	43,970

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit for the year		68,592	63,997	46,502	43,970
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		-	6,844	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(4,512)	(2,378)	-	-
Other comprehensive income for the year, net of tax		(4,512)	4,466	-	-
Total comprehensive income for the year		64,080	68,463	46,502	43,970
Profit attributable to:					
Owners of the Company		63,328	63,097	46,502	43,970
Non-controlling interests		5,264	900	-	-
Profit for the year		68,592	63,997	46,502	43,970
Total comprehensive income attributable to:					
Owners of the Company		58,721	67,506	46,502	43,970
Non-controlling interests		5,359	957	-	-
Total comprehensive income for the year		64,080	68,463	46,502	43,970
Earnings per ordinary share (sen)					
- Basic	28	28.60	28.50		
- Diluted	28	28.60	28.24		

The notes set on pages 57 to 126 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2018

Group	Note	Share capital RM'000	Treasury shares RM'000
At 1 January 2017		110,701	(21)
Profit for the financial year		-	-
Foreign currency translation differences for foreign operations		-	-
Movement in revaluation of property, plant and equipment, net of tax		-	-
Total comprehensive income for the financial year		-	-
Contribution by and distribution to owners of the Company:			
- Share-based payment	19	-	-
- Dividend to shareholders	27	-	-
		110,701	(21)
At 31 December 2017/1 January 2018		110,701	(21)
Change in accounting policies		-	-
At 31 December 2017/1 January 2018 (restated)		110,701	(21)
Profit for the financial year		-	-
Foreign currency translation differences for foreign operations		-	-
Movement in revaluation of property, plant and equipment, net of tax		-	-
Total comprehensive income for the financial year		-	-
Contribution by and distribution to owners of the Company			
- Acquisition of subsidiaries	34	-	-
- Share-based payment	19	-	-
- Dividend to shareholders	27	-	-
Transfer to share capital due to implementation of Companies Act 2016		44,469	-
At 31 December 2018		155,170	(21)
		Note 14.1	Note 14.2

Attributable to owners of the Company							
Non-distributable				*Distributable*			
Share premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
44,469	15,621	15,373	-	407,852	593,995	(2,238)	591,757
-	-	-	-	63,097	63,097	900	63,997
-	(2,435)	-	-	-	(2,435)	57	(2,378)
-	-	6,844	-	-	6,844	-	6,844
-	(2,435)	6,844	-	63,097	67,506	957	68,463
-	-	-	1,217	-	1,217	-	1,217
-	-	-	-	(33,209)	(33,209)	-	(33,209)
44,469	13,186	22,217	1,217	437,740	629,509	(1,281)	628,228
44,469	13,186	22,217	1,217	437,740	629,509	(1,281)	628,228
-	-	-	-	(2,914)	(2,914)	(2,183)	(5,097)
44,469	13,186	22,217	1,217	434,826	626,595	(3,464)	623,131
-	-	-	-	63,328	63,328	5,264	68,592
-	(4,607)	-	-	-	(4,607)	95	(4,512)
-	-	-	-	-	-	-	-
-	(4,607)	-	-	63,328	58,721	5,359	64,080
-	-	-	-	-	-	28,208	28,208
-	-	-	4,283	-	4,283	-	4,283
-	-	-	-	(29,888)	(29,888)	-	(29,888)
(44,469)	-	-	-	-	-	-	-
-	8,579	22,217	5,500	468,266	659,711	30,103	689,814
Note 14.1	Note 14.3	Note 14.4	Note 14.5	Note 14.6			

Statement of Changes in Equity for the financial year ended 31 December 2018

Company	Note	Share capital RM'000	Treasury shares RM'000	← *Non-distributable* → Share premium RM'000	Share option reserve RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 31 December 2016/ 1 January 2017		110,701	(21)	44,469	-	71,356	226,505
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	-	43,970	43,970
Contribution by and distribution to owners of the Company:							
- Share-based payment	19	-	-	-	1,217	-	1,217
- Dividend to shareholders	27	-	-	-	-	(33,209)	(33,209)
At 31 December 2017/ 1 January 2018		110,701	(21)	44,469	1,217	82,117	238,483
Change in accounting policies		-	-	-	-	(2,655)	(2,655)
At 31 December 2017/ 1 January 2018 (restated)		110,701	(21)	44,469	1,217	79,462	235,828
Profit for the financial year/ Total comprehensive income for the financial year		-	-	-	-	46,502	46,502
Contribution by and distribution to owners of the Company:							
- Share-based payment	19	-	-	-	4,283	-	4,283
- Dividend to shareholders	27	-	-	-	-	(29,888)	(29,888)
Transfer to share capital due to implementation of Companies Act 2016		44,469	-	(44,469)	-	-	-
At 31 December 2018		155,170	(21)	-	5,500	96,076	256,725
		Note 14.1	Note 14.2	Note 14.1	Note 14.5	Note 14.6	

The notes set on pages 57 to 126 are an integral part of these financial statements.

Statements of Cash Flows for the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax		99,026	83,277	47,206	44,583
Adjustments for:					
Amortisation of intangible assets		129	130	-	-
Allowance for impairment losses on receivables		6,159	16,989	-	-
Reversal of impairment losses		(18,488)	(10,311)	(908)	-
Allowance for impairment losses on investment in a subsidiary		-	-	100	-
Allowance for slow moving inventories		2,090	2,657	-	-
Depreciation expenses:					
- investment property		-	-	441	441
- property, plant and equipment		20,998	20,419	40	39
Dividend income from subsidiaries		-	-	(52,143)	(44,437)
Finance costs	22	2,602	2,024	56	98
Finance income	21	(6,519)	(7,075)	(1,850)	(4,255)
Gain on disposal of property, plant and equipment		(171)	(109)	-	-
Net unrealised loss/(gain) on foreign exchange		9,474	(704)	1,462	4,815
Provision for warranties		16,440	12,060	-	-
Share-based payments		4,283	1,217	4,283	1,217
Share of loss in associates, net of tax		2,561	803	-	-
Reversal of provision for warranties		(7,149)	(9,306)	-	-
Writedown of inventories		4,190	5,393	-	-
Provision of foreseeable losses		750	200	-	-
Operating profit/(loss) before changes in working capital		136,375	117,664	(1,313)	2,501
Changes in working capital:					
Development cost		(29)	-	-	-
Inventories		(6,698)	(23,425)	-	-
Receivables, deposits and prepayments		54,353	5,409	71,304	63,532
Payables and accruals		(57,489)	(3)	666	(1,100)
Interest received		5,866	6,228	1,154	1,211
Interest paid		(1,015)	(79)	-	-
Warranties paid		(1,844)	(1,983)	-	-
Income tax paid		(4,222)	(19,211)	(546)	(569)
Net cash generated from operating activities		125,297	84,600	71,265	65,575

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows for investing activities					
Acquisition of property, plant and equipment	13.2	(102,022)	(33,885)	(12)	(339)
Acquisition of investment property		-	-	-	(137)
Acquisition of subsidiary		(38,347)	-	(105,860)	-
Proceeds from disposal of property, plant and equipment		2,819	2,511	-	-
Net cash used in investing activities		(137,550)	(31,374)	(105,872)	(476)
Cash flows for financing activities					
Dividend paid to shareholders of the Company	27	(29,888)	(33,209)	(29,888)	(33,209)
Interest paid		(76)	(546)	-	-
Net proceeds/(repayment) of loans and borrowings		(1,723)	(3,614)	-	-
Net cash used in financing activities		(31,687)	(37,369)	(29,888)	(33,209)
Exchange differences on translation of the financial statements of foreign operations		(5,031)	(2,195)	-	-
Net increase in cash and cash equivalents		(48,971)	13,662	(64,495)	31,890
Effect of exchange rate fluctuations on cash held		(2,169)	(10,706)	(1,457)	(2,677)
Cash and cash equivalents at 1 January		369,793	366,837	68,042	38,829
Cash and cash equivalents at 31 December	13	318,653	369,793	2,090	68,042

The notes set on pages 57 to 126 are an integral part of these financial statements.

Notes to the financial statements

Favelle Favco Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is 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 2018 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 2018 do not include other entities.

The Company is principally engaged in the business of investment holding, whilst the principal activities of the subsidiaries and associates are set out in Notes 7 and 8 respectively to the financial statements.

The holding company during the financial year is Muhibbah Engineering (M) Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors on 11 April 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140 – Transfers of Investment Property
Annual Improvements to MFRS Standards 2014 – 2016 Cycles

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements except as follows:-

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The impacts on the financial statements upon the initial application of this accounting standard are disclosed in Note 35 to the financial statements.

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS15 to deal with specific scenarios.

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 Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and the Company upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial positon (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group and Company are currently assessing the financial impact that may arise from the adoption of this standard.

1. Basis of preparation (continued)

(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 currency

The individual financial statements of each entity in the Group are presented in the currency of primary economic environment in which the entity operates, which is the functional currency.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency 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 (o) – provisions - warranties
- Note 2 (q) – revenue from contract with customers
- Note 2 (u) – income tax
- Note 2 (x) – purchase price allocation

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 structured entities, controlled by the Company. 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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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 investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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
- 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 accounts for all changes in ownership interest in a subsidiary that do not result in a loss of control as equity transactions. Any difference between, and any consideration received or paid, is adjusted to or against Group reserves.

(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 from 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

Associates are entities, including unincorporated entities, in which the 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.

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.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. 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 investment includes transaction costs.

(vi) 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)

(vii) 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 investee. 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 on retranslation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

(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 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 cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, 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 that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

Current financial year (continued)

(b) Fair value through other comprehensive income (continued)

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(k)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were 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)

Financial assets (continued)

Previous financial year (continued)

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment (see note 2(k)(i)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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, cancelled or expires. On 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.

(iv) 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(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 costs 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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

(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 from the date that they are available for use. 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:

• land	Over the lease period of 60 years
• buildings	10 - 50 years
• cranes	10 - 15 years
• plant, equipment and motor vehicles	3 - 13 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

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, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations 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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(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 costs 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, if any.

(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

Goodwill and 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 is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted if appropriate.

2. Significant accounting policies (continued)

(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.

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. The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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 represents 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 assets/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note (2)(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three (3) months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial 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 was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at 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 a cash-generating unit that is 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 of disposal. 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.

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 financial year in which the reversals are recognised.

(l) Equity instruments

Equity instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

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

2. Significant accounting policies (continued)

(l) Equity instruments (continued)

Equity instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. (continued)

(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 sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(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.

(ii) State plans

The Group's contributions to Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as asset to the extent that a cash refund or a reduction in future payment is available.

(iii) 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 awards. 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.

2. Significant accounting policies (continued)

(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. The unwinding of the discount is recognised as interest expense in profit or loss.

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.

(p) 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.

(q) Revenue from contract with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

2. Significant accounting policies (continued)

(q) Revenue from contract with customers (continued)

(a) Sale of spare parts for crane and industrial information technology equipment

Revenue from sale of these products is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of crane and crane maintenance services

Revenue from providing crane maintenance services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(c) Construction crane

Contracts for construction of crane comprise multiple deliverables which include a significant integration service and are therefore recognised as a single performance obligation. Revenue from construction crane is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

(r) Revenue from other sources and other operating income

(a) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

2. Significant accounting policies (continued)

(s) 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.

(t) 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 that are 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.

(u) 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 statements 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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.

2. Significant accounting policies (continued)

(u) Income tax (continued)

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.

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable. In addition, receivables and payables are also stated with the amount of GST included (where applicable). The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

(v) 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.

(w) 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. Operating segment 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 to assess its performance, and for which discrete financial information is available.

(x) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the current financial year are disclosed in Note 34 to the financial statements.

2. Significant accounting policies (continued)

(y) Fair value measurements

Fair value of an asset or a liability is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability 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 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2017	71,338	58,764	132,412	107,251	26	369,791
Additions	-	752	39,079	1,654	16	41,501
Revaluation	6,844	-	-	-	-	6,844
Disposals	-	-	(4,462)	(762)	-	(5,224)
Written off	-	-	-	(27)	-	(27)
Effect of movements in exchange rates	376	54	1,881	(997)	-	1,314
At 31 December 2017/ 1 January 2018	78,558	59,570	168,910	107,119	42	414,199
Additions	-	5,806	93,359	2,857	-	102,022
Acquisition of new subsidiaries	9,692	4,443	-	5,413	-	19,548
Disposals	-	-	(7,523)	(1,094)	-	(8,617)
Transfer	-	-	42	-	(42)	-
Written off	-	-	-	(12)	-	(12)
Effect of movements in exchange rates	(213)	(223)	(1,528)	(1,014)	-	(2,978)
At 31 December 2018	88,037	69,596	253,260	113,269	-	524,162

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Representing items at:						
Cost	65,202	69,596	253,260	113,269	-	501,327
Valuation – 2008	12,291	-	-	-	-	12,291
Valuation – 2012	3,700	-	-	-	-	3,700
Valuation – 2017	6,844	-	-	-	-	6,844
	88,037	69,596	253,260	113,269	-	524,162
Depreciation and impairment loss						
At 1 January 2017	28	23,870	53,112	77,534	-	154,544
Depreciation for the year	5	1,065	12,732	6,617	-	20,419
Disposals	-	-	(2,148)	(674)	-	(2,822)
Written off	-	-	-	(27)	-	(27)
Effect of movements in exchange rates	-	174	851	(767)	-	258
At 31 December 2017/ 1 January 2018	33	25,109	64,547	82,683	-	172,372
Depreciation for the year	5	1,240	13,405	6,348	-	20,998
Acquisition of new subsidiaires	-	117	-	4,456	-	4,573
Disposals	-	-	(4,877)	(1,092)	-	(5,969)
Written off	-	-	-	(12)	-	(12)
Effect of movements in exchange rates	-	(187)	(635)	(853)	-	(1,675)
At 31 December 2018	38	26,279	72,440	91,530	-	190,287
Carrying amounts						
At 31 December 2017	**78,525**	**34,461**	**104,363**	**24,436**	**42**	**241,827**
At 31 December 2018	**87,999**	**43,317**	**180,820**	**21,739**	**-**	**333,875**

3. Property, plant and equipment (continued)

Company	Property, plant and equipment RM'000
Cost	
At 1 January 2017	52
Additions	339
At 31 December 2017/1 January 2018	391
Additions	12
At 31 December 2018	403
Depreciation	
At 1 January 2017	11
Depreciation for the year	39
At 31 December 2017/1 January 2018	50
Depreciation for the year	40
At 31 December 2018	90
Carrying amounts	
At 31 December 2017	341
At 31 December 2018	313

3.1 Security

The freehold land and buildings of the Group with total net book value of RM30,597,000 (2017 – RM16,084,000) have been pledged to certain licensed bank as security for bank facilities granted to the Group (See Note 15).

3.2 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 2017, 2012 and 2008. The surpluses arising from the revaluations have been credited to other comprehensive income and accumulated in equity under the revaluation reserve. Had the freehold land been carried under the cost model, their carrying amounts would have been RM55,230,000 (2017 – RM55,443,000).

3.3 Property, plant and equipment under the hire purchase terms

Included in the property, plant and equipment of the Group at the end of the financial year were crane with a total net book value of RM18,339,000 (2017 – RM19,779,000), which were acquired under hire purchase terms.

4. Intangible assets

Group	Development costs RM'000
Cost	
At 1 January 2017	6,585
Effect of movement in exchange rates	(100)
At 31 December 2017/1 January 2018	6,485
Additional	29
Effect of movement in exchange rates	(386)
At 31 December 2018	6,128
Amortisation and impairment loss	
At 1 January 2017	
Accumulated amortisation	5,935
Accumulated impairment loss	327
	6,262
Amortisation for the year	130
Effect of movements in exchange rates	(110)
At 31 December 2017/1 January 2018	
Accumulated amortisation	5,955
Accumulated impairment loss	327
	6,282
Amortisation for the year	129
Effect of movements in exchange rates	(383)
At 31 December 2018	
Accumulated amortisation	5,701
Accumulated impairment loss	327
	6,028
At 31 December 2018	100
Carrying amounts	
At 31 December 2017	203
At 31 December 2018	100

Intangible assets mainly comprises development and software costs which were internally generated 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 2 years (2017 – 1 year to 3 years).

5. Goodwill

Group	RM'000
31 December 2017/1 January 2018	-
Acquisition through business combination (Note 34)	71,183
At 31 December 2018	71,183
Carrying amounts	
At 31 December 2018	71,183

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

Group	Average Gross Margin 2018 %	2017	Average Growth Rate 2018 %	2017	Discount Rate 2018 %	2017	Terminal Growth Rate 2018 %	2017
Intelligent automation group	25	n/a	7	n/a	5	n/a	0	n/a

The key assumptions represent management's assessment based on past operating results and management's expectations of market conditions and assessment of future trends derived from both external and internal sources.

Management has determined the average gross profit margin and weighted average growth rate based on past performance and its expectation of market development. The discount rate used are computed based on the weighted average cost of capital of the industries that the Group operates in.

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

6. Investment property

	Company 2018 RM'000	Company 2017 RM'000
Cost		
At 1 January	53,797	53,660
Addition	-	137
At 31 December	53,797	53,797
Accumulated depreciation		
At 1 January		
Accumulated depreciation	1,901	1,460
	1,901	1,460
Addition	441	441
At 31 December		
Accumulated depreciation	2,342	1,901
	2,342	1,901
Carrying amounts		
At 31 December	51,455	51,896

The investment property is a crane fabrication yard comprising freehold industrial land, building and improvements, located at No. 28, Yarrunga Street, Prestons, New South Wales, 2170 Australia, and is leased to its subsidiary.

7. Investments in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares - at cost	138,694	138,694
Additional	137,001	-
	275,695	138,694
Less: Impairment loss	(103,664)	(103,564)
	172,031	35,130

7. Investments in subsidiaries (continued)

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Percentage of issued share capital held by parent 2018 %	2017 %
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
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	80	80

7. Investments in subsidiaries (continued)

The details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Percentage of issued share capital held by parent 2018 %	2017 %
Exact Automation Sdn. Bhd.	Trading of industrial information technology equipment, automation and control components for power, quality measurement and providing integrated industrial automation solutions on the design, engineering, testing and project management of plant instrumentation as well as its related maintenance services	Malaysia	70	-
Exact Analytical Sdn. Bhd.	Trading of process analysers, continuous emission monitoring system and providing related engineering services on the installation, commissioning and maintenance of environmental and process analysers	Malaysia	70	-
Exact Oil & Gas Sdn. Bhd.	Trading and engineering of specialised equipment used in the oil and gas industry including calibration, verification, installation, commissioning, repairs and maintenance of the equipment and systems	Malaysia	70	-
Sedia Teguh Sdn. Bhd.	Trading of specialised equipment used in the oil and gas industry including calibration, verification, installation, commissioning, repairs and maintenance of control meters	Malaysia	70	-

Not audited by Crowe Malaysia PLT

(a) During the financial year, the Company carried out a review of the recoverable amounts of its investments in a subsidiary that had been persistently making losses. A total impairment losses of RM100,007 (2017 – Nil) representing the write-down of the investments to their recoverable amounts, was recognised in "Administrative Expenses" line item of the statement of profit or loss and other comprehensive income.

(b) Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiary are not individually material to the Group.

8. Investments in associates

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost	19,424	19,424	19,424	19,424
Share of post-acquisition reserves	(7,238)	(4,678)	-	-
Less: Impairment loss	-	-	(158)	(158)
	12,186	14,746	19,266	19,266

The details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %
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

Summarised financial information on associates:

The major associates of the Group, adjusted for any differences in accounting policies and the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 RM'000	2017 RM'000
Gross amount of the major associates		
Non-current assets	14,151	38,064
Current assets	105,450	90,278
Non-current liabilities	13,706	12,189
Current liabilities	73,013	76,577
Revenue	30,264	29,350
Profit for the year	(4,781)	(1,736)
Carrying amount in the consolidated financial statements	12,186	14,746

9. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

Group	Assets 2018 RM'000	Assets 2017 RM'000	Liabilities 2018 RM'000	Liabilities 2017 RM'000	Net 2018 RM'000	Net 2017 RM'000
Property, plant and equipment	-	-	17,569	11,806	17,569	11,806
(Deductible)/taxable temporary differences	(30,692)	(29,294)	(632)	3,433	(31,324)	(25,861)
Tax (assets)/liabilities	(30,692)	(29,294)	16,937	15,239	(13,755)	(14,055)
Set off	5,743	4,060	(5,743)	(4,060)	-	-
Net tax (assets)/liabilities	(24,949)	(25,234)	11,194	11,179	(13,755)	(14,055)

Company	2018 RM'000	2017 RM'000
Deductible temporary differences	(620)	-
Deferred tax assets	(620)	-

Unrecognised deferred tax assets

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Property, plant and equipment	(844)	(899)	-	-
Deductible temporary differences	41,109	28,742	-	-
Tax losses carry-forwards	43,778	48,173	-	-
	84,043	76,016	-	-

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carried forward amounting to RM43,778,000 (2017 – RM45,669,000) 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 they are uncertain that future taxable profits will be available against which the Group can utilise the benefits there from.

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

Movement in temporary differences during the financial year

Group	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
As at 1 January 2017	10,748	(27,594)	(16,846)
Recognised in profit or loss	1,058	1,644	2,702
Foreign exchange differences	-	89	89
Effect of adoption of MFRS 9	-	(1,621)	(1,621)
Effect of revaluation of PPE	-	184	184
As at 31 December 2017/ 1 January 2018	11,806	(27,298)	(15,492)
Recognised in profit or loss	5,579	(3,301)	2,278
Foreign exchange differences	-	(541)	(541)
As at 31 December 2018	17,385	(31,140)	(13,755)

Company	Other temporary differences RM'000	Total RM'000
As at 1 January 2017	-	-
Effect of adoption of MFRS 9	(838)	(838)
As at 31 December 2017/1 January 2018	(838)	(838)
Recognised in profit or loss	218	218
As at 31 December 2018	(620)	(620)

10. Receivables, deposits and prepayments

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Non-trade					
Advance to an associate	10.1	6,265	6,129	6,265	6,129
Less: Allowance for impairment loss		(1,800)	-	(1,800)	-
		4,465	6,129	4,465	6,129
		4,465	6,129	4,465	6,129
Current					
Trade					
Trade receivables		198,101	189,082	-	-
Less: Allowance for impairment loss		(49,820)	(63,097)	-	-
	10.2	148,281	125,985	-	-
Amount due from ultimate holding company	10.3	189	287	-	-
Amount due from related companies	10.4	158	1,403	-	-
Amount due from associates	10.5	53,808	55,375	-	-
Less: Allowance for impairment loss		(13,729)	-	-	-
		40,426	57,065	-	-

10. Receivables, deposits and prepayments (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-trade					
Amount due from ultimate holding company	10.3	3	-	-	-
Amount due from subsidiaries	10.6	-	-	39,175	57,771
Less: Allowance for impairment loss		-	-	(785)	-
		3	-	38,390	57,771
Amount due from related companies	10.4	-	461	-	-
Amount due from associates	10.5	53	-	-	-
Other receivables		15,500	11,012	54	58
Less: Allowance for impairment loss		(59)	-	-	-
		15,497	11,473	38,444	57,829
Deposits		1,200	724	11	11
Prepayments		7,708	4,725	47	53
		213,112	199,972	38,502	57,893
Non-current and current		217,577	206,101	42,967	64,022

Group	Trade Receivable RM'000	Other Receivable RM'000	Amount due from Associate RM'000	Total RM'000
Allowance for impairment losses:-				
At 1 January 2018				
- As previously reported	63,097	-	-	63,097
- Effects on adoption of MFRS 9	(11,387)	136	16,327	5,076
- Amount reported under MRFS 9 (2017 – MFRS 139)	51,710	136	16,327	68,173
Acquisition of new subsidiaries	9,050	-	-	9,050
Addition during the financial year	6,073	11	-	6,084
Reversal during the financial year	(16,858)	(88)	(798)	(17,744)
Foreign exchange differences	(155)	-	-	(155)
At 31 December 2018	49,820	59	15,529	65,408

10. Receivables, deposits and prepayments (continued)

Company	Amount due from Associate RM'000	Amount due from Subsidiary RM'000	Total RM'000
Allowance for impairment losses:-			
At 1 January 2018			
- As previously reported	-	-	-
- Effects on adoption of MFRS 9	1,862	1,631	3,493
- Amount reported under MRFS 9 (2017 – MFRS 139)	1,862	1,631	3,493
Reversal during the financial year	(62)	(846)	(908)
At 31 December 2018	1,800	785	2,585

10.1 *Advance to an associate*

The advance to an associate is non-trade in nature, unsecured, subject to interest at 1% (2017 – 1%) per annum and is not expected to be repaid within the next twelve months.

10.2 *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 2018 RM'000	Group 2017 RM'000
RM	AUD	64	345
RM	EUR	23	8
RM	RMB	26,951	-
RM	SGD	467	91
RM	USD	46,295	23,169
AUD	USD	280	-
AUD	SGD	-	189
SGD	USD	289	1,662

10.3 *Amount due from ultimate holding company*

The trade amount due from ultimate holding company is subject to the normal trade term of 30 days.

The non-trade amount due from ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

10.4 *Amount due from related companies*

The trade amount due from related companies is subject to the normal trade term of 30 days.

The non-trade amount due from related companies is unsecured, interest-free and repayable on demand.

10. Receivables, deposits and prepayments (continued)

10.5 Amount due from associates

The trade amount due from associates is subject to the normal trade term of 30 days.

The non-trade amount due from associates is unsecured, interest-free and repayable on demand.

10.6 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

11. Contract Assets/(Liabilities)

	Group	
	2018 RM'000	2017 RM'000
Contract Assets		
Contract Assets relating to contracts	125,725	164,184
Allowance for impairment losses	(1,128)	-
	124,597	164,184
Allowance for impairment losses:-		
At 1 January:		
- As previously reported	-	-
- Effects on adoption of MFRS 9	1,642	-
- Amount reported under MFRS 9 (2017 – MFRS 139)	1,642	-
Additional during the financial year	75	-
Reversal during the financial year	(589)	-
At 31 December	1,128	-
Contract Liabilities	(211,061)	(270,308)

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. The amount will be invoiced within 1 – 6 months (2017 – 1 to 6 months).

(b) The significant changes to contract assets and contract liabilities during the financial year:-

	Group	
	2018 RM'000	2017 RM'000
Contract assets balance at the beginning of the financial year not transferred to trade receivables due to change in time frame	66,961	N/A
Impairment loss on contract asset	(1,345)	N/A
Contract liabilities balance at the beginning of the financial year recognised as revenue	288,970	N/A

12. Inventories

	Group 2018 RM'000	Group 2017 RM'000
At cost:		
Crane components	80,685	70,613
Work-in-progress	65,639	65,528
	146,324	136,141
At net realisable value:		
Cranes	806	1,396
Crane components	15,820	17,022
Work-in-progress	1,170	1,896
	164,120	156,455
Recognsied in profit or loss:-		
Inventories recognised as cost of sales	194,876	272,560
Amount written down to net realisable value	4,190	5,393

13. Cash and cash equivalents

13.1 Cash and cash equivalents included in the statements of cash flows comprise the following statement of financial position amounts:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Short-term investments	80,456	84,341	1,739	12,673
Fixed deposits placed with licensed banks	155,105	198,666	-	54,892
Cash and bank balances	88,239	89,121	351	477
	323,800	372,128	2,090	68,042
Bank overdrafts (Note 15)	(5,147)	(2,335)	-	-
	318,653	369,793	2,090	68,042

(a) Short-term investments represent investment in highly liquid money market, which is readily convertible to a known amount of cash. The effective interest rates ranging from 2.19% to 5.36% (2017 – 2.33% to 3.96%) and 2.48% to 3.66% (2017 – 2.40% to 3.52%) per annum for the Group and the Company respectively.

(b) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 0.70% to 3.85% (2017 – 0.70% to 3.25%) per annum and 0.80% to 2.00% (2017 – 0.70% to 1.80%) per annum respectively. The fixed deposits have maturity periods ranging from 30 to 90 (2017 – 30 to 90) days and 30 to 90 (2017 – 30 to 90) days for the Group and the Company respectively.

13. Cash and cash equivalents (continued)

13.2 The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cost of property, plant and equipment purchased (Note 3)	102,022	41,501	12	339
Amount financed through hire purchase	-	(7,616)	-	-
Cash disbursed for purchase of property, plant and equipment	102,022	33,885	12	339

13.3 The reconciliations of liabilities arising from financing activities are as follows:-

Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Term Loan RM'000	Total RM'000
2018					
At 1 January	7,511	2,907	21,176	-	31,594
New acquisition	-	-	468	12,570	13,038
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	39,085	4,000	-	-	43,085
Repayment of borrowing principal	(34,403)	(3,929)	(3,351)	(3,125)	(44,808)
Repayment of borrowing interests	(369)	(12)	(336)	(257)	(974)
<u>Non-cash Changes</u>					
Foreign exchange adjustments	(349)	(187)	(355)	-	(891)
Finance charges recognised in profit or loss	369	12	336	257	974
At 31 December	11,844	2,791	17,938	9,445	42,018

13. Cash and cash equivalents (continued)

13.3 The reconciliations of liabilities arising from financing activities are as follows:- (continued)

Group	Bills Payable RM'000	Unsecured Insurance Premium Finance RM'000	Hire Purchase RM'000	Total RM'000
2017				
At 1 January	8,940	3,577	13,526	26,043
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	26,677	4,170	-	30,847
Repayment of borrowing principal	(27,919)	(4,776)	(1,766)	(34,461)
Repayment of borrowing interests	(294)	(46)	(206)	(546)
<u>Non-cash Changes</u>				
Foreign exchange adjustments	(187)	(64)	406	155
Drawdown of hire purchase	-	-	9,010	9,010
Finance charges recognised in profit or loss	294	46	206	546
At 31 December	7,511	2,907	21,176	31,594

14. Share capital and reserves

14.1 Share capital

	The Group and The Company			
	Amount 2018 RM'000	Number of shares 2018 '000	Amount 2017 RM'000	Number of shares 2017 '000
Issued and fully paid				
Ordinary shares				
At 1 January	110,701	221,403	110,701	221,403
Transfer from share premium	44,469	-	-	-
At 31 December	155,170	221,403	110,701	221,403

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(ii) 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 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.

(iii) In the previous financial year, the Company issued share options in accordance with its Share Issuance Scheme (see Note 19).

14. Share capital and reserves (continued)

14.2 Treasury shares

This amount represents the acquisition cost for the purchase of the Company's own ordinary shares, net of the proceeds received on their subsequent sale or issuance of the shares repurchased.

The number of treasury shares held is 10,000 (2017 – 10,000).

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.

14.5 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 capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

14.6 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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non current				
Hire purchase payables	14,148	18,780	-	-
Term loan	8,975	-	-	-
	23,123	18,780	-	-
Current				
Secured bank overdraft	5,147	2,335	-	-
Unsecured insurance premium finance	2,791	2,907	-	-
Bills payable	11,844	7,511	-	-
Hire purchase payables	3,790	2,396	-	-
Term loan	470	-	-	-
	24,042	15,149	-	-
Non current and current	47,165	33,929	-	-

15. Loans and borrowings (continued)

15.2 Terms and debt repayment schedule

	2018					2017			
	Year of maturity RM'000	Carrying amount RM'000	Under 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	Carrying amount RM'000	Under 1 year RM'000	1-5 years RM'000	Over 5 years RM'000
Group									
Secured bank overdraft	2019	5,147	5,147	-	-	2,335	2,335	-	-
Unsecured insurance premium finance – AUD	2019	2,791	2,791	-	-	2,907	2,907	-	-
Bills payable	2019	11,844	11,844	-	-	7,511	7,511	-	-
Hire purchase payables	2019	17,938	3,790	14,148	-	21,176	2,396	16,200	2,580
Term loan		9,445	470	2,093	6,882	-	-	-	-
		47,165	24,042	16,241	6,882	33,929	15,149	16,200	2,580

16. Payables and accruals

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Deferred consideration	16.6	15,575	-	15,575	-
Current					
Trade					
Trade payables	16.1	148,555	139,066	-	-
Amount due to holding company	16.2	408	2,323	-	-
Amount due to related companies	16.3	293	2,427	-	-
		149,256	143,816	-	-
Non-trade					
Amount due to holding company	16.2	2,494	1,956	677	-
Amount due to a subsidiary	16.4	-	-	-	-
Amount due to related companies	16.3	523	287	-	-
Amount due to associates	16.5	3,055	3,011	-	-
Other payables		23,235	23,745	-	-
Accrued expenses		64,457	60,071	127	82
Deferred consideration	16.6	15,566	-	15,566	-
		109,330	89,070	16,370	82
Current		258,586	232,886	16,370	82
Non-current and current		274,161	232,886	31,945	82

16. Payables and accruals (continued)

16.1 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 2018 RM'000	Group 2017 RM'000
RM	AUD	459	454
RM	SGD	416	376
RM	EUR	7,534	2,660
RM	USD	7,205	3,185
RM	RMB	985	421
RM	GBP	-	240
AUD	EUR	27	-
AUD	RMB	1,137	123
AUD	USD	651	910
AUD	WON	277	476

16.2 Amount due to holding company

The non-trade amount due to the holding company is subject to the normal trade term of 30 days.

The non-trade amount due to the holding company is unsecured, interest-free and repayable on demand.

16.3 Amount due to related companies

The trade amount due to related companies is subject to the normal trade term of 30 days.

The non-trade amount due to related companies is unsecured, interest-free and repayable on demand.

16.4 Amount due to a subsidiary

The non-trade amount due to a subsidiary is unsecured, interest-free and repayable on demand.

16.5 Amount due to associates

The non-trade amount due to associates is unsecured, interest-free and repayable on demand.

16. Payables and accruals (continued)

16.6 Deferred consideration

Total purchase consideration of RM137,001,000 included RM31,141,000 which is deferred and payable depending on Intelligent Automation Group meeting certain earnings and performance targets over the future two years.

Movement of deferred consideration:

Deferred consideration

	Group 2018 RM'000
At 1 January	-
Addition	31,141
At 31 December	31,141

	Group 2018 RM'000
Analysed as:	
Current	15,566
Non-current	15,575
	31,141

17. Provision for warranties

	Group	
	2018 RM'000	2017 RM'000
At 1 January	25,347	25,166
Provision made during the year	16,440	12,060
Utilised during the year	(1,844)	(1,983)
Reversal during the year	(7,149)	(9,306)
Effect of movements in exchange rates	(1,020)	(590)
At 31 December	31,774	25,347

The provision for warranties relates to provision for defect rectification costs for manufactured cranes sold.

18. Derivative Assets

Group	2018 Contract/ Notional amount RM'000	2018 Derivative Assets RM'000	2017 Contract/ Notional amount RM'000	2017 Derivative Assets RM'000
Forward foreign currency contracts	71,866	336	157,295	6,467

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.

19. Employee benefits

19.1 Share-based payments

In 2017, a share issuance scheme ("SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme which was previously established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011, had expired on 05 July 2016.

The main features of the SIS, 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 SIS 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 SIS;

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 2018
Cumulative %	Year 1	-
of options	Year 2	20%
exercisable	Year 3	40%
during the option	Year 4	60%
period in:	Year 5	100%

19. Employee benefits (continued)

19.1 Share-based payments (continued)

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.

The following options were granted under the SIS to take up the unissued ordinary shares:

SIS

Grant date	Exercise price	At 1.1.2018 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2018 '000	Expiry date
15.09.2017	RM2.35	18,212	-	-	(602)	17,610	09.7.2022
		18,212	-	-	(602)	17,610	

Grant date	Exercise price	At 1.1.2017 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2017 '000	Expiry date
15.09.2017	RM2.35	-	18,307	-	(95)	18,212	09.7.2022
		-	18,307	-	(95)	18,212	

Details relating to options exercised during the financial year

	Group and Company 2018 RM'000	2017 RM'000
Fair value of shares issued (based on average exercise price)	2.47	2.76

19. Employee benefits (continued)

19.1 Share-based payments (continued)

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	
	2018 RM'000	2017 RM'000
Total expense recognised as share-based payments	4,283	1,217

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:

SIS

	Group and Company	
	2018	2017
Fair value at grant date (RM)		
- Granted in Year 2017	RM0.48 – RM0.74	RM0.48 – RM0.74
Weighted average share price		
- Granted in Year 2017	2.62	2.62
Exercise price (RM)		
- Granted in Year 2017	2.35	2.35
Expected volatility (weighted average volatility)	15.58%	15.58%
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds)		
- Granted in Year 2017	3.18% - 3.498%	3.18% - 3.498%
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. The SIS will be expiring on 9 July 2022.

20. Revenue

Revenue comprises the following:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue from contracts with customers	476,736	494,420	-	-
Revenue from other sources				
- rental income	53,854	32,064	2,225	2,426
- dividend income	-	-	52,143	44,437
	530,590	526,484	54,368	46,863

Breakdown of the Group's revenue:

	Crane 2018 RM'000	Crane 2017 RM'000	Intelligent Automation Group 2018 RM'000	Intelligent Automation Group 2017 RM'000
Sale of spare part for crane	120,872	106,199	-	-
Sale of industrial information technology equipment	-	-	72,876	-
Crane maintenance	29,835	26,966	-	-
Rental of crane	53,854	32,064	-	-
Construction equipment	253,153	361,255	-	-
	457,714	526,484	72,876	-
<u>Geographical market</u>				
Inside Malaysia	168,375	123,338	72,876	-
Outside Malaysia	289,339	403,146	-	-
	457,714	526,484	72,876	-
Timing of revenue recognition				
- at a point of time	204,561	165,229	72,876	-
- over time	253,153	361,255	-	-
	457,714	526,484	72,876	-

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied at the reporting date are as follows:-

	2019 RM'000	2020 RM'000	Total RM'000
Contract revenue	363,909	164,550	528,459

21. Finance income

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest income:				
- Fixed deposit	5,805	6,165	1,092	1,149
- Related company	61	63	61	63
Interest income arising on financial assets/(liabilities) measured under MFRS139	653	847	697	3,043
	6,519	7,075	1,850	4,255

22. Finance costs

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest expenses:				
- Bills payable	369	294	-	-
- Bank overdrafts	40	79	-	-
- Revolving credits	77	-	-	-
- Hire purchases	336	206	-	-
- Insurance premium finance	12	46	-	-
- Term loan interest	257	-	-	-
Interest expenses arising on financial assets/(liabilities) measured under MFRS139	1,511	1,399	56	98
	2,602	2,024	56	98

23. Net impairment losses on financial assets and contract assets

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Impairment losses during the financial year:				
- Individually impaired under MFRS 139:				
- Trade receivable	-	16,989	-	-
- Additions under MFRS 9				
- Trade receivable	6,073	-	-	-
- Other receivable	11	-	-	-
- Contract assets	75	-	-	-
- Reversal of impairment losses:				
- Trade receivable	(16,858)	(10,311)	-	-
- Other receivable	(88)	-	-	-
- Amount due from associate	(798)	-	(62)	-
- Contract assets	(589)	-	-	-
- Amount due from subsidiaries	-	-	(846)	-
- Foreign currency translation	(155)	-	-	-
	(12,329)	6,678	(908)	-

24. Profit before tax

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating profit is arrived at after crediting:					
Gain on disposal of property, plant and equipment		171	109	-	-
Net realised foreign exchange gain		-	697	-	1,998
Net unrealised foreign exchange gain		-	704	-	-
Reversal of provision for warranties	17	7,149	9,306	-	-
and after charging:					
Allowance for impairment losses on investment in a subsidiary		-	-	100	-
Allowance for slow moving inventories		2,090	2,657	-	-
Auditors' remuneration:					
-holding company's auditors		250	153	80	62
-other auditors		506	521	-	-
Other services					
- holding company's auditors		30	80	25	80
Amortisation of intangible assets	4	129	130	-	-
Contract costs		194,876	289,071	-	-
Depreciation expenses:					
- investment property	6	-	-	441	441
- property, plant and equipment	3	20,998	20,419	40	39
Net realised foreign exchange loss		9,225	-	647	-
Net unrealised foreign exchange loss		9,474	-	1,462	4,815
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		10,307	8,821	210	206
- Share-based payments	19	4,283	1,217	4,283	1,217
- Wages, salaries and others		101,281	88,264	1,316	1,286
Provision for foreseeable losses		750	200	-	-
Provision for warranties	17	16,440	12,060	-	-
Rental expenses on:					
- cranes		30,002	17,642	-	-
- premises		4,943	4,589	33	93
- equipment		478	399	-	-
Writedown of inventories	12	4,190	5,393	-	-

25. Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors				
Executive Directors				
Short-term employee benefits:				
- Fees	360	324	288	288
- Remuneration	1,538	1,503	1,529	1,499
	1,898	1,827	1,817	1,787
Non-executive Directors				
Short-term employee benefits:				
- Fees	309	300	285	288
- Remuneration	62	60	59	58
	371	360	344	346
	2,269	2,187	2,161	2,133
Other Key Management Personnel				
Short-term employee benefits	5,202	5,251	1,165	1,253
Defined contribution benefits	355	371	140	150
	5,557	5,622	1,305	1,403

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.

26. Income tax

Recognised in profit or loss

Major components of income tax expense include:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current tax expense				
Malaysia - current	11,004	8,892	112	135
- under/(over) provision in prior year	462	1,081	-	-
	11,466	9,973	112	135
Overseas - current	16,707	8,094	385	468
- (over)/underprovision in prior year	(17)	(1,489)	(11)	10
	16,690	6,605	374	478
Total current tax expense	28,156	16,578	486	613
Deferred tax expense (Note 9)				
Origination and reversal of temporary differences	(1,633)	3,395	218	-
Under/(over) provision in prior years	3,911	(693)	-	-
Total deferred tax	2,278	2,702	218	-
Total tax expense	30,434	19,280	704	613
Reconciliation of tax expense				
Profit for the year	68,592	63,997	46,502	43,970
Total tax expense	30,434	19,280	704	613
Profit excluding tax	99,026	83,277	47,206	44,583
Tax at Malaysian tax rate of 24% (2017 – 24%)	23,766	19,986	11,329	10,700
Effect of different tax rates in foreign jurisdictions	1,953	1,038	-	-
Effect of lower tax rate	(60)	-	-	-
Non-deductible expense	5,576	4,740	2,750	2,018
Non-taxable gain	(3,575)	(926)	(167)	(730)
Double deductions	-	(837)	-	-
Tax exempt income	(682)	(801)	(13,197)	(11,385)
Tax incentives	1,315	732	-	-
Effect of utilisation of deferred tax assets previously not recognised	(1,926)	(3,142)	-	-
Under/(over) provision in prior years	4,356	(1,101)	(11)	10
Others	(289)	(409)	-	-
	30,434	19,280	704	613

Domestic income tax is calculated at the Malaysia statutory tax rate 24% (2017 – 24%) of the estimated assessable profit for the financial year.

27. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2018			
First and final 2017 ordinary	13.50	29,888	24 September 2018
2017			
First and final 2016 ordinary	15.00	33,209	20 September 2017

At the forthcoming Annual General Meeting, the following dividend in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2019.

	Sen Per Share (tax exempt)	Total amount RM'000
First and final ordinary	13.50	29,888

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 2018 of RM29,888,023 (2017 – RM29,888,023) on the issued and paid-up share capital (excluding treasury shares) of 221,392,763 (2017 – 221,392,763) ordinary shares as at the end of the reporting date.

28. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per share for the financial year ended 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group 2018 RM'000	Group 2017 RM'000
Profit for the financial year attributable to owners of the Company	63,328	63,097

Weighted average number of ordinary shares

	Group 2018 '000	Group 2017 '000
Number of ordinary shares in issue	221,403	221,403
Effect of shares repurchased	(10)	(10)
Total weighted average number of ordinary shares in issue (unit)	221,393	221,393
Basic earnings per ordinary share (sen)	28.60	28.50

28. Earnings per ordinary share (continued)

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 2018 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	
	2018 RM'000	2017 RM'000
Profit for the financial year attributable to owners of the Company	63,328	63,097

Weighted average number of ordinary shares (diluted)

	Group	
	2018 '000	2017 '000
Weighted average number of ordinary shares	221,393	221,393
Effect of share options in issue	-	2,050
Weighted average number of ordinary shares (diluted) at 31 December	221,393	223,443

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	
	2018 Sen	2017 Sen
Diluted earnings per ordinary share	28.60	28.24

29. 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.

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.

29. Segment reporting (continued)

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 the respective principal operations. Segment assets are also based on the geographical location of assets.

Operating segments

The Group's is organised into business units based on their products and services provided.

The Group comprises the following main business segments.

Cranes	Design, manufacture, supply, trading, leasing and services provider of offshore oil and gas pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes.
Intelligent Automation Group	Design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment for various industries.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Geographical segments								
Revenue from external customers	241,251	123,338	289,339	403,146	-	-	530,590	526,484
Inter-segment revenue	170,869	226,104	66,779	59,270	(237,648)	(285,374)	-	-
Total revenue	412,120	349,442	356,118	462,416	(237,648)	(285,374)	530,590	526,484
Operating profit							97,670	79,029
Finance income							6,519	7,075
Finance costs							(2,602)	(2,024)
Share of (loss)/profit of associates							(2,561)	(803)
Profit before tax							99,026	83,277
Segment assets	1,045,884	920,425	528,401	549,404	(305,863)	(277,134)	1,268,422	1,192,695
Investments in associates	22	22	19,244	19,244	(7,080)	(4,520)	12,186	14,746
Total assets	1,045,906	920,447	547,645	568,648	(312,943)	(281,654)	1,280,608	1,207,441
Segment liabilities	425,857	414,416	355,033	366,233	(190,096)	(201,436)	590,794	579,213
Capital expenditure - Property, plant and equipment	46,085	12,956	58,813	29,546	(2,876)	(1,001)	102,022	41,501
Depreciation and amortisation	13,382	11,411	7,745	9,138	-	-	21,127	20,549

29. Segment reporting (continued)

Operating segments (continued)

	Cranes		Intelligent Automation Group		Eliminations		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Geographical segments								
Inside Malaysia	339,244	349,442	72,876	-	(170,869)	(226,104)	241,251	123,338
Outside Malaysia	356,118	462,416	-	-	(66,779)	(59,270)	289,339	403,146
Total revenue	695,362	811,858	72,876	-	(237,648)	(285,374)	530,590	526,484
Operating profit							97,670	79,029
Finance income							6,519	7,075
Finance costs							(2,602)	(2,024)
Share of (loss)/profit of associates							(2,561)	(803)
Profit before tax							99,026	83,277
Segment assets	1,437,774	1,469,829	136,511	-	(305,863)	(277,134)	1,268,422	1,192,695
Investments in associates	19,266	19,266	-	-	(7,080)	(4,520)	12,186	14,746
Total assets	1,457,040	1,489,095	136,511	-	(312,943)	(281,654)	1,280,608	1,207,441
Segment liabilities	755,360	780,649	25,530	-	(190,096)	(201,436)	590,794	579,213
Capital expenditure - Property, plant and equipment	104,820	12,956	78	-	(2,876)	(1,001)	102,022	41,501
Depreciation and amortisation	20,852	11,411	275	-	-	-	21,127	20,549

30. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial Assets				
Loans and Receivables				
Receivables and deposits	209,869	201,376	42,920	63,969
Fixed deposits with licensed banks	155,105	198,666	-	54,892
Cash and bank balances	88,239	89,121	351	477
	453,213	489,163	43,271	119,338
Fair Value through Profit or Loss				
Derivative assets	336	6,467	-	-
Short-term investments	80,456	84,341	1,739	12,673
	80,792	90,808	1,739	12,673
Financial Liabilities				
Other Financial Liabilities				
Loan and borrowings	47,165	33,929	-	-
Payables and accruals	243,020	232,886	804	82
Provision for warranties	31,774	25,347	-	-
	321,959	292,162	804	82

Financial risk management

The Group has exposure to the following risk from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for borrowings granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

30. Financial instruments (continued)

Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 to 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group	
	2018 RM'000	2017 RM'000
Asia	108,620	52,891
Europe	9,396	35,730
America	4,458	10,366
Australia	23,807	26,998
Middle East	2,000	-
	148,281	125,985

Assessment of impairment losses

The information about the exposure to credit risk and the loss allowance calculated under MFRS 9 for both trade receivables are summarised below:-

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018			
Not past due	59,489	(341)	59,148
Past due 0 - 90 days	40,073	(564)	39,509
Past due 91 -180 days	17,544	(1,591)	15,953
Past due more than 180 days	80,995	(47,324)	33,671
	198,101	(49,820)	148,281
Credit impaired:			
- more than 30 days past due	173,265	(24,984)	148,281
- individually impaired	24,836	(24,836)	-
	198,101	(49,820)	148,281
Contract Assets	125,725	(1,128)	124,597

30. Financial instruments (continued)

Credit risk (continued)

Receivables (continued)

Assessment of impairment losses (continued)

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2017			
Not past due	28,584	-	28,584
Past due 0 - 90 days	43,092	-	43,092
Past due 91 -180 days	23,154	-	23,154
Past due more than 180 days	94,252	(63,097)	31,155
	189,082	(63,097)	125,985

Other receivable

The Group applies the general approach to measuring expected credit losses for the other receivables. Generally, the Group consider the advances to other receivables have low credit risk. The Group assumes that there is a significant increase in credit risk when the probability of securing that the contract deteriorates significantly. As the Group is able to determine the timing of payments of the other receivables advances when they are payable, the Group considers the advances to be in default when the others receivables are not able to pay when demanded. The Group considers the advances to be credit impaired when the other receivables are unlikely to repay the advances is full.

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018			
Low credit risk	14,813	-	14,813
Significant increase in credit risk	687	(59)	628
	15,500	(59)	15,441

30. Financial instruments (continued)

Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to RM19.6 million (2017 – RM30.1 million) representing the outstanding banking facilities of the subsidiaries as at the end of the financial year.

As at the end of the financial year, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Liquidity risk

Liquidity risk is the risk that the Group will not able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30. Financial instruments (continued)

Liquidity risk (continued)

Maturity Analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted contractual payment:

Group	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2018				
Unsecured insurance premium finance	1.25	2,791	-	-
Hire purchase payable	1.85	3,790	14,148	-
Bills payable	4.27	11,844	-	-
Secured bank overdraft	2.75	5,147	-	-
Secured term loan	4.68	470	2,093	6,882
Unsecured payables and accruals		243,020	-	-
		267,062	16,241	6,882
2017				
Unsecured insurance premium finance	1.25	2,907	-	-
Hire purchase payable	1.85	2,396	16,200	2,580
Bills payable	2.84	7,511	-	-
Secured bank overdraft	2.75	2,335	-	-
Unsecured payables and accruals	-	232,886	-	-
		248,035	16,200	2,580

Company	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2018			
Unsecured payables and accruals	127	-	-
Financial guarantee	19,593	-	-
	19,720	-	-
2017			
Unsecured payables and accruals	82	-	-
Financial guarantee	30,109	-	-
	30,191	-	-

30. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates that will affect the Group's financial position or cash flows.

Interest rate risk

The Group's interest rate risk arises from its interest bearing financial instruments that could impact fair value and future cash-flow due to fluctuation in market interest rates. Interest rate exposure is managed through the use of fixed and floating rate debts.

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 rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

Group	2018 Effective interest rate %	2018 Total RM'000	2017 Effective interest rate %	2017 Total RM'000
Financial assets				
Fixed rate instruments				
Fixed deposits placed with licensed banks	0.70 – 3.85	155,105	0.70 – 3.25	198,666
Short-term investments	2.19 – 5.36	80,456	2.33 – 3.96	84,341
		235,561		283,007
Financial liabilities				
Fixed rate instruments				
Unsecured insurance premium finance – AUD	1.25	2,791	1.25	2,907
Secured bank overdraft	2.75	5,147	2.75	2,335
Hire purchase payables	1.85	17,938	1.85	21,176
Secured Term loan	4.68	9,445	-	-
Floating rate instrument				
Bills payable	4.27	11,844	2.84	7,511
		47,165		33,929

30. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Company	2018 Effective interest rate %	2018 Total RM'000	2017 Effective interest rate %	2017 Total RM'000
Financial assets				
Fixed rate instruments				
Fixed deposits placed with licensed banks	0.80 – 2.00	-	0.70 – 1.80	54,892
Short-term investments	2.48 – 3.66	1,739	2.40 – 3.52	12,673
		1,739		67,565

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
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 and the Company's profit after taxation would have decreased by RM90,014 (2017 – RM57,084) and Nil (2017 – RM Nil) respectively. 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 that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Australian Dollar ("AUD") and Singapore Dollar ("SGD").

Risk management objectives policies and processes for managing the risk

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 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.

30. Financial instruments (continued)

Market risk (continued)

Foreign currency (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at end of the reporting period was:

Group	USD RM'000	AUD RM'000	SGD RM'000
2018			
Financial assets	124,624	142,309	18,707
Financial liabilities	(16,560)	(68,630)	(601)
Net financial assets/(liabilities)	108,064	73,679	18,106
Less: Net financial assets/(liabilities) denominated in the respective entities functional currencies	(18,996)	(56,171)	(5,274)
Less: Forward foreign currency contracts (contracted notional principal)	(28,693)	(4,538)	(14,790)
Net currency exposure	60,375	12,970	(1,958)
2017			
Financial assets	137,522	131,006	56,093
Financial liabilities	(12,887)	(52,002)	(698)
Net financial assets/(liabilities)	124,635	79,004	55,395
Less: Net financial assets/(liabilities) denominated in the respective entities functional currencies	(9,926)	(37,375)	(11,773)
Less: Forward foreign currency contracts (contracted notional principal)	(111,718)	(1,492)	(23,983)
Net currency exposure	2,991	40,137	19,639

Currency risk sensitivity analysis

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decrease) profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Effects on profit after taxation

	USD RM'000	AUD RM'000	SGD RM'000
2018			
- strengthened by 5%	2,294	493	(74)
- weakened by 5%	(2,294)	(493)	74
2017			
- strengthened by 5%	114	1,525	746
- weakened by 5%	(114)	(1,525)	(746)

30. Financial instruments (continued)

Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
Group								
2018								
Financial assets								
Derivative assets – forward currency contracts	-	336	-	-	-	-	336	336
Short-term investments	80,456	-	-	-	-	-	80,456	80,456
	80,456	336	-	-	-	-	80,792	80,792
2017								
Financial assets								
Derivative assets – forward currency contracts	-	6,467	-	-	-	-	6,467	6,467
Short-term investments	84,341	-	-	-	-	-	84,341	84,341
	84,341	6,467	-	-	-	-	90,808	90,808

31. Related parties

(i) Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company 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 or the Company and the party are subject to common control. Related parties may be individuals or other entities.

The Group has related party relationships with its holding company, subsidiaries (see Note 7), related companies, associates (see Note 8) and Directors (see Note 25).

(ii) Significant transactions with related parties:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Holding company				
Purchase of property, plant and equipment	-	115	-	-
Rental expense payable	2,778	2,774	-	-
Sale of goods and services	(49)	(571)	-	-
Subcontract cost payable	301	1,241	-	-
Share services expenses	2,000	2,000	-	-
Rental income receivable	(204)	(170)	-	-
Subsidiaries				
Dividend income receivable	-	-	(52,143)	(44,437)
Rental income receivable	-	-	(2,225)	(2,426)
Related companies				
Rental expense payable	1,330	1,222	32	93
Rental income receivable	-	(928)	-	-
Sale of goods	(129)	(861)	-	-
Subcontract cost payable	1,472	17,425	-	-
Associates				
Interest income receivable	(61)	(63)	(61)	(63)
Sale of goods and services	(6,350)	(4,799)	-	-

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 10 and Note 16 respectively.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

32. Capital commitments

	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	-	3,561

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions or expansion plans of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in Group's approach to capital management during the year.

34. Acquisition of subsidiaries

On 03 July 2018, the Group completed acquisitions of 70% of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd respectively (the four (4) companies are collectively referred to as the "Intelligent Automation Group") which provides design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment.

The following summaries the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Group RM'000
Property, Plant and Equipment	14,975
Cash and cash equivalents	67,513
Inventories	7,247
Receivables and other receivables	24,115
Current tax assets	1,807
Trade payables and other payables	(8,593)
Loans and borrowings	(13,038)
Net identifiable assets acquired	94,026
Add: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	(28,208)
Goodwill from the acquisition (Note 5)	71,183
Total purchase consideration	137,001
Less: Cash and bank balances of subsidiaries acquired	(67,513)
Less: Deferred consideration	(31,141)
Total net cash outflow from the acquisition of subsidiaries	38,347

34. Acquisition of subsidiaries (continued)

(a) The goodwill is attributable mainly to the control premium paid. In addition, the purchase consideration also included benefits derived from the expected revenue growth of the subsidiary, its future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not be deductible for tax purposes

(b) The acquired subsidiaries have contributed revenue of RM 73million and profit after taxation of RM 17million to the Group since the date of acquisition.

35. Changes in accounting policies

As mentioned in Note 1 to the financial statements, the Group has adopted MFRS 9 and MFRS 15 during the financial year. The financial impacts upon the adoption of these accounting standards are summarized below:-

Statement of Financial Position

	<------------- At 1 January 2018	-------------	------------->
	As Previously Reported RM'000	MFRS 9 Adjustments RM'000	As Restated RM'000
Group			
Non-Current assets			
Deferred tax assets	25,234	1,621	26,855
Receivables	6,129	(1,862)	4,267
Current assets			
Receivables, deposits and prepayments	199,972	(3,214)	196,758
Contract Assets	164,184	(1,642)	162,542
Equity			
Retained earnings	437,740	(2,914)	434,826
Non-controlling interests	(1,281)	(2,183)	(3,464)

35. Changes in accounting policies (continued)

As mentioned in Note 1 to the financial statements, the Group has adopted MFRS 9 and MFRS 15 during the financial year. The financial impacts upon the adoption of these accounting standards are summarized below:- (continued)

Statement of Financial Position (continued)

	<------------- At 1 January 2018	------------->	
	As Previously Reported RM'000	MFRS 9 Adjustments RM'000	As Restated RM'000
Company			
Non-Current assets			
Deferred tax assets	-	838	838
Receivables	6,129	(1,862)	4,267
Current assets			
Amount owing by subsidiaries	57,771	(1,631)	56,140
Equity			
Retained earnings	82,117	(2,655)	79,462

Initial Application of MFRS 9

Group

The Group has adopted MFRS 9 without restating any comparatives information (transitional exemption). Therefore, the financial impacts arising from the new classification and measurement of financial instruments, and the new impairment requirements are not reflected in the its consolidated statement of financial position as at 31 December 2017; but are recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9).

Company

There were no material financial impacts upon the transition to MFRS 9 at the date of initial application other than an increase in the loss allowance for amount owing by subsidiaries arising from the change in impairment loss assessment.

36. Significant event during the financial year

On 3 July 2018, the Company acquired 70% equity interest in Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd at an indicative cash consideration ranging between RM90.7 million to RM142.1 million, subject to amongst others, the relevant profit thresholds to be met over the financial years ended 31 December 2017 to 2019 as well as the terms of the Sale and Purchase Agreement.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 48 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Mac Ngan Boon @ Mac Yin Boon

....

Lee Poh Kwee

Klang, Selangor Daruh Ehsan

11 April 2019

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lee Poh Kwee**, MIA Membership Number: 8033, 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 48 to 126 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 11 April 2019.

……………………..
Lee Poh Kwee

Before me:

Nadzrul Azali bin Abdul Aziz
Pesuruhjaya Sumpah Malaysia
(No. B548)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Favelle Favco Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition and contract accounting Refer to Note 20 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised.	Our audit procedures included, amongst others: • Read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • Testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements;

Key Audit Matters (Continued)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition and contract accounting
Refer to Note 20 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable. In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.	Our audit procedures included, amongst others: (continued) • Assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables and costs incurred on variation orders; • Assessing the reasonableness of percentage of completion by comparing to certification by external parties; • Assessing the estimated profit and costs to completion, adjustments for job costing and potential contract losses; • Performing subsequent event review to support year-end judgements; • Assessing whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards; and • Considering the adequacy of the Group's disclosures in respect of the judgements taken with respect to profit recognition and the key risks relating to these amounts.

Key Audit Matters (Continued)

Recoverability of trade receivables Refer to Note 10 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Trade receivables are a major component of the financial position of the Group. Given the unfavourable macro-economic factors from prolonged weakness in global crude oil prices, the risk of customers becoming insolvent may be high. Accordingly, there is significant judgement involved in the assessment of recoverability of receivables, particularly regarding estimation of future cash collection and in calculating allowance for doubtful debts.	Our audit procedures included, amongst others: • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Enquiring with management on project/receivables status for major customers; • Reviewing collections and sales trends during the financial year for major receivables; and • Reviewing management's basis of estimation on the adequacy of the Group's allowance for impairment losses on trade receivables.

Inventories – Inventories under Work-In-Progress Refer to Note 12 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Inventories are a major component of the financial position of the Group. The unfavourable macro-economic factors from prolonged weakness in global crude oil prices have impacted the demand of cranes which might lead to slow moving stocks. Accordingly, significant judgement is required in the assessment on write-down of slow moving stocks.	Our audit procedures included, amongst others: • Reviewing whether inventories are carried at the lower of costs and net realisable value; and • Assessing adequacy of writedown of inventories.

Key Audit Matters (Continued)

Acquisition accounting for Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd and Sedia Teguh Sdn Bhd ("Intelligent Automation Group") under MFRS 3 - *Business Combinations*

Refer to Note 34 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The acquisition of Intelligent Automation Group was accounted for as a business combination based on MFRS 3 - Business Combinations ("MFRS 3"). A purchase price allocation exercise was performed by management, assisted by an external expert, and was determined that the fair value of the net identifiable assets for the acquisition is RM94.026 million.	Our audit procedures included, amongst others: • Evaluating the objectivity, independence and capabilities of the external expert; • Assessing the methodology adopted by management for calculating the fair values, key valuation assumptions and validating the key inputs used; and • Reviewing the adequacy of disclosure of acquisition in the financial statements.

Goodwill impairment

Refer to Note 5 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2018, the Group has goodwill of RM71.183 million for the acquisition of the Intelligent Automation Group. This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing. The judgement in relation to goodwill impairment relates primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.	Our audit procedures included, amongst others: • Making enquiries and challenging the management on the key assumptions made, including the consistent application of management's methodology, the achievability of the business plans, assumptions in relation to terminal growth in the business at the end of the plan period, and revenue growth, operating margin and discount rates; • Evaluating the reasonableness of the management's estimate of expected future cash flows by taking into consideration the past performance of the Intelligent Automation Group; • Performing sensitivity analysis to assess the impact on the recoverable amount of the cash generating units; and • Reviewing the adequacy of disclosure of goodwill in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:- (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Ung Voon Huay
03233/09/2020 J
Chartered Accountant

Kuala Lumpur
11 April 2019

Group Properties as at 31 December 2018

No.	Location	Description /Existing Use	Year of Valuation/ Acquisition	Tenure/ Expiry Date	Land Area	Age of Building	Carrying Value RM'000
1.	4 Mile East, FM 106, Port of Harlingen, Harlingen, Texas, 78551-3049 USA.	Office building cum manufacturing plant	1997	Leasehold expiry 2031	17.826 acres	20 years	2,213
2.	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2017#	Freehold	68,846 sq. m	13 years	40,320
3.	7AL, Nordkranvej, 2 3540, Lynge DK Denmark	Factory building with office block	2017#	Freehold	59,525 sq. m.	48 years	15,815
4.	PN4072 Lot 3683 & PN4073 Lot 3684 Mukim of Teluk Kalung, District of Kemaman, Terengganu Darul Iman.	Factory building with office block	2010	Leasehold expiry 2057	4,007 sq.m.	4 years	2,881
5.	28, Yarrunga Street, Preston, NSW 2170, Australia	Office building and factory	2017#	Freehold	11.6 acres	48 years	56,113
6	No.10-G, No.10-H, No.10-E, Jalan Sapir 33/7 Alam Premier Industrial Park, Section 33 40400 Shah Alam, Selangor Darul Ehsan.	Factory building with office block	2018#	Freehold	1.964 sq.m 2,228 sq.m. 2,070 sq.m.	2 years 2 years 2 years	4,345 4,929 4,700
					Total properties		131,316

Note:
Year of Valuation

Analysis of Shareholdings as at 29 March 2019

Share Capital

Total number of issued shares	:	221,566,763
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Distribution of shareholdings of ordinary shares

Size of Holdings	No of holders*1	% of holders*1	No. of shares held*1	% of issued capital*1
Less than 100	183	4.326	1,720	0.001
100 to 1,000	1,165	27.541	814,660	0.368
1,001 to 10,000	2,210	52.246	9,579,485	4.324
10,001 to 100,000	572	13.523	17,384,240	7.846
100,001 to 11,077,837*2	98	2.317	62,535,615	28.225
11,077,838*3 and above	2	0.047	131,241,043	59.236
TOTAL	**4,230**	**100.000**	**221,556,763**	**100.000**

Notes:

* 1. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 March 2019.
2. Less than 5% of issued shares.
3. 5% and above of issued shares.

Directors' shareholdings as per the Register of Directors' Shareholdings

Name of Directors	Direct interests (no. of shares)	% of issued capital(8)	Indirect/ Deemed interest (no. of shares)	% of issued capital(8)
1. Tan Sri A. Razak bin Ramli	300,000	0.135	800(1)	-(2)
2. Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000(3)	0.135	-	-
3. Mac Chung Hui	2,342,000(4)	1.057	-	-
4. Mac Ngan Boon @ Mac Yin Boon	9,142,913(5)	4.127	132,979,843(6)	60.021
5. Lee Poh Kwee	1,715,000(7)	0.774	-	-
6. Mazlan bin Abdul Hamid	2,276,900	1.028	-	-

Notes:

1. Deemed interest pursuant to Section 59(11)(c) of the Companies Act, 2016 (" the Act"), held through his spouse and children.
2. Less than 0.001%.
3. Shares held through AllianceGroup Nominees (Tempatan) Sdn Bhd.
4. Certain shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd.
5. Certain shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, Maybank Securities Nominees (Tempatan) Sdn Bhd and EB Nominees (Tempatan) Sendirian Berhad.
6. Deemed interest pursuant to Section 8 of the Act by virtue of his substantial interests in MEB and the shares held by his wife and children pursuant to Section 59(11)(c) of the Act.
7. Shares held through HLB Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd.
8. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 March 2019.

Shares in related corporation

There is no change in the deemed interest of directors in related corporation as disclosed in the Directors' Report for the year ended 31 December 2018 from pages 43 to 45 of this Annual Report.

Options in the Company

There is no change in the share options held by the Directors in the Company as disclosed in the Directors' Report for the year ended 31 December 2018 on page 44 of this Annual Report.

Substantial Shareholdings as per the Register of Substantial Shareholders

Name	Direct interests (no. of shares)	% of issued capital(3)	Deemed interest (no. of shares)	% of issued capital(3)
1. Muhibbah Engineering (M) Bhd	131,241,043	59.236	-	-
2. Mac Ngan Boon @ Mac Yin Boon	9,142,913(1)	4.127	131,241,043(2)	59.236

Notes:
1. Certain shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, Maybank Securities Nominees (Tempatan) Sdn Bhd and EB Nominees (Tempatan) Sendirian Berhad.
2. Deemed interest pursuant to Section 8 of the Act by virtue of his substantial interests in MEB.
3. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 March 2019.

List of thirty (30) largest shareholders

No.	Name of Shareholders	No. of Shares held	% of issued capital*
1	Muhibbah Engineering (M) Bhd	98,000,000	44.232
2	Muhibbah Engineering (M) Bhd	33,241,043	15.003
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	5,264,000	2.376
4	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	5,000,000	2.257
5	Valuecap Sdn Bhd	3,967,600	1.791
6	Aminah binti Mohd Taib	3,563,700	1.608
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,116,200	1.407
8	Mac Ngan Boon @ Mac Yin Boon	2,978,913	1.345
9	Mazlan bin Abdul Hamid	2,262,900	1.021
10	Mac Chung Hui	2,242,000	1.012
11	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	1,435,000	0.648
12	Amanahraya Trustees Berhad PB Islamic Smallcap Fund	1,344,400	0.607

List of thirty (30) largest shareholders (cont'd)

No.	Name of Shareholders	No. of Shares held	% of issued capital*
13	Noriyati binti Hassan	1,304,123	0.589
14	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	1,204,000	0.543
15	Ooi Sen Eng	1,156,000	0.522
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	1,109,400	0.501
17	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	925,000	0.418
18	OREC Engineering Holdings Pty Ltd	900,000	0.406
19	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Dividend Fund	826,400	0.373
20	Teo Chang Hock	800,000	0.361
21	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SC E))	795,300	0.359
22	Shenandoah Chong Shin Kwek	770,000	0.348
23	Harmony Effective Sdn Bhd	755,000	0.341
24	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	700,000	0.316
25	Teoh Yong Churn	668,600	0.302
26	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noriyati binti Hassan	602,500	0.272
27	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	600,000	0.271
28	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	600,000	0.271
29	Lim Swee Pheng	594,346	0.268
30	Caroline Khoo	583,000	0.263
		177,309,425	**80.031**

Note:
* Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 March 2019.

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting ("AGM") of Favelle Favco Berhad will be held at Concorde Hotel Shah Alam, Concorde I, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 12 June 2019 at 11.00 a.m. for the following purposes :-

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. — Please refer to Explanatory Note 1

2. To approve the declaration of a first and final tax exempt dividend of 13.5 sen per ordinary share in respect of the financial year ended 31 December 2018. — Resolution 1

3. To re-elect the following Directors who retire pursuant to Article 80 of the Constitution of the Company:-

   (i) Tan Sri A. Razak bin Ramli; — Resolution 2
   (ii) Mazlan bin Abdul Hamid; and — Resolution 3
   (iii) Sobri bin Abu. — Resolution 4

4. To approve the payment of Directors' fees and benefits payable up to an amount of RM1,000,000.00 from 13 June 2019 until the next AGM of the Company. — Resolution 5

5. To re-appoint Crowe Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 6

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions :-

6. **Ordinary Resolution**
   Retention of Independent Directors

   "**THAT** the following Directors who have each served for more than twelve (12) years to retain as Independent Directors of the Company:-

   (i) Tan Sri A. Razak bin Ramli; and — Resolution 7
   (ii) Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor. — Resolution 8

7. **Ordinary Resolution**
Proposed Renewal of Authority for Share Buy-Back Resolution 9

"**THAT** subject to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act 2016 ("the Act"), and the Constitution of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company through Bursa Securities ("Proposed Share Buy-Back"), as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :-

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued share capital of the Company at any point in time; and

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until :-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner :-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

8. **ORDINARY RESOLUTION**
Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature Resolution 10

"**THAT** subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.1.2 of the Circular to Shareholders ("Circular") dated 30 April 2019 ("Proposed Shareholders' Mandate") provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

THAT the Proposed Shareholders' Mandate conferred by this resolution shall continue to be in force until:-

a) the conclusion of the next AGM of the Company at which time it will lapse, unless by ordinary resolution passed at the next AGM, the Proposed Shareholders' Mandate is renewed; or

b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

c) revoked or varied by an ordinary resolution passed by the Company's shareholders in a general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

9. **SPECIAL RESOLUTION**
Proposed Adoption of New Constitution of the Company ("Proposed Adoption") Special Resolution

"**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety and in place thereof, a new constitution as set out in Appendix III of the Circular/Statement to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company with immediate effect.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with the full power to assent to any conditions, modification, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption."

10. To transact any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 60(d) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 4 June 2019 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes :-

(a) *A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.*

(b) *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*

(c) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

(d) *Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(e) *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

(f) *The duly completed Proxy Form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or any adjournment thereof.*

(g) *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this Notice will be put to vote by way of poll.*

Explanatory Notes to the Agenda

1. **Audited Financial Statements for the Financial Year Ended 31 December 2018**
The Audited Financial Statements in Agenda 1 is intended for discussion only as the provision of the Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

2. **Resolution 5 : Approval for payment of Directors' fees and benefits**
Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the forthcoming Twenty-Seventh Annual General Meeting on the Directors' fees and benefits under Resolution 5. The Director' benefits comprise meeting allowances, travelling allowances and other benefits such as directors' and officers' liability insurance.

3. **Resolutions 7 & 8 : Approval pertaining to the Continuation of Terms of Office as Independent Director**
The Board of Directors has vide the Nominating Committee conducted an assessment of independence of the following directors who have each served as Independent Director for a cumulative term of more than twelve (12) years and recommended them to continue to act as Independent Directors based on the following justifications:

(i) Tan Sri A. Razak bin Ramli; and
(ii) Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor.

Justifications

(a) They have met the independence criteria set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and are therefore, they would be able to give independent opinion to the Board;
(b) Being directors for more than twelve (12) years have enabled them to contribute positively during deliberations/ discussions at meetings as they are familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;
(c) They have contributed sufficient time and exercised due care during their tenure as Independent Directors;
(d) They have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;
(e) They have vigilantly safeguarded the interests of the minority shareholders of the Company;
(f) They have the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner;
(g) They have never compromised on their independent judgement;
(h) They have provided objective views on the performance of the Executive Director and Management in meeting the agreed goals and objectives; and
(i) They have ensured that there were effective checks and balances in Board proceedings.

4. **Resolution 9: Proposed Renewal of Authority for Share Buy-Back**
For Resolution 9, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

5. **Resolution 10: Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**
For Resolution 10, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

6. **Special Resolution: Proposed Adoption of New Constitution of the Company ("Proposed New Constitution")**
For Special Resolution, the detailed information on the Proposed New Constitution is set out in Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

Notice of Dividend Entitlement and Payment Date

NOTICE IS HEREBY GIVEN THAT a first and final tax exempt Dividend of 13.5 sen per ordinary share in respect of the financial year ended 31 December 2018, if approved by the shareholders at the forthcoming Twenty-Seventh Annual General Meeting, will be paid on 29 July 2019 to Depositors whose names appear in the Record of Depositors at the close of business on 17 July 2019.

A Depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares transferred into the Depositor's securities account before 4.30 p.m. on 17 July 2019 in respect of ordinary transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

TEW SIEW CHONG (MIA 20729)
LIM SUAK GUAK (MIA 19689)
TIA HWEI PING (MAICSA 7057636)
Company Secretaries

Selangor Darul Ehsan
30 April 2019

FAVELLE FAVCO BERHAD (249243-W)
(Incorporated in Malaysia)

Number of Shares Held
CDS Account Number

PROXY FORM

*I/*We ____
(Full Name as per NRIC/Certificate of Incorporation in Capital letters)

NRIC No. /Passport No. /Company No. ______________________________

of ____
(Full Address)

being a member/members of **FAVELLE FAVCO BERHAD**, hereby appoint Mr/Ms ______________________

______________________ NRIC No. /Passport No. ______________________

of ____

OR failing whom, Mr/Ms ______________________________

NRIC No. /Passport No. ______________________________

of ____

OR failing whom, the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at Concorde Hotel Shah Alam, Concorde I, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on **Wednesday, 12 June 2019 at 11.00 a.m.** and at any adjournment thereof.

The Proportions of *my/*our holding to be represented by *my/*our proxies are as follows :

Proxy 1	%	Proxy 2	%	100%

*My/*Our proxy(ies) is/are to vote as indicated below :-

Resolution No.	Ordinary Business :	For	Against
1.	To approve the declaration of a first and final tax exempt dividend of 13.5 sen per ordinary share.		
2.	To re-elect Tan Sri A. Razak Bin Ramli as Director of the Company.		
3.	To re-elect Mazlan Bin Abdul Hamid as Director of the Company.		
4.	To re-elect Sobri Bin Abu as Director of the Company.		
5.	To approve the payment of Directors' fees and benefits payable up to an amount of RM1,000,000.00 from 13 June 2019 until the next Annual General Meeting.		
6.	To re-appoint Crowe Malaysia PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	Special Business :		
7.	To retain Tan Sri A. Razak Bin Ramli as an Independent Non-Executive Director.		
8.	To retain Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor as an Independent Non-Executive Director.		
9.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
10.	To approve the Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution	To approve the Proposed Adoption of the New Constitution of the Company.		

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2019
[*Delete if not applicable]

....
[Signature/Common Seal of Shareholder(s)]

Notes:

(a) A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.

(b) A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(c) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

(d) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) The duly completed Proxy Form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or any adjournment thereof.

(g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this Notice will be put to vote by way of poll.

Affix
Stamp
Here

FAVELLE FAVCO BERHAD (249243-W)

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia