

**FAVELLE FAVCO BHD** (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
<b>Assets</b>		
Property, plant and equipment	263,688	241,827
Intangible assets	134	203
Investment in associates	13,475	14,746
Deferred tax assets	28,008	25,234
Receivables	4,238	6,129
<b>Total non-current assets</b>	<u>309,543</u>	<u>288,139</u>
Receivables, deposits and prepayments	249,255	199,972
Contract work-in-progress	140,831	164,184
Inventories	158,742	156,455
Current tax assets	17,840	20,096
Derivative assets	-	6,467
Cash and cash equivalents	324,032	372,128
<b>Total current assets</b>	<u>890,700</u>	<u>919,302</u>
<b>Total assets</b>	<u>1,200,243</u>	<u>1,207,441</u>
<b>Equity</b>		
Share capital	110,701	110,701
Reserves	491,759	518,808
<b>Total equity attributable to owners of the Company</b>	<u>602,460</u>	<u>629,509</u>
<b>Non-controlling interests</b>	<u>(891)</u>	<u>(1,281)</u>
<b>Total equity</b>	<u>601,569</u>	<u>628,228</u>
<b>Liabilities</b>		
Loans and borrowings	16,732	18,780
Deferred tax liabilities	11,472	11,179
<b>Total non-current liabilities</b>	<u>28,204</u>	<u>29,959</u>
Provisions for warranties	25,945	25,347
Payables and accruals	259,106	232,886
Amount due to contract customers	264,910	270,308
Loans and borrowings	14,111	15,149
Current tax liabilities	5,604	5,564
Derivative liabilities	794	-
<b>Total current liabilities</b>	<u>570,470</u>	<u>549,254</u>
<b>Total liabilities</b>	<u>598,674</u>	<u>579,213</u>
<b>Total equity and liabilities</b>	<u>1,200,243</u>	<u>1,207,441</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<u>2.72</u>	<u>2.84</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**FAVELLE FAVCO BHD** (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018 (2ND QUARTER)****(The figures have not been audited)**

		Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	Note	30.06.2018	30.06.2017	30.06.2018	30.06.2017
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	A9	89,843	151,068	192,090	265,364
Cost of sales, other income and operating expenses		(79,868)	(130,692)	(173,738)	(228,512)
<b>Results from operating activities</b>		9,975	20,376	18,352	36,852
Finance income		1,384	1,237	2,510	2,339
Finance costs		(210)	(233)	(410)	(331)
<b>Operating profit</b>	B5	11,149	21,380	20,452	38,860
Share of profit/(loss) of associates, net of tax		(934)	(310)	(1,272)	(1,037)
<b>Profit before tax</b>		10,215	21,070	19,180	37,823
Tax expense	B6	(3,435)	(1,511)	(6,043)	(5,273)
<b>Profit for the period</b>		6,780	19,559	13,137	32,550
<b>Other comprehensive (expenses)/ income, net of tax</b>					
<b>Item that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		550	(1,722)	(6,954)	4,241
<b>Other comprehensive income for the period, net of tax</b>		550	(1,722)	(6,954)	4,241
<b>Total comprehensive income for the period</b>		7,330	17,837	6,183	36,791
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		7,252	19,437	12,761	32,274
Non-controlling interests		(472)	122	376	276
<b>Profit for the period</b>		6,780	19,559	13,137	32,550
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		7,799	17,679	5,793	36,486
Non-controlling interests		(469)	158	390	305
<b>Total comprehensive income for the period</b>		7,330	17,837	6,183	36,791
<b>Earnings per ordinary share</b>					
Basic (Sen)	B11	3.28	8.78	5.76	14.58
Diluted (Sen)	B11	3.26	8.78	5.74	14.58

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**FAVELLE FAVCO BHD** (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018 (2ND QUARTER)**

(The figures have not been audited)

	←← Attributable to owners of the Company →→						→→ Distributable			
	Non-Distributable			Distributable			Total attributable to owners of the Company		Non-controlling Interests	Total Equity
	Share Capital RM'000	Share Premium RM'000	Translation Reserves RM'000	Revaluation Reserves RM'000	Share Option Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	RM'000	RM'000	RM'000
<b>6 months ended 30 June 2018</b>										
<b>As at 1 January 2018</b>	110,701	44,469	13,186	22,217	1,217	(21)	437,740	629,509	(1,281)	628,228
Adjustment on initial application of MFRS 9	-	-	-	-	-	-	(5,096)	(5,096)	-	(5,096)
Profit/(loss) for the period	-	-	-	-	-	-	12,761	12,761	376	13,137
Foreign currency translation	-	-	(6,968)	-	-	-	-	(6,968)	14	(6,954)
Total comprehensive income for the period	-	-	(6,968)	-	-	-	12,761	5,793	390	6,183
- Share-based payments	-	-	-	-	2,142	-	-	2,142	-	2,142
- Dividends to shareholders	-	-	-	-	-	-	(29,888)	(29,888)	-	(29,888)
<b>As at 30 June 2018</b>	<b>110,701</b>	<b>44,469</b>	<b>6,218</b>	<b>22,217</b>	<b>3,359</b>	<b>(21)</b>	<b>415,517</b>	<b>602,460</b>	<b>(891)</b>	<b>601,569</b>
<b>6 months ended 30 June 2017</b>										
<b>As at 1 January 2017</b>	110,701	44,469	15,621	15,373	-	(21)	407,852	593,995	(2,238)	591,757
Profit for the period	-	-	-	-	-	-	32,274	32,274	276	32,550
Foreign currency translation	-	-	4,212	-	-	-	-	4,212	29	4,241
Total comprehensive income for the period	-	-	4,212	-	-	-	32,274	36,486	305	36,791
- Dividends to shareholders	-	-	-	-	-	-	(33,210)	(33,210)	-	(33,210)
<b>As at 30 June 2017</b>	<b>110,701</b>	<b>44,469</b>	<b>19,833</b>	<b>15,373</b>	<b>-</b>	<b>(21)</b>	<b>406,916</b>	<b>597,271</b>	<b>(1,933)</b>	<b>595,338</b>

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**FAVELLE FAVCO BHD** (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (2ND QUARTER)  
(The figures have not been audited)**

	Unaudited Period ended 30.06.2018 RM'000	Unaudited Period ended 30.06.2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	19,180	37,823
Adjustments for:		
Amortisation of intangible assets	64	63
Allowance for impairment losses	4,499	-
Allowance for impairment losses on receivables written back	-	(4,193)
Bad debts written off	-	139
Depreciation of property, plant and equipment	8,888	9,585
Finance costs	410	331
Finance income	(2,510)	(2,339)
Gain on disposal of property, plant and equipment	(49)	(143)
(Gain)/loss on foreign exchange	1,463	10,663
(Gain)/loss on derivatives	7,255	(16,791)
Provision for warranties	4,596	5,050
Share-based payments	2,142	-
Share of loss/(profit) of equity accounted associates	1,272	1,037
Reversal of provision for warranties	(1,642)	(928)
Writedown of inventories	-	157
Operating profit/(loss) before changes in working capital	45,568	40,454
Changes in working capital:		
Inventories	(2,287)	(14,154)
Payables and accruals	(8,271)	26,125
Receivables, deposits and prepayments	(35,058)	(23,630)
Cash generated from/(used in) operations	(48)	28,795
Interest received	2,454	2,308
Interest paid	(306)	-
Warranties paid	(1,571)	(426)
Income tax paid	(4,435)	(9,971)
<b>Net cash generated from/(used in) operating activities</b>	(3,906)	20,706
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(35,017)	(6,923)
Proceeds from disposal of property, plant and equipment	1,809	329
<b>Net cash generated from/(used in) investing activities</b>	(33,208)	(6,594)

**FAVELLE FAVCO BHD** (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (2ND QUARTER)  
(cont'd)**

	Unaudited Period ended 30.06.2018 RM'000	Unaudited Period ended 30.06.2017 RM'000
<b>Cash flows from financing activities</b>		
Interest paid	(49)	(268)
Net proceeds/(repayment) of loans and borrowings	(751)	(2,655)
<b>Net cash generated from/(used in) financing activities</b>	<u>(800)</u>	<u>(2,923)</u>
<b>Exchange differences on translation of the financial statements of foreign operations</b>	(4,907)	2,359
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(42,821)</u>	<u>13,548</u>
<b>Cash and cash equivalents at 1 January</b>	369,793	366,837
<b>Effect of exchange rate fluctuations on cash held</b>	(2,940)	(453)
<b>Cash and cash equivalents at 30 June</b>	<u>324,032</u>	<u>379,932</u>

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

	30.06.2018 RM'000	30.06.2017 RM'000
Cash and bank balances	41,389	76,807
Short Term Investment	78,344	69,239
Deposit placed with licensed banks	204,299	233,886
<b>Cash and cash equivalents per balance sheet</b>	<u>324,032</u>	<u>379,932</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP  
FOR THE PERIOD ENDED 30 JUNE 2018 (2ND QUARTER)**

**A NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**A1. BASIS OF PREPARATION**

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2018:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective date</u>
• MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance consideration	1 January 2018
• Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
• Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
• Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
• Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above amendments and Annual Improvements to Standards did not have any material impact on the Group and the Company's financial statements upon their initial application except MFRS 9.

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

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments, if any)</u>	<u>Effective Date</u>
• MFRS 16 Leases	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019
• Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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

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

### A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### a) MFRS 9 Financial instruments

The Group adopted MFRS 9 Financial instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments. Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 also replaces MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances, will be measured on either 12 months ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to fair value through profit or loss ("FVTPL") are as follows:

#### **Impact of adoption of MFRS 9 to opening balance at 1 January 2018**

	<b>RM'000</b>
Decrease in retained earnings	5,096
Increase in deferred tax asset	1,609
Decrease in trade and other receivables	6,705

#### b) MFRS 15 Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

### A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2017 was not subject to any qualification.

### A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

### A5. EXCEPTIONAL/UNUSUAL ITEMS

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

### A6. MATERIAL CHANGES IN ESTIMATES

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

### A7. DEBT AND EQUITY SECURITIES

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

### A8. DIVIDENDS PAID

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

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

### A9. SEGMENT REVENUE

The financial information by business segment is not presented as the Group's activities are primarily in the manufacturing and supplying of cranes.

	Inside Malaysia RM'000	Outside Malaysia RM'000	Conso- lidated RM'000
<b>GEOGRAPHICAL SEGMENTS</b>			
<b>Revenue</b>	<b>63,427</b>	<b>128,663</b>	<b>192,090</b>
<b>Results from operating activities</b>			<b>18,352</b>
Finance income			2,510
Finance costs			(410)
Share of profit/(loss) of associates, net of tax			(1,272)
<b>Profit before tax</b>			<b>19,180</b>
Segment assets			1,186,768
Investments in associates			13,475
<b>Total assets</b>			<b>1,200,243</b>
<b>Segments liabilities</b>			<b>598,674</b>

### A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

### A11. MATERIAL SUBSEQUENT EVENT

There were no material subsequent event from the end of the quarter to 23 August 2018, which is likely to substantially affect the results of the operations of the Company.

### A12. CHANGES IN THE GROUP'S COMPOSITION

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

### A13. CONTINGENT ASSETS/LIABILITIES

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

### A14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 June 2018 and up to 23 August 2018.

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

### **B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q2 2018 vs YTD Q2 2017)**

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

For the current quarter ended 30 June 2018, the Group recorded revenue of RM192.1 million with profit before tax of RM19.2 million as compared to revenue of RM265.4 million with profit before tax of RM37.8 million in the previous year ended 30 June 2017. The decrease in profit before tax for the Group was mainly due to decrease in sales of offshore cranes, adoption of MFRS 9 and unrealised forex loss.

### **B2. COMPARISON WITH PRECEDING QUARTER RESULT (2018 Q2 vs 2018 Q1)**

The Group recorded a revenue of RM89.8 million with profit before tax of RM10.2 million for the current quarter as compared to the revenue of RM102.2 million with profit before tax of RM9.0 million in the preceding quarter. The increase in profit before tax for the Group was due to lower unrealised forex loss.

### **B3. GROUP'S CURRENT YEAR PROSPECT**

Despite the challenging outlook in the current market, the Group has outstanding order book of approximately RM427 million as at 23 August 2018 from the global oil and gas, shipyard, construction and wind turbine industries.

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

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

### **B4. PROFIT FORECAST**

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

### **B5. OPERATING PROFIT**

	Current Quarter 30.06.2018 RM'000	Cumulative Qtr To-date 30.06.2018 RM'000
<b>Operating profit is arrived at after (crediting)/charging the following:</b>		
Depreciation and amortization	2,948	8,952
Allowance for impairment losses	1,989	4,499
Foreign exchange (gain)/loss	(5,872)	1,463
(Gain)/loss on derivatives	4,806	7,255
(Gain)/loss on disposal of property, plant and equipment	-	49
Other Income	(23)	(156)
Finance costs	210	410
Interest income	(1,384)	(2,510)

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

**B6. TAXATION**

	Current Quarter 30.06.2018 RM'000	Cumulative Qtr To-date 30.06.2018 RM'000
<b>Current tax expense</b>		
Malaysian Tax	(56)	(2,086)
Overseas	(3,471)	(4,645)
	(3,527)	(6,731)
<b>Deferred taxation expense</b>		
Malaysian Tax	(750)	(154)
Overseas	842	842
	92	688
<b>Total tax expense</b>	<b>(3,435)</b>	<b>(6,043)</b>

The effective corporate tax expenses is slightly higher than statutory tax rate mainly due to higher statutory tax rate on certain oversea subsidiaries.

**B7. CORPORATE PROPOSAL**

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

Subsequent to the Heads of Agreement dated 5 October 2017, the Company had on 28 March 2018, announced that it had entered into a conditional Share Purchase Agreement ("SPA") with the individual vendors of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd (the four (4) companies are collectively referred to as the "Target Companies") to acquire 70% equity interest in each of the Target Companies ("Proposed Acquisition"), at an indicative cash consideration ranging between RM 90.7million to RM 143.1million, 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 SPA.

This Proposed Acquisition was successfully completed on 3 July 2018.

**B8. GROUP BORROWINGS AND DEBT SECURITIES**

	Foreign currency		RM'000
	Currency	Amount	
a) Short term borrowings			
- Unsecured	RM	11,402	11,402
	AUD	131	391
			11,793
- Secured	DKK	3,697	2,318
	Sub-total		14,111
<b>Total short term borrowings</b>			<b>14,111</b>
a) Long term borrowings			
- Secured	DKK	26,686	16,732
	Sub-total		16,732
<b>Total long term borrowings</b>			<b>16,732</b>
<b>Total borrowings</b>			<b>30,843</b>

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

**B9. CHANGES IN MATERIAL LITIGATION**

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

**B10. PROPOSED DIVIDENDS**

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

**B11. EARNINGS PER ORDINARY SHARE ("EPS")**

a) Basic EPS

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

	Current Quarter 30.06.2018	Cumulative Qtr To-date 30.06.2018
Profit attributable to owners of the Company (RM'000)	7,252	12,761
Weighted average number of ordinary shares in issue ('000)	221,393	221,393
Basic EPS (Sen)	3.28	5.76

b) Diluted EPS

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

	Current Quarter 30.06.2018	Cumulative Qtr To-date 30.06.2018
Profit attributable to owners of the Company (RM'000)	7,252	12,761
Weighted average number of ordinary shares in issue ('000)	221,393	221,393
Effect of dilution ('000)	926	926
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	222,319	222,319
Diluted EPS (Sen)	3.26	5.74

**B12. COMPARATIVE FIGURES**

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

**By order of the Board of Directors**

**Company Secretary**

**Date: 28 August 2018**