

FAVELLE FAVCO BHD

Registration No.:199201017739 (249243-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2020**

	Unaudited As at 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
Assets		
Property, plant and equipment	351,212	343,886
Right of Use Assets	27,953	29,695
Intangible assets	71,204	71,216
Investment in associates	8,549	10,032
Deferred tax assets	22,036	21,883
Receivables	4,576	4,449
Total non-current assets	485,530	481,161
Receivables, deposits and prepayments	172,370	210,034
Contract assets	164,937	146,333
Inventories	195,070	183,380
Current tax assets	5,132	3,036
Derivative assets	-	120
Cash and cash equivalents	270,222	289,228
Total current assets	807,731	832,131
Total assets	1,293,261	1,313,292
Equity		
Share capital	162,983	162,745
Reserves	580,222	552,657
Total equity attributable to owners of the Company	743,205	715,402
Non-controlling interests	31,678	35,270
Total equity	774,883	750,672
Liabilities		
Loans and borrowings	8,376	8,534
Lease liabilities	10,854	12,696
Deferred tax liabilities	15,734	14,961
Total non-current liabilities	34,964	36,191
Provisions for warranties	37,496	37,567
Payables and accruals	185,503	231,252
Contract liabilities	187,627	189,134
Leases liabilities	7,248	9,039
Loans and borrowings	55,828	44,810
Current tax liabilities	8,985	14,618
Derivative liabilities	727	9
Total current liabilities	483,414	526,429
Total liabilities	518,378	562,620
Total equity and liabilities	1,293,261	1,313,292
Net assets per share attributable to owners of the Company (RM)	3.32	3.20

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020 (2ND QUARTER)

(The figures have not been audited)

		Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	Note	30.06.2020	30.06.2019	30.06.2020	30.06.2019
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	97,426	199,310	242,053	355,317
Cost of sales, other income and operating expenses		(86,366)	(177,958)	(214,460)	(317,239)
Results from operating activities		11,060	21,352	27,593	38,078
Finance income		1,818	1,808	2,570	4,883
Finance costs		(529)	(358)	(1,069)	(720)
Operating profit	B5	12,349	22,802	29,094	42,241
Share of profit/(loss) of associates, net of tax		(795)	(415)	(1,483)	(1,268)
Profit before tax		11,554	22,387	27,611	40,973
Tax expense	B6	(2,952)	(5,345)	(6,644)	(9,271)
Profit for the period		8,602	17,042	20,967	31,702
Other comprehensive (expenses)/ income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		8,708	2,719	7,447	(2,192)
Other comprehensive income for the period, net of tax		8,708	2,719	7,447	(2,192)
Total comprehensive income for the period		17,310	19,761	28,414	29,510
Profit/(loss) attributable to:					
Owners of the Company		7,569	16,468	19,477	31,243
Non-controlling interests		1,033	574	1,490	459
Profit for the period		8,602	17,042	20,967	31,702
Total comprehensive income attributable to:					
Owners of the Company		16,262	19,155	27,008	29,027
Non-controlling interests		1,048	606	1,406	483
Total comprehensive income for the period		17,310	19,761	28,414	29,510
Earnings per ordinary share					
Basic (Sen)	B11	3.38	7.43	8.70	14.10
Diluted (Sen)	B11	3.38	7.34	8.70	13.93

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020 (2ND QUARTER)**

(The figures have not been audited)

	←← Attributable to owners of the Company →→					→→ Distributable			
	Non-Distributable								
	Share Capital RM'000	Translation Reserves RM'000	Revaluation Reserves RM'000	Share Option Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total attributable to owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
6 months ended 30 June 2020									
As at 1 January 2020	162,745	3,565	22,217	6,083	(21)	520,813	715,402	35,270	750,672
Profit/(loss) for the period	-	-	-	-	-	19,477	19,477	1,490	20,967
Foreign currency translation	-	7,531	-	-	-	-	7,531	(84)	7,447
Total comprehensive income for the period	-	7,531	-	-	-	19,477	27,008	1,406	28,414
- Transfer to share capital for share options exercised	55	-	-	(55)	-	-	-	-	-
- Share-based payments	-	-	-	612	-	-	612	-	612
- Issue of ordinary shares	183	-	-	-	-	-	183	-	183
- Dividends to non-controlling interests	-	-	-	-	-	-	-	(4,998)	(4,998)
As at 30 June 2020	162,983	11,096	22,217	6,640	(21)	540,290	743,205	31,678	774,883
6 months ended 30 June 2019									
As at 1 January 2019	155,170	8,579	22,217	5,500	(21)	468,266	659,711	30,103	689,814
Profit for the period	-	-	-	-	-	31,243	31,243	459	31,702
Foreign currency translation	-	(2,216)	-	-	-	-	(2,216)	24	(2,192)
Total comprehensive income for the period	-	(2,216)	-	-	-	31,243	29,027	483	29,510
- Transfer to share capital for share options exercised	310	-	-	(310)	-	-	-	-	-
- Share-based payments	-	-	-	1,125	-	-	1,125	-	1,125
- Issue of ordinary shares	982	-	-	-	-	-	982	-	982
- Dividends to non-controlling interests	-	-	-	-	-	-	-	(990)	(990)
- Dividends to shareholders	-	-	-	-	-	(29,888)	(29,888)	-	(29,888)
As at 30 June 2019	156,462	6,363	22,217	6,315	(21)	469,621	660,957	29,596	690,553

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020 (2ND QUARTER)****(The figures have not been audited)**

	Unaudited Period ended 30.06.2020 RM'000	Unaudited Period ended 30.06.2019 RM'000
Cash flows from operating activities		
Profit before tax	27,611	40,973
Adjustments for:		
Amortisation of intangible assets	14	32
Allowance for impairment losses	3,414	1,326
Reversal of impairment losses	-	(1,250)
Amortisation of right-of-use assets	2,907	-
Depreciation of property, plant and equipment	13,198	11,780
Finance costs	1,069	720
Finance income	(2,570)	(4,883)
Gain on disposal of property, plant and equipment	(387)	(278)
(Gain)/loss on foreign exchange	(8,677)	2,170
(Gain)/loss on derivatives	816	403
Property, plant and equipment written off	22	-
Provision for warranties	1,735	3,779
Share-based payments	612	1,125
Share of loss/(profit) of equity accounted associates	1,483	1,268
Reversal of provision for warranties	(2,508)	(1,695)
Write-back of Inventories	(676)	(334)
Operating profit/(loss) before changes in working capital	38,063	55,136
Changes in working capital:		
Inventories	(11,014)	1,699
Payables and accruals	(47,255)	(28,399)
Receivables, deposits and prepayments	21,512	(29,088)
Cash generated from/(used in) operations	1,306	(652)
Interest received	2,560	4,868
Interest paid	(989)	(656)
Warranties paid	(83)	(102)
Income tax paid	(13,965)	(15,040)
Net cash generated from/(used in) operating activities	(11,171)	(11,582)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(17,485)	(7,615)
Proceeds from disposal of property, plant and equipment	3,667	665
Net cash generated from/(used in) investing activities	(13,818)	(6,950)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020 (2ND QUARTER)**

(cont'd)

	Unaudited Period ended 30.06.2020 RM'000	Unaudited Period ended 30.06.2019 RM'000
Cash flows from financing activities		
Proceeds from issue of shares under SIS scheme	183	982
Payment of deferred consideration	-	(2,310)
Dividend paid to non-controlling interests	(4,998)	(990)
Net proceeds/(repayment) of loans and borrowings	13,976	(4,212)
Net cash generated from/(used in) financing activities	9,161	(6,530)
Exchange differences on translation of the financial statements of foreign operations	2,311	(479)
Net increase/(decrease) in cash and cash equivalents	(13,517)	(25,541)
Cash and cash equivalents at 1 January	263,544	318,653
Effect of exchange rate fluctuations on cash held	2,188	40
Cash and cash equivalents at 30 June	252,215	293,152

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

	30.06.2020 RM'000	30.06.2019 RM'000
Cash and bank balances	71,638	109,563
Short Term Investment	119,719	76,770
Deposit placed with licensed banks	78,865	114,469
Cash and cash equivalents per balance sheet	270,222	300,802
Bank overdrafts	(18,007)	(7,650)
	252,215	293,152

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP FOR THE PERIOD ENDED 30 JUNE 2020 (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 2019. 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 2019.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019 and for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2020:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective date</u>
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
• Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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

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

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments, if any)</u>	<u>Effective Date</u>
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2019 was not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL/UNUSUAL ITEMS

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

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

A6. MATERIAL CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

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

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Cranes RM'000	Intelligent Automation RM'000	Consolidated RM'000
Revenue			
Inside Malaysia	34,711	46,947	81,658
Outside Malaysia	160,395	-	160,395
	<u>195,106</u>	<u>46,947</u>	<u>242,053</u>
Profit before tax	20,315	7,296	27,611
Segment assets	1,142,219	142,493	1,284,712
Investments in associates	8,549	-	8,549
Total assets	<u>1,150,768</u>	<u>142,493</u>	<u>1,293,261</u>
Segments liabilities	<u>491,806</u>	<u>26,572</u>	<u>518,378</u>

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

A11. MATERIAL SUBSEQUENT EVENT

There were no material subsequent event from the end of the quarter to 19 August 2020, which is likely to substantially affect the results of the operations of the Company.

A12. CHANGES IN THE GROUP'S COMPOSITION

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

A13. CONTINGENT ASSETS/LIABILITIES

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

A14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 June 2020 and up to 19 August 2020.

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

B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q2 2020 vs YTD Q2 2019)

The Group reported consolidated revenue of RM242.01 million with profit before tax of RM27.6 million as compared to revenue of RM355.3 million with profit before tax of RM41.0 million in the previous financial year ended 30 June 2019.

The decrease in the group profit before tax was mainly due to decrease in sales recognised during the lockdown period.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2020 Q2 vs 2020 Q1)

The Group recorded a revenue of RM97.4 million with profit before tax of RM11.6 million for the current quarter as compared to the revenue of RM144.6 million with profit before tax of RM16.1 million in the preceding quarter, the decrease in group profit was mainly due to decrease in sales.

B3. GROUP'S CURRENT YEAR PROSPECT

Despite the challenging outlook in the current market, the Group has outstanding order book of approximately RM513 million (including order book of Intelligent Automation of RM76 million) as at 19 August 2020 from the global oil and gas, shipyard, construction, wind turbine industries and intelligent automation.

As the global economy is preparing for economic slowdown or even recession for the year as result of the Covid-19 pandemic, Bank Negara Malaysia has revised the Malaysia's GDP growth forecast for 2020 to between -3.5% and -5.5%. The overall situation is expected to remain unpredictable for now as nations worldwide are putting in place respective responses to contain the Covid-19 pandemic and introducing both monetary and fiscal stimulus packages to support the economy and prevent from catastrophic recession.

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 30.06.2020 RM'000	Cumulative Qtr To-date 30.06.2020 RM'000
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Operating profit is arrived at after (crediting)/charging the following:

Depreciation and amortization	6,802	13,212
Allowance for impairment loss/(gain)	6,207	3,414
Foreign exchange (gain)/loss	(4,308)	(8,677)
(Gain)/loss on derivatives	(379)	816
(Gain)/loss on disposal of property, plant and equipment	(390)	(387)
Other Income	(2,117)	(2,306)
Finance costs	529	1,069
Interest income	(1,818)	(2,570)

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

B6. TAXATION

	Current Quarter 30.06.2020 RM'000	Cumulative Qtr To-date 30.06.2020 RM'000
Current tax expense		
Malaysian Tax	(504)	(1,970)
Overseas	(2,279)	(4,267)
	(2,783)	(6,237)
Deferred taxation expense		
Malaysian Tax	(329)	(567)
Overseas	160	160
	(169)	(407)
Total tax expense	(2,952)	(6,644)

B7. CORPORATE PROPOSAL

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign currency		RM'000
	Currency	Amount	
a) Short term borrowings			
- Secured	RM	492	492
	DKK	63,382	40,911
	AUD	278	815
	Sub-total		42,218
- Unsecured	RM	13,049	13,049
	USD	131	561
Total short term borrowings			55,828
b) Long term borrowings			
- Secured	RM	8,376	8,376
Total long term borrowings			8,376
Total borrowings			64,204

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

B9. CHANGES IN MATERIAL LITIGATION

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

B10. PROPOSED DIVIDENDS

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

B11. EARNINGS PER ORDINARY SHARE ("EPS")

a) Basic EPS

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

	Current Quarter 30.06.2020	Cumulative Qtr To-date 30.06.2020
Profit attributable to owners of the Company (RM'000)	7,569	19,477
Weighted average number of ordinary shares in issue ('000)	223,935	223,920
Basic EPS (Sen)	3.38	8.70

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 30.06.2020	Cumulative Qtr To-date 30.06.2020
Profit attributable to owners of the Company (RM'000)	7,569	19,477
Weighted average number of ordinary shares in issue ('000)	223,935	223,920
Effect of dilution ('000) *	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	223,935	223,920
Diluted EPS (Sen)	3.38	8.70

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

B12. COMPARATIVE FIGURES

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

By order of the Board of Directors

Company Secretary

Date: 25 August 2020