

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Unaudited As at 31.12.2016 RM'000	Audited As at 31.12.2015 RM'000
Assets		
Property, plant and equipment	215,247	194,431
Intangible assets	323	1,273
Investment in associates	15,549	16,974
Deferred tax assets	25,933	16,906
Receivables	6,712	6,804
Total non-current assets	263,764	236,388
Receivables, deposits and prepayments	240,169	287,419
Contract work-in-progress	119,581	160,767
Inventories	141,080	184,999
Current tax assets	17,186	16,143
Cash and cash equivalents	366,838	333,979
Total current assets	884,854	983,307
Total assets	1,148,618	1,219,695
Equity		
Share capital	110,701	109,568
Reserves	483,091	437,535
Total equity attributable to owners of the Company	593,792	547,103
Non-controlling interests	(2,238)	512
Total equity	591,554	547,615
Liabilities		
Deferred tax liabilities	9,087	8,173
Total non-current liabilities	9,087	8,173
Provisions for warranties	25,166	27,805
Payables and accruals	216,388	231,113
Amount due to contract customers	261,957	323,264
Loans and borrowings	26,043	64,011
Current tax liabilities	5,287	5,851
Derivative liabilities	13,136	11,863
Total current liabilities	547,977	663,907
Total liabilities	557,064	672,080
Total equity and liabilities	1,148,618	1,219,695
Net assets per share attributable to owners of the Company (RM)	2.67	2.50

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 31 DECEMBER 2016 (4TH QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue	A9	136,769	184,172	582,273	867,348
Cost of sales, other income and operating expenses		(120,322)	(170,790)	(502,386)	(754,759)
Results from operating activities		16,447	13,382	79,887	112,589
Finance income (including MFRS 139)		2,194	13,701	3,906	15,194
Finance costs (including MFRS 139)		(1,863)	(6,036)	(2,548)	(8,022)
Operating profit	B5	16,778	21,047	81,245	119,761
Share of profit/(loss) of associates, net of tax		(675)	210	(1,425)	(1,485)
Profit before tax		16,103	21,257	79,820	118,276
Tax expense	B6	2,522	2,452	(7,966)	(24,410)
Profit for the period		18,625	23,709	71,854	93,866
Other comprehensive (expenses)/ income, 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		-	182	-	182
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		3,260	(5,768)	3,050	15,693
Other comprehensive income for the period, net of tax		3,260	(5,586)	3,050	15,875
Total comprehensive income for the period		21,885	18,123	74,904	109,741
Profit/(loss) attributable to:					
Owners of the Company		20,027	24,448	74,463	94,706
Non-controlling interests		(1,402)	(739)	(2,609)	(840)
Profit for the period		18,625	23,709	71,854	93,866
Total comprehensive income attributable to:					
Owners of the Company		23,352	19,456	77,615	110,542
Non-controlling interests		(1,467)	(1,333)	(2,711)	(801)
Total comprehensive income for the period		21,885	18,123	74,904	109,741
Earnings per ordinary share					
Basic (Sen)	B11	9.05	11.19	33.75	43.40
Diluted (Sen)	B11	9.05	11.13	33.75	43.14

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 31 DECEMBER 2016 (4TH 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
12 months ended 31 December 2016										
As at 1 January 2016	109,568	41,746	12,451	15,373	1,711	(21)	366,275	547,103	512	547,615
Profit/(loss) for the period	-	-	-	-	-	-	74,463	74,463	(2,609)	71,854
Foreign currency translation	-	-	3,152	-	-	-	-	3,152	(102)	3,050
Total comprehensive income for the period	-	-	3,152	-	-	-	74,463	77,615	(2,711)	74,904
Contribution by and distribution to owners of the Company										
- Subscription of shares in a subsidiary	-	-	-	-	-	-	(653)	(653)	(39)	(692)
- Share options exercised	1,133	1,803	-	-	-	-	-	2,936	-	2,936
- Transfer to share premium for share options exercised	-	920	-	-	(920)	-	-	-	-	-
- Expiry of ESOS	-	-	-	-	(791)	-	791	-	-	-
- Dividends to shareholders	-	-	-	-	-	-	(33,209)	(33,209)	-	(33,209)
As at 31 December 2016	110,701	44,469	15,603	15,373	-	(21)	407,667	593,792	(2,238)	591,554
12 months ended 31 December 2015										
As at 1 January 2015	108,756	40,596	(3,203)	15,191	1,457	(21)	298,059	460,835	(1,106)	459,729
Profit for the period	-	-	-	-	-	-	94,706	94,706	(840)	93,866
Foreign currency translation	-	-	15,654	-	-	-	-	15,654	39	15,693
Movement in revaluation of property, plant and equipment, net of tax	-	-	-	182	-	-	-	182	-	182
Total comprehensive income for the period	-	-	15,654	182	-	-	94,706	110,542	(801)	109,741
Contribution by and distribution to owners of the Company										
- Subscription of shares in a subsidiary	-	-	-	-	-	-	-	-	2,194	2,194
- Accretion of share in a subsidiary	-	-	-	-	-	-	(225)	(225)	225	-
- Share options exercised	812	569	-	-	-	-	-	1,381	-	1,381
- Transfer to share premium for share options exercised	-	581	-	-	(581)	-	-	-	-	-
- Share-based payments	-	-	-	-	835	-	-	835	-	835
- Dividends to shareholders	-	-	-	-	-	-	(26,265)	(26,265)	-	(26,265)
As at 31 December 2015	109,568	41,746	12,451	15,373	1,711	(21)	366,275	547,103	512	547,615

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 2015 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 31 DECEMBER 2016 (4TH QUARTER)****(The figures have not been audited)**

	Unaudited Period ended 31.12.2016 RM'000	Audited Period ended 31.12.2015 RM'000
Cash flows from operating activities		
Profit before tax	79,820	118,276
Adjustments for:		
Amortisation of intangible assets	935	1,191
Allowance for impairment losses on receivables	13,382	43,587
Allowance for impairment losses on receivables written back	(12,303)	(12,168)
Allowance for slow moving inventories	-	4,075
Bad debts written off	800	-
Depreciation of property, plant and equipment	18,140	15,986
Finance costs	835	2,273
Finance costs under MFRS 139	1,713	5,749
Finance income	(2,412)	(1,611)
Finance income under MFRS 139	(1,494)	(13,583)
Gain on disposal of property, plant and equipment	(471)	(18)
(Gain)/loss on foreign exchange	(7,171)	46,858
(Gain)/loss on derivatives	1,282	(10,783)
Property, plant and equipment written off	6	2,121
Provision for warranties	10,213	11,109
Share-based payments	-	835
Share of loss/(profit) of equity accounted associates	1,425	1,485
Reversal of provision for warranties	(8,458)	(3,868)
Writedown of inventories	13,458	1,099
Operating profit/(loss) before changes in working capital changes	<u>109,700</u>	<u>212,613</u>
Changes in working capital:		
Development costs	-	(521)
Inventories	30,461	11,687
Payables and accruals	(99,483)	2,934
Receivables, deposits and prepayments	84,913	(21,728)
Cash generated from operations	<u>125,591</u>	<u>204,985</u>
Interest received	2,412	1,611
Interest paid	-	(1,891)
Warranties paid	(4,605)	(7,542)
Income tax paid	(17,699)	(36,645)
Net cash generated from/(used in) operating activities	<u>105,699</u>	<u>160,518</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(45,250)	(24,407)
Proceed from subscription of shares in a subsidiary	-	2,194
Subscription of shares in a subsidiary	(693)	-
Proceeds from disposal of property, plant and equipment	6,929	2,650
Net cash generated from/(used in) investing activities	<u>(39,014)</u>	<u>(19,563)</u>

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (4TH QUARTER)
(cont'd)**

	Unaudited Period ended 31.12.2016 RM'000	Audited Period ended 31.12.2015 RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(33,209)	(26,265)
Interest paid	(836)	(382)
Proceeds from issue of shares under ESOS scheme	2,936	1,381
Net proceeds from/(repayment of) revolving credit	(391)	2,356
Net repayment of loans	(12,861)	(2,074)
Net cash generated from/(used in) financing activities	<u>(44,361)</u>	<u>(24,984)</u>
Exchange differences on translation of the financial statements of foreign operations	1,498	9,739
Net increase/(decrease) in cash and cash equivalents	<u>23,822</u>	<u>125,710</u>
Cash and cash equivalents at 1 January	333,979	208,796
Effect of exchange rate fluctuations on cash held	9,037	(527)
Cash and cash equivalents at 30 June	<u>366,838</u>	<u>333,979</u>

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

	31.12.2016 RM'000	31.12.2015 RM'000
Cash and bank balances	111,626	291,988
Short Term Investment	70,844	15,738
Deposit placed with licensed banks	184,368	26,253
Cash and cash equivalents per balance sheet	<u>366,838</u>	<u>333,979</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 DECEMBER 2016 (4TH QUARTER)****A NOTES TO THE INTERIM FINANCIAL STATEMENTS****A1. BASIS OF PREPARATION**

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. 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 2015.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2016:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective date</u>
• Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
• Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
• Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
• Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendment to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
• Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016

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 9 Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
• MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15	1 January 2018

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)

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2015 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

A first & final tax-exempt dividend of 30% (15sen) per ordinary share totalling RM33.209 million in respect of the year ended 31 December 2015 was paid on 11 August 2016.

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
GEOGRAPHICAL SEGMENTS			
Revenue	282,240	300,033	582,273
Results from operating activities			79,887
Finance income			3,906
Finance costs			(2,548)
Share of profit/(loss) of associates, net of tax			(1,425)
Profit before tax			79,820
Segment assets			1,133,069
Investments in associates			15,549
Total assets			1,148,618
Segments liabilities			557,064

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

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 15 February 2017, which is likely to substantially affect the results of the operations of the Company.

A12. CHANGES IN THE GROUP'S COMPOSITION

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

A13. CONTINGENT ASSETS/LIABILITIES

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

A14. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 December 2016 and up to 15 February 2017.

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

B1. REVIEW OF THE GROUP PERFORMANCE (YTD Q4 2016 vs YTD Q4 2015)

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 31 December 2016, the Group recorded revenue of RM582.3 million with profit before tax of RM79.8 million as compared to revenue of RM867.3 million with profit before tax of RM118.3 million in the previous quarter ended 31 December 2015. The decrease in profit before tax for the Group was mainly due to decrease in sales which is in line with industry climate and order book.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2016 Q4 vs 2016 Q3)

The Group recorded a profit before tax of RM16.1 million for the current quarter as compared to the profit before tax of RM18.7 million in the preceding quarter. The decrease in profit before tax for the Group was mainly due to a write down of slow moving inventories

B3. GROUP'S CURRENT YEAR PROSPECT

Despite the challenging outlook in the current market, the Group has outstanding order book of RM620.3 million as at 15 February 2017 from the global oil and gas, shipyard, construction and wind turbine industries.

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

B4. PROFIT FORECAST

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

B5. OPERATING PROFIT

Current Quarter 31.12.2016 RM'000	Cumulative Qtr To-date 31.12.2016 RM'000
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Operating profit is arrived at after (crediting)/charging the following:

Depreciation and amortization	5,346	19,075
Provision for/(reversal) and write off of receivables	(6,313)	1,879
Provision for/(reversal) and write off of inventories	13,458	13,458
Foreign exchange (gain)/loss	(10,225)	(7,171)
(Gain)/loss on derivatives	9,406	1,282
(Gain)/loss on disposal of property, plant and equipment	466	471
Other Income	(159)	(578)
Finance costs	194	835
Finance costs under MFRS 139	1,669	1,713
Interest income	(799)	(2,412)
Interest income under MFRS 139	(1,395)	(1,494)

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

B6. TAXATION

	Current Quarter 31.12.2016 RM'000	Cumulative Qtr To-date 31.12.2016 RM'000
Current tax expense		
Malaysian Tax	(2,441)	(11,082)
Overseas	(409)	(5,018)
	(2,850)	(16,100)
Deferred taxation expense		
Malaysian Tax	5,987	8,749
Overseas	(615)	(615)
	5,372	8,134
Total tax expense	2,522	(7,966)

The effective tax rate of the Group is lower than the local statutory tax rate mainly due to tax incentive from increase in export enjoyed by the local subsidiary granted by the relevant authorities.

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		-	-
AUD		1,113	3,577
Sub-total			3,577
Unsecured			
RM		8,940	8,940
DKK		21,500	13,526
Sub-total			22,466
Total short term borrowings			26,043
a) Long term borrowings			
Secured			
RM		-	-
Sub-total			-
Total long term borrowings			-
Total borrowings			26,043

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

B9. CHANGES IN MATERIAL LITIGATION

The ongoing material litigation of the Group as at 15 February 2017 are as follow:

Litigation against the Company and Favelle Favco Cranes (USA) Inc

Supreme Court of the State of New York

The Suits against the Company and its subsidiary, Favelle Favco Cranes (USA) Inc ("FFU"), commenced by persons/companies in New York vide suits instituted in the Supreme Court of the State of New York was resolved and closed.

Supreme Court of the State of New York, County of New York

The Suit against Favelle Favco Cranes (USA) Inc ("FFU"), commenced by Mr. Robert Panarella ("the Plaintiff") in the Supreme Court of the State of New York, as previously reported remains ongoing.

In the matter of Arbitration under the Arbitration rules of the Kuala Lumpur Regional Centre for Arbitration (KLRCA)

The Claim against Favelle Favco Cranes (M) Sdn Bhd ("FFCM"), commenced by Carigali Hess Operating Company Sdn Bhd ("the plaintiff") at the Kuala Lumpur Regional Centre for Arbitration, as previously reported remains ongoing.

B10. PROPOSED DIVIDENDS

The directors recommend a first and final tax exempt dividend of 15sen per ordinary share in respect of the financial ended 31 December 2016 subject to approval of the shareholders at the forthcoming Annual General Meeting. The payable final dividend is amounted to RM33.209 million.

The first and final dividend for 2016 is computed based on the issued and paid up share capital (excluding treasury share) of 221,392,763 ordinary shares as at 31 December 2016.

B11. EARNINGS PER ORDINARY SHARE ("EPS")

a) Basic EPS

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

	Current Quarter 31.12.2016	Cumulative Qtr To-date 31.12.2016
Profit attributable to owners of the Company (RM'000)	20,027	74,463
Weighted average number of ordinary shares in issue ('000)	221,393	220,647
Basic EPS (Sen)	9.05	33.75

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

B11. EARNINGS PER ORDINARY SHARE ("EPS") (Cont'd)

b) Diluted EPS

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

	Current Quarter 31.12.2016	Cumulative Qtr To-date 31.12.2016
Profit attributable to owners of the Company (RM'000)	20,027	74,463
Weighted average number of ordinary shares in issue ('000)	221,393	220,647
Effect of dilution ('000)	-	-
Adjusted weighted average number of ordinary shares in issue and issuales ('000)	221,393	220,647
Diluted EPS (Sen)	9.05	33.75

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits / (accumulated losses) of Favelle Favco Berhad and its subsidiaries:		
- Realised	268,775	275,883
- Unrealised	52,207	42,283
Total share of retained profits / (accumulated losses) from associated companies:		
- Realised	(4,655)	(3,080)
- Unrealised	57	38
Less: Consolidation adjustments	316,383 91,284	315,124 51,151
Total group retained profits / (accumulated losses) as per consolidated accounts	407,667	366,275

B13. 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: 23 February 2017