

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Unaudited As at 31.03.2018 RM'000	Audited As at 31.12.2017 RM'000
Assets		
Property, plant and equipment	243,990	241,827
Intangible assets	168	203
Investment in associates	14,409	14,746
Deferred tax assets	27,445	25,234
Receivables	4,032	6,129
Total non-current assets	<u>290,044</u>	<u>288,139</u>
Receivables, deposits and prepayments	188,952	199,972
Contract work-in-progress	159,523	164,184
Inventories	149,910	156,455
Current tax assets	18,559	20,096
Derivative assets	4,011	6,467
Cash and cash equivalents	350,421	372,128
Total current assets	<u>871,376</u>	<u>919,302</u>
Total assets	<u>1,161,420</u>	<u>1,207,441</u>
Equity		
Share capital	110,701	110,701
Reserves	512,777	518,808
Total equity attributable to owners of the Company	<u>623,478</u>	<u>629,509</u>
Non-controlling interests	<u>(422)</u>	<u>(1,281)</u>
Total equity	<u>623,056</u>	<u>628,228</u>
Liabilities		
Loans and borrowings	17,898	18,780
Deferred tax liabilities	11,096	11,179
Total non-current liabilities	<u>28,994</u>	<u>29,959</u>
Provisions for warranties	25,464	25,347
Payables and accruals	217,657	232,886
Amount due to contract customers	248,056	270,308
Loans and borrowings	12,708	15,149
Current tax liabilities	5,485	5,564
Total current liabilities	<u>509,370</u>	<u>549,254</u>
Total liabilities	<u>538,364</u>	<u>579,213</u>
Total equity and liabilities	<u>1,161,420</u>	<u>1,207,441</u>
Net assets per share attributable to owners of the Company (RM)	<u>2.81</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 31 MARCH 2018 (1ST QUARTER)****(The figures have not been audited)**

		Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	Note	31.03.2018	31.03.2017	31.03.2018	31.03.2017
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	102,247	114,296	102,247	114,296
Cost of sales, other income and operating expenses		(93,870)	(97,820)	(93,870)	(97,820)
Results from operating activities		8,377	16,476	8,377	16,476
Finance income		1,126	1,102	1,126	1,102
Finance costs		(200)	(98)	(200)	(98)
Operating profit	B5	9,303	17,480	9,303	17,480
Share of profit/(loss) of associates, net of tax		(338)	(727)	(338)	(727)
Profit before tax		8,965	16,753	8,965	16,753
Tax expense	B6	(2,608)	(3,762)	(2,608)	(3,762)
Profit for the period		6,357	12,991	6,357	12,991
Other comprehensive (expenses)/ income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(7,504)	5,963	(7,504)	5,963
Other comprehensive income for the period, net of tax		(7,504)	5,963	(7,504)	5,963
Total comprehensive income for the period		(1,147)	18,954	(1,147)	18,954
Profit/(loss) attributable to:					
Owners of the Company		5,509	12,837	5,509	12,837
Non-controlling interests		848	154	848	154
Profit for the period		6,357	12,991	6,357	12,991
Total comprehensive income attributable to:					
Owners of the Company		(2,006)	18,807	(2,006)	18,807
Non-controlling interests		859	147	859	147
Total comprehensive income for the period		(1,147)	18,954	(1,147)	18,954
Earnings per ordinary share					
Basic (Sen)	B11	2.49	5.80	2.49	5.80
Diluted (Sen)	B11	2.47	5.80	2.47	5.80

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 31 MARCH 2018 (1ST QUARTER)**

(The figures have not been audited)

	←← Attributable to owners of the Company →→						→			
	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
3 months ended 31 March 2018										
As at 1 January 2018	110,701	44,469	13,186	22,217	1,217	(21)	437,740	629,509	(1,281)	628,228
Adjustment on initial application of MFRS 9	-	-	-	-	-	-	(5,096)	(5,096)	-	(5,096)
Profit/(loss) for the period	-	-	-	-	-	-	5,509	5,509	848	6,357
Foreign currency translation	-	-	(7,515)	-	-	-	-	(7,515)	11	(7,504)
Total comprehensive income for the period	-	-	(7,515)	-	-	-	5,509	(2,006)	859	(1,147)
- Share-based payments	-	-	-	-	1,071	-	-	1,071	-	1,071
As at 31 March 2018	110,701	44,469	5,671	22,217	2,288	(21)	438,153	623,478	(422)	623,056
3 months ended 31 March 2017										
As at 1 January 2017	110,701	44,469	15,621	15,373	-	(21)	407,852	593,995	(2,238)	591,757
Profit for the period	-	-	-	-	-	-	12,837	12,837	154	12,991
Foreign currency translation	-	-	5,970	-	-	-	-	5,970	(7)	5,963
Total comprehensive income for the period	-	-	5,970	-	-	-	12,837	18,807	147	18,954
As at 31 March 2017	110,701	44,469	21,591	15,373	-	(21)	420,689	612,802	(2,091)	610,711

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 31 MARCH 2018 (1ST QUARTER)
(The figures have not been audited)**

	Unaudited Period ended 31.03.2018 RM'000	Uuaudited Period ended 31.03.2017 RM'000
Cash flows from operating activities		
Profit before tax	8,965	16,753
Adjustments for:		
Amortisation of intangible assets	32	32
Allowance for impairment losses	2,510	-
Allowance for impairment losses on receivables written back	-	(3,394)
Depreciation of property, plant and equipment	5,972	4,736
Finance costs	200	98
Finance income	(1,126)	(1,102)
Gain on disposal of property, plant and equipment	(49)	(19)
(Gain)/loss on foreign exchange	7,335	10,062
(Gain)/loss on derivatives	2,449	(12,999)
Provision for warranties	2,616	2,865
Share-based payments	1,071	-
Share of loss/(profit) of equity accounted associates	338	727
Reversal of provision for warranties	(1,012)	(521)
Operating profit/(loss) before changes in working capital changes	<u>29,301</u>	<u>17,238</u>
Changes in working capital:		
Inventories	6,545	(13,093)
Payables and accruals	(37,481)	(19,433)
Receivables, deposits and prepayments	7,629	55,288
Cash generated from operations	<u>5,994</u>	<u>40,000</u>
Interest received	1,099	1,086
Interest paid	(147)	-
Warranties paid	(614)	(125)
Income tax paid	(1,746)	(5,067)
Net cash generated from/(used in) operating activities	<u>4,586</u>	<u>35,894</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(10,452)	(2,040)
Proceeds from disposal of property, plant and equipment	843	51
Net cash generated from/(used in) investing activities	<u>(9,609)</u>	<u>(1,989)</u>

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (1ST QUARTER)
(cont'd)**

	Unaudited Period ended 31.03.2018 RM'000	Unaudited Period ended 31.03.2017 RM'000
Cash flows from financing activities		
Interest paid	(25)	(66)
Net proceeds/(repayment) of loans and borrowings	(1,447)	(1,198)
Net cash generated from/(used in) financing activities	<u>(1,472)</u>	<u>(1,264)</u>
Exchange differences on translation of the financial statements of foreign operations	(5,999)	4,660
Net increase/(decrease) in cash and cash equivalents	<u>(12,494)</u>	<u>37,301</u>
Cash and cash equivalents at 1 January	369,793	366,837
Effect of exchange rate fluctuations on cash held	(7,337)	1,120
Cash and cash equivalents at 31 March	<u>349,962</u>	<u>405,258</u>

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

	31.03.2018 RM'000	31.03.2017 RM'000
Cash and bank balances	78,837	97,144
Short Term Investment	85,183	66,369
Deposit placed with licensed banks	186,401	241,745
Cash and cash equivalents per balance sheet	<u>350,421</u>	<u>405,258</u>
Bank overdrafts	(459)	-
	<u>349,962</u>	<u>405,258</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.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2018 (1ST 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 FVTPL are as follows:

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

	RM'000
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
GEOGRAPHICAL SEGMENTS			
Revenue	35,809	66,438	102,247
Results from operating activities			8,377
Finance income			1,126
Finance costs			(200)
Share of profit/(loss) of associates, net of tax			(338)
Profit before tax			8,965
Segment assets			1,147,011
Investments in associates			14,409
Total assets			1,161,420
Segments liabilities			538,364

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 18 May 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 31 March 2018 and up to 18 May 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 Q1 2018 vs YTD Q1 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 31 March 2018, the Group recorded revenue of RM102.2 million with profit before tax of RM9.0 million as compared to revenue of RM114.3 million with profit before tax of RM16.8 million in the previous year ended 31 March 2017. The decrease in profit before tax for the Group was mainly due to decrease in sales, adoption of MFRS 9 and unrealised forex loss.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2018 Q1 vs 2017 Q4)

The Group recorded a revenue of RM102.2 million with profit before tax of RM9.0 million for the current quarter as compared to the revenue of RM93.0 million with profit before tax of RM18.7 million in the preceding quarter. The decrease in profit before tax for the Group was due to adoption of MFRS 9 and 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 RM400 million as at 18 May 2018 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 31.03.2018 RM'000	Cumulative Qtr To-date 31.03.2018 RM'000
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Operating profit is arrived at after (crediting)/charging the following:

Depreciation and amortization	6,004	6,004
Allowance for impairment losses	2,510	2,510
Foreign exchange (gain)/loss	7,335	7,335
(Gain)/loss on derivatives	2,449	2,449
(Gain)/loss on disposal of property, plant and equipment	49	49
Other Income	(133)	(133)
Finance costs	200	200
Interest income	(1,126)	(1,126)

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

B6. TAXATION

	Current Quarter 31.03.2018 RM'000	Cumulative Qtr To-date 31.03.2018 RM'000
Current tax expense		
Malaysian Tax	(2,030)	(2,030)
Overseas	(1,174)	(1,174)
	(3,204)	(3,204)
Deferred taxation expense		
Malaysian Tax	596	596
Overseas	-	-
	596	596
Total tax expense	(2,608)	(2,608)

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 2107 to 2019 as well as the terms of the SPA.

The Proposed Acquisition is expected to be completed in second quarter of 2018.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign currency		RM'000
	Currency	Amount	
a) Short term borrowings			
- Unsecured	RM	8,326	8,326
	AUD	527	1,565
			9,891
- Secured	DKK	4,417	2,817
	Sub-total		12,708
Total short term borrowings			12,708
a) Long term borrowings			
- Secured	DKK	28,057	17,898
	Sub-total		17,898
Total long term borrowings			17,898
Total borrowings			30,606

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 31.03.2018	Cumulative Qtr To-date 31.03.2018
Profit attributable to owners of the Company (RM'000)	5,509	5,509
Weighted average number of ordinary shares in issue ('000)	221,393	221,393
Basic EPS (Sen)	2.49	2.49

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 31.03.2018	Cumulative Qtr To-date 31.03.2018
Profit attributable to owners of the Company (RM'000)	5,509	5,509
Weighted average number of ordinary shares in issue ('000)	221,393	221,393
Effect of dilution ('000)	1,420	1,420
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	222,813	222,813
Diluted EPS (Sen)	2.47	2.47

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 May 2018