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

Financial statements for the year ended 31 December 2012

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

Directors' report for the financial year ended 31 December 2012

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 2012.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries and associates are as stated in Notes 6 and 7 respectively to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	61,746	15,106
Non-controlling interests	(591)	-
Profit for the financial year	61,155	15,106

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.

Dividend

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 12% (6.00 sen) per ordinary share totalling RM10,749,421 in respect of the financial year ended 31 December 2011 on 10 August 2012.

The first and final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2012 is as below per ordinary share totalling RM16,243,792 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting:

	%	Sen
Taxable dividend, less tax of 25%	2.7	1.35
Tax exempt dividend	13.3	6.65
Total	16.0	8.00

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Directors of the Company

Directors who served since the date of the last report are:

Tuan Haji Mohamed Taib bin Ibrahim
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Mac Ngan Boon @ Mac Yin Boon
Mac Chung Hui
Lee Poh Kwee
Mazlan bin Abdul Hamid
Lim Teik Hin

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 end of 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 of RM0.50 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Interests in the Company				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	2,845,671	-	-	2,845,671
- Spouse and Child	106,500	-	-	106,500
Tan Sri A. Razak bin Ramli				
- Own	300,000	-	-	300,000
- Child	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Mac Ngan Boon @ Mac Yin Boon				
- Own	8,192,913	-	-	8,192,913
- Spouse and Child	1,627,800	300,000	(19,000)	1,908,800
Mac Chung Hui	2,012,000	-	(300,000)	1,712,000
Lee Poh Kwee	1,085,000	-	-	1,085,000
Mazlan bin Abdul Hamid	2,115,000	-	(51,000)	2,064,000
Lim Teik Hin	100,000	-	-	100,000

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Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	Alloted	Sold	At 31.12.2012
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	99,562,300	31,678,743	-	131,241,043

* Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial interest in Muhibbah Engineering (M) Bhd.

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Interests in the ultimate holding company - Muhibbah Engineering (M) Bhd.				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	7,543,392	-	-	7,543,392
- Spouse and Children	153,750	-	-	153,750
Mac Ngan Boon @ Mac Yin Boon				
- Own	70,641,416	50,000	-	70,691,416
- Spouse and Children	19,467,500	-	(50,000)	19,417,500
Mac Chung Hui	5,405,000	-	-	5,405,000
Lee Poh Kwee	4,046,272	-	-	4,046,272
Mazlan bin Abdul Hamid	390,000	-	-	390,000
Lim Teik Hin				
- Spouse	50,000	-	-	50,000

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 Employees' Share Option Schemes ("ESOS") are set out below:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2012	Granted	Exercised	At 31.12.2012
Company				
Mac Ngan Boon @ Mac Yin Boon	950,000	-	-	950,000
Mac Chung Hui	630,000	-	-	630,000
Lee Poh Kwee	630,000	-	-	630,000
Mazlan bin Abdul Hamid	630,000	-	-	630,000

Directors' interests (continued)

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2012	Granted	Exercised	At 31.12.2012
Ultimate holding company				
- Muhibbah Engineering (M) Bhd.				
Mac Ngan Boon @ Mac Yin Boon	2,780,000	-	-	2,780,000
Mac Chung Hui	700,000	-	-	700,000
Lee Poh Kwee	2,000,000	-	-	2,000,000
Mazlan bin Abdul Hamid	300,000	-	-	300,000

Other than the abovementioned Directors, none of the Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

By virtue of his direct and indirect interests in shares of the Company, Mac Ngan Boon @ Mac Yin Boon's shareholding of more than 15% 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.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies) 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 interest as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the options of the Company and the ultimate holding company pursuant to their respective ESOS.

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Issue of shares

During the financial year, the Company issued:

i) 31,678,743 new ordinary shares of RM0.50 each at an issue price of RM1.5181 per ordinary share to the ultimate holding company for the acquisition of a crane fabrication yard in Australia for a total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500), and

ii) 1,155,000 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at the exercise price of RM0.80 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

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 ESOS.

The Company operates an Employees' Share Option Scheme ("ESOS Scheme") that was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 28 June 2011.

The main features of the ESOS Scheme, details of share options offered and exercised during the financial year are disclosed in Note 18.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who were granted options to subscribe for less than 12,000 shares during the financial year under the ESOS Scheme. This information has been separately filed with the Companies Commission of Malaysia.

The names of option holders granted options to subscribe for 12,000 or more ordinary shares of RM0.50 each during the financial year, other than the Directors of the Company which have been disclosed above, are as follows:-

	Number of options over ordinary shares of RM0.50 each			
	Granted	**Exercised**	**Forfeited**	**At 31.12.2012**
Tee Chun Loon	38,000	-	-	38,000
Yong Yuen Yee	38,000	-	-	38,000
Chu Kok Leong	23,000	-	-	23,000
Halim Bin Abdul Hamid	23,000	-	-	23,000
Wong Chin Wai	23,000	-	-	23,000
San Wei Koon	12,000	-	-	12,000

Other statutory information

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

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

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the impairment loss 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 Group and in the Company financial statements 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.

The contingent liabilities are disclosed in Note 29 to the financial statements. 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 in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 results of the Group and of the Company 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.

Company No. 249243-W

Auditors

The auditors, Messrs. Crowe Horwath, have indicated their willingness to accept re-appointment.

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

……………………………………………………………
Mac Ngan Boon @ Mac Yin Boon

……………………………………………………………
Mac Chung Hui

Klang,

Date: 23 April 2013

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2012

	Note	Group			Company		
		31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Property, plant and equipment	3	175,119	105,113	98,214	-	-	-
Intangible assets	4	4,896	6,347	8,652	-	-	-
Investment property	5	-	-	-	50,545	-	-
Investments in subsidiaries	6	-	-	-	46,088	40,754	33,530
Investments in associates	7	13,285	5,732	6,316	15,025	6,636	6,538
Deferred tax assets	8	2,368	2,368	2,627	-	-	-
Receivables	9	-	-	-	15,100	17,001	13,881
Total non-current assets		195,668	119,560	115,809	126,758	64,391	53,949
Receivables, deposits and prepayments	9	289,920	138,938	163,943	58,321	57,981	48,945
Contract work-in-progress	10	124,040	120,052	78,344	-	-	-
Inventories	11	184,566	183,823	139,025	-	-	-
Current tax assets		4,258	307	1,077	72	175	175
Derivative assets	12	1,185	2,987	9,620	-	-	-
Cash and cash equivalents	13	102,867	114,896	84,430	7,648	11,625	11,359
Total current assets		706,836	561,003	476,439	66,041	69,781	60,479
Total assets		902,504	680,563	592,248	192,799	134,172	114,428

Company No. 249243-W

Statements of financial position as at 31 December 2012

(continued)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 01.01.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 01.01.2011 RM'000
Equity and liabilities							
Equity							
Share Capital		106,000	89,584	88,568	106,000	89,584	88,568
Reserves		53,379	16,087	14,906	38,418	3,889	3,581
Retained earnings		182,308	131,311	92,134	33,254	28,897	11,695
Total equity attributable to owners of the Company	14	341,687	236,982	195,608	177,672	122,370	103,844
Non-controlling interests		4,501	3,556	-	-	-	-
Total equity		346,188	240,538	195,608	177,672	122,370	103,844
Liabilities							
Loans and borrowings	15	3,683	5,999	8,450	-	-	-
Deferred tax liabilities	8	6,122	5,412	4,420	-	-	-
Total non-current liabilities		9,805	11,411	12,870	-	-	-
Provision for warranties	16	39,111	6,536	5,521	-	-	-
Payables and accruals	17	222,344	219,838	190,783	5,940	2,314	1,312
Amount due to contract customers	10	206,310	154,842	140,547	-	-	-
Loans and borrowings	15	77,190	45,247	43,553	9,187	9,488	9,272
Current tax liabilities		1,556	2,151	3,366	-	-	-
Total current liabilities		546,511	428,614	383,770	15,127	11,802	10,584
Total liabilities		556,316	440,025	396,640	15,127	11,802	10,584
Total equity and liabilities		902,504	680,563	592,248	192,799	134,172	114,428

The notes set on pages 18 to 90 are an integral part of these financial statements.

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Statements of comprehensive income for the financial year ended 31 December 2012

		Group		Company	
	Note	**2012**	**2011**	**2012**	**2011**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	19	696,747	482,353	22,046	22,037
Cost of sales		(579,515)	(376,581)	-	-
Gross profit		117,232	105,772	22,046	22,037
Other income		7,703	9,282	-	3,520
Distribution expenses		(9,878)	(9,550)	-	-
Administrative expenses		(51,951)	(48,522)	(3,980)	(1,481)
Results from operating activities		63,106	56,982	18,066	24,076
Finance income	20	7,854	2,092	3,140	2,288
Finance costs	21	(3,440)	(6,199)	(5,980)	(690)
Operating profit	22	67,520	52,875	15,226	25,674
Share of loss after tax and minority interest of equity accounted associates		(836)	(682)	-	-
Profit before tax		66,684	52,193	15,226	25,674
Income tax	24	(5,529)	(4,601)	(120)	(43)
Profit after tax		61,155	47,592	15,106	25,631
		======	======	======	======

Company No. 249243-W

Statements of comprehensive income for the financial year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other comprehensive income for the financial year, net of tax					
Foreign currency translation differences on foreign operations		(1,146)	867	-	-
Movement in revaluation of property, plant and equipment, net of tax		3,700	-	-	-
Other comprehensive income for the financial year, net of tax		2,554	867	-	-
Total comprehensive income for the financial year		63,709	48,459	15,106	25,631
Profit attributable to:					
Owners of the Company		61,746	47,606	15,106	25,631
Non-controlling interests		(591)	(14)	-	-
Profit for the financial year		61,155	47,592	15,106	25,631
Total comprehensive income attributable to:					
Owners of the Company		64,509	48,479	15,106	25,631
Non-controlling interests		(800)	(20)	-	-
Total comprehensive income for the financial year		63,709	48,459	15,106	25,631
Earnings per ordinary share (sen)					
- Basic	26	33.64	26.69		
- Diluted	26	32.85	26.18		

The notes set on pages 18 to 90 are an integral part of these financial statements.

Favelle Favco Berhad

(Company No. 249243-W)
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Statements of changes in equity for the financial year ended 31 December 2012

		Attributable to owners of the Company									
		Non-distributable						*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
As at 1 January 2011		88,568	2,625	-	11,325	977	(21)	92,134	195,608	-	195,608
Profit for the financial year		-	-	-	-	-	-	47,606	47,606	(14)	47,592
Foreign currency translation differences for foreign operations		-	-	873	-	-	-	-	873	(6)	867
Total comprehensive income for the financial year		-	-	873	-	-	-	47,606	48,479	(20)	48,459
Contribution by and distribution to owners of the Company:											
- Acquisition of a subsidiary		-	-	-	-	-	-	-	-	3,576	3,576
- Share options exercised	18	1,016	282	-	-	-	-	-	1,298	-	1,298
- Transfer to share premium for share options exercised	18	-	449	-	-	(449)	-	-	-	-	-
- Expiry of ESOS	18	-	-	-	-	(528)	-	528	-	-	-
- Share-based payments	18	-	-	-	-	554	-	-	554	-	554
- Dividend to shareholders	25	-	-	-	-	-	-	(8,957)	(8,957)	-	(8,957)
As at 31 December 2011/ 1 January 2012		89,584	3,356	873	11,325	554	(21)	131,311	236,982	3,556	240,538
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7			

Company No. 249243-W

Statements of changes in equity for the year ended 31 December 2012 (continued)

		Attributable to owners of the Company									
		Non-distributable						*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
As at 31 December 2011/ 1 January 2012		89,584	3,356	873	11,325	554	(21)	131,311	236,982	3,556	240,538
Profit for the financial year		-	-	-	-	-	-	61,746	61,746	(591)	61,155
Foreign currency translation differences for foreign operations		-	-	(937)	-	-	-	-	(937)	(209)	(1,146)
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	3,700	-	-	-	3,700	-	3,700
Total comprehensive income for the financial year		-	-	(937)	3,700	-	-	61,746	64,509	(800)	63,709
Contribution by and distribution to owners of the Company:											
- Acquisition of a subsidiary		-	-	-	-	-	-	-	-	1,745	1,745
- Share options exercised	18	577	347	-	-	-	-	-	924	-	924
- Transfer to share premium for share options exercised	18	-	485	-	-	(485)	-	-	-	-	-
- Share-based payments	18	-	-	-	-	1,930	-	-	1,930	-	1,930
- Issue of ordinary shares	18	15,839	32,252	-	-	-	-	-	48,091	-	48,091
- Dividend to shareholders	25	-	-	-	-	-	-	(10,749)	(10,749)	-	(10,749)
As at 31 December 2012		106,000	36,440	(64)	15,025	1,999	(21)	182,308	341,687	4,501	346,188
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7			

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Statements of changes in equity for the financial year ended 31 December 2012 (continued)

Company	Note	*Non-distributable* Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Treasury shares RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 1 January 2011		88,568	2,625	977	(21)	11,695	103,844
Profit for the financial year/Total comprehensive income for the financial year		-	-	-	-	25,631	25,631
Contribution by and distribution to owners of the Company:							
- Share options exercised	18	1,016	282	-	-	-	1,298
- Transfer to share premium for share options exercised		-	449	(449)	-	-	-
- Expiry of ESOS	18	-	-	(528)	-	528	-
- Share-based payments	18	-	-	554	-	-	554
- Dividend to shareholders	25	-	-	-	-	(8,957)	(8,957)
At 31 December 2011/1 January 2012		89,584	3,356	554	(21)	28,897	122,370
Profit for the financial year/Total comprehensive income for the financial year		-	-	-	-	15,106	15,106
Contribution by and distribution to owners of the Company:							
- Share options exercised	18	577	347	-	-	-	924
- Transfer to share premium for share options exercised		-	485	(485)	-	-	-
- Share-based payments	18	-	-	1,930	-	-	1,930
- Issue of ordinary shares	18	15,839	32,252	-	-	-	48,091
- Dividend to shareholders	25	-	-	-	-	(10,749)	(10,749)
At 31 December 2012		106,000	36,440	1,999	(21)	33,254	177,672
		Note 14.1	Note 14.2	Note 14.5	Note 14.6	Note 14.7	

The notes set on pages 18 to 90 are an integral part of these financial statements.

Favelle Favco Berhad
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Statements of cash flows for the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from operating activities					
Profit before tax		66,684	52,193	15,226	25,674
Adjustments for:					
Amortisation of intangible assets		2,220	1,357	-	-
Allowance for impairment losses on receivables		2,147	2,133	-	-
Allowance for impairment losses on receivables written back					
- third parties		(2,197)	(1,519)	-	-
- associate		(633)	-	-	-
Depreciation expenses					
- investment property		-	-	128	-
- property, plant and equipment		12,424	13,449	-	-
Development costs written off		-	6,046	-	-
Dividend income from subsidiaries		-	-	(21,754)	(22,037)
Finance costs	21	3,440	6,199	5,980	690
Finance income	20	(7,854)	(2,092)	(3,140)	(2,288)
Gain on disposal of property, plant and equipment		(367)	(142)	-	-
Impairment loss on investment in subsidiary		-	-	-	-
Net unrealised (gain)/loss on foreign exchange		(1,005)	(6,807)	64	(261)
Property, plant and equipment written off		31	50	-	-
Provision for warranties		35,852	3,416	-	-
Share-based payments		1,930	554	1,930	554
Share of loss of equity accounted associates		836	682	-	-
Reversal of provision for warranties		(2,087)	(2,420)	-	-
Writedown of inventories		1,514	1,281	-	-
Operating profit/(loss) before changes in working capital changes		112,935	74,380	(1,566)	2,332

Company No. 249243-W

Statements of cash flows for the financial year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating profit before changes in working capital changes (continued)		112,935	74,380	(1,566)	2,332
Changes in working capital:					
Development costs		(806)	(5,086)	-	-
Inventories		(2,230)	(45,248)	-	-
Payables and accruals		83,273	50,196	6,313	1,002
Receivables, deposits and prepayments		(146,020)	(7,095)	17,534	11,846
Interest received		7,854	1,158	453	336
Interest paid		(1,948)	(1,331)	-	-
Provisions paid		(1,138)	(56)	-	-
Taxes paid		(9,353)	(3,783)	(17)	(43)
Net cash generated from operating activities		42,567	63,135	22,717	15,473
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(33,094)	(23,780)	-	-
Acquisition of investment property		-	-	(2,582)	-
Acquisition of subsidiary, net cash inflow	31	1,745	3,576	-	-
Acquisition of subsidiary, net of cash and cash equivalents acquired		-	-	-	(5,724)
Acquisition of an associate		(8,389)	(98)	(8,389)	(98)
Increase of investment in subsidiary		-	-	(5,334)	(1,500)
Proceeds from disposal of property, plant and equipment		2,041	4,021	-	-
Net cash used in investing activities		(37,697)	(16,281)	(16,305)	(7,322)
Cash flows from financing activities					
Dividend paid to shareholders of the Company		(10,749)	(8,957)	(10,749)	(8,957)
Interest paid		(633)	(711)	(263)	(226)
Proceeds from issue of shares under ESOS scheme		924	1,298	924	1,298
Net (repayment of)/proceeds from revolving credit		(301)	216	(301)	-
Payment of finance lease liabilities		(198)	(386)	-	-
Net repayment of term loans		(1,922)	(2,695)	-	-
Net cash used in financing activities		(12,879)	(11,235)	(10,389)	(7,885)

Company No. 249243-W

Statements of cash flows for the financial year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Exchange difference on translation of the financial statements of foreign operations		(1,022)	(504)	-	-
Net (decrease)/increase in cash and cash equivalents		(9,031)	35,115	(3,977)	266
Effect of exchange rate fluctuations on cash held		(5,748)	90	-	-
Cash and cash equivalents at 1 January	(ii)	114,896	79,691	11,625	11,359
Cash and cash equivalents at 31 December	(ii)	100,117	114,896	7,648	11,625

(i) Cash and cash equivalents

Excludes the purchase of fabrication yard of RM48,091,000 (2011 – Nil) for the Group and the Company from the ultimate holding company which was financed via issuance of shares.

(ii) Cash and cash equivalents

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

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	13	88,072	107,725	3,206	5,355
Deposits with licensed banks	13	14,795	7,171	4,442	6,270
Bank overdrafts repayable on demand	15	(2,750)	-	-	-
		100,117	114,896	7,648	11,625

The notes set on pages 18 to 90 are an integral part of these financial statements.

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

Notes to the financial statements

Favelle Favco Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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 2012 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 2012 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries and associates are stated in Notes 6 and 7 respectively to the financial statements.

The ultimate holding company during the financial year was Muhibbah Engineering (M) Bhd. which was incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 23 April 2013.

1. Basis of preparation

(a) Statement of compliance

These financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), accounting principles generally accepted and the requirement of the Companies Act, 1965 in Malaysia and with International Financial Reporting Standards. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs"). The financial impacts on transition to MFRSs are disclosed in Note 32.

The Group and the Company have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company.

Company No. 249243-W

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

• MFRS 7 *Disclosure- offsetting Financial Assets and Financial Liabilities*	1 January 2013
• MFRS 9 *Financial Instruments*	1 January 2015
• MFRS 10 *Consolidated Financial Statements*	1 January 2013
• MFRS 11 *Joint Arrangements*	1 January 2013
• MFRs 12 *Disclosure of Interests in Other Entities*	1 January 2013
• MFRS 13 *Fair Value Measurement*	1 January 2013
• Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
• Amendment to MFRS 116 *Property, Plant and Equipment*	1 January 2013
• MFRS 119 *Employee Benefits (revised)*	1 January 2013
• MFRS 127 *Separate Financial Statements*	1 January 2013
• Amendment to MFRS10, MFRS 12 and MFRS 127 *Investment Entities*	1 January 2014
• MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
• Amendment to MFRS 132 *Financial Instrument: Presentation*	1 January 2013
• Amendment to MFRS 134 *Interim Financial Reporting*	1 January 2013
• IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

The Group and the Company plan to apply the abovementioned standards from the annual period beginning 1 January 2013 except for MFRS 9.

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment as explained in Note 2(d).

(c) Functional and presentation currencies

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements 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 estimate is 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 (d)(iii) – depreciation
- Note 2 (e) – leased assets
- Note 2 (g) – investment property
- Note 2 (q) – interest income and borrowing costs
- Note 2 (r) – income tax
- Note 2 (t) – segment reporting

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the acquisition method of accounting.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Under the acquisition method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

(ii) Accounting for 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.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest 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 and loss.

For each business combination, the Group elects whether it measures the non-controlling interest 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, 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 subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous 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.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has 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 included in a disposal group that is classified as held for sale). 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 equity accounted 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 or has made payments on behalf of the investee.

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) the cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Affiliated company

An affiliated company to the Group is a company in which the ultimate holding company holds a long term investment of between 20% to 50% of the equity.

(vii) 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 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.

(viii) 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 associates. 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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Monetary assets and liabilities denominated in foreign currencies at 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 from retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(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 foreign currency translation reserve (“FCTR”) in equity. However, if the operation is 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 accumulative amount in the FCTR related to that foreign operation is reclassified to profit and loss as part of the profit 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 while retaining control, 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit and loss.

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

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. A finance instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorises financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) ***Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

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

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

(iii) 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.

(iv) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

Company No. 249243-W

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On the 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalue its freehold land and leasehold land every 5 years and at shorter intervals whenever the fair value of the freehold land is expected to differ materially from their carrying value.

Surplus arising from revaluation is dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the statements of comprehensive income.

Cost includes expenditure 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 also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are 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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced part 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 part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company 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:

• buildings	10 - 50 years
• cranes	10 - 15 years
• plant, equipment and motor vehicles	3 - 13 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group 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.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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.

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

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.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and 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.

Goodwill is not amortised but is tested for impairment at the end of each reporting period and whenever there is an indication that goodwill may be impaired.

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 cost 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 which does not meet the criteria is recognised in profit or loss as incurred. Capitalised development expenditure which meets the criteria is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(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 accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Intangible assets with indefinite useful lives 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 of intangible assets is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

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. 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 is 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.

2. Significant accounting policies (continued)

(i) Contract work-in-progress/Amount due to contract customers

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contract work-in-progress is presented as part of total current assets in the statements of financial position. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the statements of financial position.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is 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, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the 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.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

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

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax asset, assets arising from employee benefits, investment property measured in 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 unit. 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 group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an assets or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Non-financial assets (continued)

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 units (group of cash generating units) and then to reduce the carrying amount 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 year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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2. Significant accounting policies (continued)

(l) Equity instruments (continued)

(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 and are presented in the reserve for own shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

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 recongnised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(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.

The Group's contributions to the Employees Provident Fund are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) 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 adwards. 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.

(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.

(i) 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.

(ii) 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 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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2. Significant accounting policies (continued)

(p) Revenue recognition

(i) Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Goods sold and services rendered

Revenue from the sale of goods is measured at net fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to the value of work performed.

(iii) Rental income

Rental income from cranes is recognised in profit or loss as it accrues.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the group or the Company's right to receive payment is established.

2. Significant accounting policies (continued)

(q) Interest income and borrowing costs

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.

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 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.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense 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.

2. Significant accounting policies (continued)

(r) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement 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.

Deferred tax liability is recognised for all taxable temporary differences.

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.

(s) 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.

(t) Segment reporting

An operating segment is a component of the Group that operating results are reviewed regularly by the Group Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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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 2011	21,799	36,814	62,460	56,588	742	178,403
Additions	-	1,397	12,933	9,450	-	23,780
Disposals	-	-	(5,495)	(1,853)	(139)	(7,487)
Reclassification	-	-	-	142	(142)	-
Written off	-	-	-	(147)	-	(147)
Effect of movements in exchange rates	132	221	449	387	-	1,189
At 31 December 2011/ 1 January 2012	21,931	38,432	70,347	64,567	461	195,738
Additions	44,255	6,929	19,584	10,012	405	81,185
Revaluation	3,700	-	-	-	-	3,700
Reclassification	-	-	-	50	(50)	-
Disposals	-	-	(8,603)	(1,131)	-	(9,734)
Written off	-	-	-	(288)	(12)	(300)
Effect of movements in exchange rates	(242)	(426)	(811)	(425)	-	(1,904)
At 31 December 2012	69,644	44,935	80,517	72,785	804	268,685
Representing items at:						
Cost	53,653	44,935	80,517	72,785	804	252,694
Valuation - 2008	12,291	-	-	-	-	12,291
Valuation - 2012	3,700	-	-	-	-	3,700
	69,644	44,935	80,517	72,785	804	268,685

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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
Depreciation and impairment loss						
At 1 January 2011	-	14,531	28,274	37,384	-	80,189
Depreciation for the year	5	1,317	5,286	6,841	-	13,449
Disposals	-	-	(2,673)	(935)	-	(3,608)
Written off	-	-	-	(97)	-	(97)
Effect of movements in exchange rates	-	152	211	329	-	692
At 31 December 2011						
Accumulated depreciation	5	14,506	30,562	42,529	-	87,602
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2011/ 1 January 2012	5	16,000	31,098	43,522	-	90,625
Depreciation for the year	5	1,030	5,520	5,869	-	12,424
Disposals	-	-	(6,990)	(1,068)	-	(8,058)
Written off	-	-	-	(269)	-	(269)
Effect of movements in exchange rates	-	(296)	(546)	(314)	-	(1,156)
Accumulated depreciation	10	15,240	28,546	46,747	-	90,543
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2012	10	16,734	29,082	47,740	-	93,566
Carrying amounts						
At 1 January 2012	21,926	22,432	39,249	21,045	461	105,113
At 31 December 2012	69,634	28,201	51,435	25,045	804	175,119

3. Property, plant and equipment (continued)

3.1 Assets under hire purchase arrangements

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with a net book value of RM65,000 (2011 – RM379,000).

3.2 Security

The freehold land and buildings of the Group with total net book value of RM45,391,000 (2011 - RM42,067,000) have been pledged to certain licensed bank as security for bank loan facilities granted to the Group (See Note 15).

3.3 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 2012 and 2008. The cost of a piece of the Group`s freehold land was written down by RM662,000 during the financial year ended 31 December 2009 as management was of the view that the fair value had differed materially from its carrying value. Had the freehold land been carried under the cost model, their carrying amounts would have been RM9,221,000 (2011 - RM9,221,000).

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4. Intangible assets

Group	Development costs RM'000	Intellectual property RM'000	Total RM'000
Cost			
At 1 January 2011	21,032	2,519	23,551
Addition	5,086	-	5,086
Written off	(12,397)	-	(12,397)
Effect of movements in exchange rates	81	-	81
At 31 December 2011/1 January 2012	13,802	2,519	16,321
Addition	806	-	806
Written off	(3,479)	(2,519)	(5,998)
Effect of movements in exchange rates	(72)	-	(72)
At 31 December 2012	11,057	-	11,057
Amortisation and impairment loss			
At 1 January 2011			
Accumulated amortisation	12,053	2,490	14,543
Accumulated impairment loss	327	29	356
	12,380	2,519	14,899
Amortisation for the year	1,357	-	1,357
Written off	(6,351)	-	(6,351)
Effect of movements in exchange rates	69	-	69
At 31 December 2011/1 January 2012			
Accumulated amortisation	7,128	2,490	9,618
Accumulated impairment loss	327	29	356
	7,455	2,519	9,974
Amortisation for the year	2,220	-	2,220
Written off	(3,479)	(2,519)	(5,998)
Effect of movements in exchange rates	(35)	-	(35)
At 31 December 2012			
Accumulated amortisation	5,834	-	5,834
Accumulated impairment loss	327	-	327
	6,161	-	6,161
Carrying amounts			
At 1 January 2012	6,347	-	6,347
At 31 December 2012	4,896	-	4,896

4. Intangible assets (continued)

4.1 Development costs

Development costs represent internally generated development 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 4 years (2011 - 1 year to 2 years).

4.2 Intellectual property

Intellectual property represents the acquisition of know how, rights to industrial property and trade name by subsidiaries on new or substantially improved major crane projects in previous years. It is reasonably anticipated that the intellectual property will be recovered through future commercial activity. The intellectual property was fully amortised during the year of 2009.

4.3 Amortisation and impairment charges

The amortisation and impairment charges are recognised as administrative expenses.

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5. Investment property

	Company	
	2012	**2011**
	RM'000	**RM'000**
Cost		
At 1 January	-	-
Addition	50,673	-
At 31 December	50,673	-
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
	-	-
Addition	128	-
At 31 December		
Accumulated depreciation	128	-
Accumulated impairment loss	-	-
	128	-
Carrying amounts		
At 31 December	50,545	-

The investment property is a crane fabrication yard comprising freehold industrial land, building and improvements, located at No. 28, Yarrunga Street, Prestone, New South Wales, 2170 Australia, and is occupied by a subsidiary at rental charge. The Directors estimated the fair value of the investment property with involvement of Anderson Group Valuers in Australia.

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6. Investments in subsidiaries

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares - at cost	126,231	120,897
Less: Impairment loss	(80,143)	(80,143)
	46,088	40,754

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %
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

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6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2012 %	2011 %
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	60	60

Not audited by Messrs Crowe Horwath

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7. Investments in associates

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost	15,259	6,870	15,259	6,870
Share of post-acquisition reserves	(1,974)	(1,138)	-	-
Less: Impairment loss	-	-	(234)	(234)
	13,285	5,732	15,025	6,636

Summarised financial information on associates:

Group	2012 RM'000	2011 RM'000
Total assets (100%)	34,053	18,658
Total liabilities (100%)	7,999	7,017
Revenue (100%)	13,831	17,607
Loss for the year (100%)	1,542	978

Details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective Ownership interest 2012 %	Effective Ownership interest 2011 %
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 (Changsu) Co., Ltd. *	Supply, renting and servicing of lifting equipment and spare parts	China	50	50

* formerly known as Favco Equipment (Shanghai) Co., Ltd.

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7. Investments in associates (continued)

The Group has not recognised losses relating to Favelle Favco Machinery and Equipment L.L.C. totalling RM301,000 (2011 – RM358,000) as the Group`s share of losses had exceeded its interest in the associate and the Group has no obligation in respect of these losses.

8. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

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

	Assets		**Liabilities**		**Net**	
Group	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Property, plant and equipment	-	-	8,804	5,914	8,804	5,914
(Deductible)/taxable temporary differences	(6,202)	(5,190)	1,152	2,320	(5,050)	(2,870)
Tax (assets)/ liabilities	(6,202)	(5,190)	9,956	8,234	3,754	3,044
Set off	3,834	2,822	(3,834)	(2,822)	-	-
Net tax (assets)/ liabilities	(2,368)	(2,368)	6,122	5,412	3,754	3,044

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

Unrecognised deferred tax assets

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

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(4,826)	(6,299)	-	-
Deductible temporary differences	65,289	34,365	-	-
Tax losses carry-forwards	69,777	65,926	-	-
	130,240	93,992	-	-

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carried forward amounting to RM69,777,000 (2011 - RM65,926,000) 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 it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the financial year

Group	At 1.1.2011 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2011 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2012 RM'000
Property, plant and equipment	6,304	(390)	-	5,914	2,890	-	8,804
Tax losses carry-forward	-	-	-	-	-	-	-
Other items	(4,511)	1,605	36	(2,870)	(2,152)	(28)	(5,050)
	1,793	1,215	36	3,044	738	(28)	3,754

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9. Receivables, deposits and prepayments

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current					
Non-trade					
Advances to a subsidiary	9.2	-	-	15,100	17,001
		======	======	=====	=====
Current					
Trade					
Trade receivables		269,906	121,670	-	-
Less: Allowance for impairment losses		(7,575)	(7,678)	-	-
		262,331	113,992	-	-
Amounts due from ultimate holding company	9.3	1,668	-	3	-
Amounts due from subsidiaries	9.4	-	-	605	659
Amounts due from related companies	9.5	522	628	-	-
Amounts due from associates	9.6	4,438	4,763	-	-
		6,628	5,391	608	659
Non-trade					
Amount due from ultimate holding company	9.3	-	1,886	-	3
Amounts due from subsidiaries	9.4	-	-	57,325	57,230
Amounts due from related companies	9.5	60	111	-	-
Amounts due from associates	9.6	448	-	2	-
Other receivables	9.7	14,870	13,827	373	89
Deposits		483	656	11	-
Prepayments		5,100	3,075	2	-
		20,961	19,555	57,713	57,322
		289,920	138,938	58,321	57,981
		======	======	=====	=====

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9. Receivables, deposits and prepayments (continued)

9.1 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:

		Group	
Functional currency	**Foreign currency**	**2012 RM'000**	**2011 RM'000**
RM	AUD	20,657	13,797
RM	EURO	3,734	1,080
RM	HKD	-	793
RM	RMB	33,440	6,472
RM	SGD	598	292
RM	USD	24,270	27,999
AUD	RMB	15,329	808
AUD	SGD	4,253	-
AUD	USD	29	940
SGD	USD	1,705	-
USD	EURO	-	13
USD	SGD	-	5,939
		=====	=====

9.2 Advances to a subsidiary

The advances to a subsidiary are unsecured, interest-free and are not expected to be repaid within the next twelve months.

9.3 Amount due from ultimate holding company

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

9.4 Amounts due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal trade term of 30 days.

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

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9. Receivables, deposits and prepayments (continued)

9.5 Amounts due from related companies

The trade receivables due from related companies are subject to the normal trade term of 30 days.

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

9.6 Amounts due from associates

The trade receivables from associates are subject to the normal trade term of 30 days.

Included in the amount due from associates is an allowance for impairment losses amounting to RM52,967 (2011 – RM685,955).

9.7 Other receivables

Other receivables mainly comprise an insurance claim of RM4,543,000 (2011 – RM4,761,000), an advance to suppliers amounting to RM 4,417,012 (2011 – RM3,966,279) and an allowance for impairment losses amounting to RM Nil (2011 – RM387,628).

10. Contract work-in-progress/Amount due to contract customers

	Group	
	2012	**2011**
	RM'000	**RM'000**
Aggregate costs incurred to date	983,813	793,832
Add: Attributable profits less foreseeable losses	132,118	125,448
	1,115,931	919,280
Less: Progress billings	(1,198,201)	(954,070)
	(82,270)	(34,790)
Representing:-		
Contract work-in-progress	124,040	120,052
Amount due to contract customers	(206,310)	(154,842)
	(82,270)	(34,790)

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11. Inventories

	Group 2012 RM'000	Group 2011 RM'000
At cost:		
Cranes	469	3,276
Crane components	101,614	86,426
Work-in-progress	56,812	61,233
	158,895	150,935
At net realisable value:		
Cranes	16,232	22,303
Crane components	9,439	10,585
	184,566	183,823

12. Derivative assets

Group	2012 Contract/ Notional amount RM'000	2012 Derivative assets RM'000	2011 Contract/ Notional amount RM'000	2011 Derivative assets RM'000
Forward foreign currency contracts	260,674	1,185	332,660	2,987

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.

13. Cash and cash equivalents

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	88,072	107,725	3,206	5,355
Deposits placed with licensed banks	14,795	7,171	4,442	6,270
	102,867	114,896	7,648	11,625

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14. Share capital and reserves

14.1 Share capital

	Group and Company Amount 2012 RM'000	Number of shares 2012 '000	Amount 2011 RM'000	Number of shares 2011 '000
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
	======	=======	======	=======
Issued and fully paid				
At 1 January	89,584	179,167	88,568	177,136
Issuance of ordinary shares	15,839	31,678	-	-
Issued under ESOS scheme	577	1,155	1,016	2,031
At 31 December	106,000	212,000	89,584	179,167
	======	=======	======	=======

The Company has also issued share options in accordance with its ESOS Scheme (see Note 18).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14.2 Share premium

The share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at an issue price above par value and the transfer of share option reserve to share premium when the share options are exercised.

The share premium may be applied only for the purposes as specified in the Companies Act, 1965.

14.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14. Share capital and reserves (continued)

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

14.6 Treasury shares

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

The Company repurchased 10,000 of its issued share capital from the open market in 2007. The total consideration paid was RM20,749 including transaction costs. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

14.7 Section 108 tax credit

Subject to the agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2012 if paid out as dividends.

The Finance Act 2007 introduced a single tier tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group and the Company's exposure to interest rate and foreign currency risk, see Note 28.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Secured term loan	3,683	5,795	-	-
Finance lease liabilities	-	204	-	-
	3,683	5,999	-	-
Current				
Secured term loan	2,112	2,112	-	-
Bank overdrafts - unsecured	2,750	-	-	-
Unsecured revolving credits	9,187	9,488	9,187	9,488
Unsecured insurance premium finance	2,759	2,569	-	-
Bills payable	60,185	30,886	-	-
Finance lease liabilities	197	192	-	-
	77,190	45,247	9,187	9,488
	80,873	51,246	9,187	9,488

15.1 Security

The secured term loan of a subsidiary is charged against its property, plant and equipment (Note 3) and is supported by the corporate guarantee from the Company.

The unsecured bank facilities of the Group are supported by the corporate guarantee from the Company.

The revolving credit of the Company is supported by the corporate guarantee from the ultimate holding company.

15. Loans and borrowings (continued)

15.2 Terms and debt repayment schedule

	Year of maturity	2012 Carrying amount RM'000	2012 Under 1 year RM'000	2012 1 - 2 years RM'000	2012 2 - 5 years RM'000	2012 Over 5 years RM'000	2011 Carrying amount RM'000	2011 Under 1 years RM'000	2011 1 - 2 years RM'000	2011 2 – 5 years RM'000	2011 Over 5 years RM'000
Group											
Secured term loan											
- RM	2015	5,795	2,112	2,112	1,571	-	7,907	2,112	2,112	3,683	-
Unsecured bank overdrafts											
- SGD	2013	2,750	2,750	-	-	-	-	-	-	-	-
Unsecured revolving credits - USD	2013	9,187	9,187	-	-	-	9,488	9,488	-	-	-
Unsecured insurance premium finance - AUD	2013	2,759	2,759	-	-	-	2,569	2,569	-	-	-
Bills payable	2013	60,185	60,185	-	-	-	30,886	30,886	-	-	-
Finance lease liabilities											
- DKK	2013	197	197	-	-	-	396	192	204	-	-
		80,873	77,190	2,112	1,571	-	51,246	45,247	2,316	3,683	-
Company											
Unsecured revolving credits - USD	2013	9,187	9,187	-	-	-	9,488	9,488	-	-	-

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15. Loans and borrowings (continued)

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2012 Minimum lease payments RM'000	2012 Interest RM'000	2012 Principal RM'000	2011 Minimum lease payments RM'000	2011 Interest RM'000	2011 Principal RM'000
Less than one year	200	(3)	197	215	(23)	192
Between one and five years	-	-	-	219	(15)	204
	200	(3)	197	434	(38)	396

16. Provision for warranties

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	6,536	5,521
Provision made during the year	35,852	3,416
Provision used during the year	(1,138)	(56)
Provision reversed during the year	(2,087)	(2,420)
Effect of movements in exchange rates	(52)	75
At 31 December	39,111	6,536

The provision for warranties relates to provision for defect rectification costs for manufactured cranes sold. This provision is made based on historical data at a fixed rate.

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17. Payables and accruals

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Trade					
Trade payables	17.1	183,124	169,423	-	-
Amount due to ultimate holding company	17.2	61	2,762	-	-
Amounts due to related companies	17.3	162	8,100	-	-
		183,347	180,285	-	-
Non-trade					
Amount due to ultimate holding company	17.2	397	945	-	-
Amount due to a subsidiary	17.4	-	-	5,550	2,263
Amounts due to related companies	17.3	637	1,760	-	-
Other payables		19,343	14,254	4	-
Accrued expenses		18,620	22,594	386	51
		38,997	39,553	5,940	2,314
		222,344	219,838	5,940	2,314

17.1 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 2012 RM'000	Group 2011 RM'000
RM	AUD	1,502	8,443
RM	SGD	3,249	1,470
RM	EUR	11,288	9,836
RM	USD	15,335	6,957
RM	RMB	11,942	16,950
RM	GBP	349	315
SGD	AUD	1,107	-
SGD	USD	2,472	-
USD	SGD	-	76
AUD	USD	717	664
AUD	EUR	414	407
AUD	RMB	6,381	5,859

17. Payables and accruals (continued)

17.2 Amount due to ultimate holding company

The trade payables due to ultimate holding company are subject to the normal trade term of 30 days.

The non-trade payables due to ultimate holding company are unsecured, interest-free and repayable on demand.

17.3 Amounts due to related companies

The trade payables due to related companies are subject to the normal trade term of 30 days.

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

17.4 Amount due to subsidiary

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

18. Employee benefits

18.1 Share-based payments

In 2011, a new employees' share option scheme ("New ESOS Scheme") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme ("Former ESOS Scheme") which was previously established and approved by the shareholders of the ultimate holding company at an Extraordinary General Meeting ("EGM") held on 19 May 2006, had expired on 29 June 2011. The expired Former ESOS Scheme was replaced by the approved New ESOS Scheme.

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

The main features of the New ESOS scheme, 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 ESOS scheme 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 ESOS scheme;

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				
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Cumulative % of options exercisable during the option period in:	Year 1	-	-	-	-	-
	Year 2	33.33%	-	-	-	-
	Year 3	66.67%	33.33%	-	-	-
	Year 4	100%	66.67%	33.33%	-	-
	Year 5	100%	100%	100%	100%	100%

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.

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

The following options were granted under the ESOS scheme to take up the unissued ordinary shares of RM0.50 each:

Grant date	Exercise price	At 1.1.2012 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2012 '000	Expiry date
New ESOS Scheme							
28.9.2011	RM0.80	10,015	-	(1,155)	(363)	8,497	27.9.2016
28.9.2012	RM1.57	-	434	-	-	434	27.9.2016
		10,015	434	(1,155)	(363)	8,931	

Grant date	Exercise price	At 1.1.2011 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2011 '000	Expiry date
Former ESOS Scheme							
30.6.2006	RM0.55	1,767	-	(1,523)	(244)	-	29.6.2011
30.6.2007	RM1.90	239	-	-	(239)	-	29.6.2011
30.6.2008	RM1.09	227	-	(126)	(101)	-	29.6.2011
30.6.2009	RM0.86	403	-	(326)	(77)	-	29.6.2011
30.6.2010	RM0.75	107	-	(56)	(51)	-	29.6.2011
New ESOS Scheme							
28.9.2011	RM0.80	-	10,128	-	(113)	10,015	27.9.2016
		2,743	10,128	(2,031)	(825)	10.015	

The options granted in 2012 and 2011 under the ESOS scheme of the Company, which remain outstanding as at 31 December 2012 have an exercise price of RM1.57 and RM0.80 respectively per ordinary share of RM0.50 each and a remaining contractual life of 3 3/4 years (2011 - 4 3/4 years).

During the financial year, 1,155,000 (2011 – 2,031,000) share options of RM0.80 each under the ESOS scheme of the Company were exercised. The weighted average share price of the Company for the financial year was RM1.53 (2011 – RM1.18).

18. Employee benefits (continued)

18.1 Share-based payments (continued)

Details relating to options exercised during the financial year

	Group and Company 2012 RM'000	2011 RM'000
Ordinary share capital at par	577	1,016
Share premium	347	282
Proceeds received on exercise of share options	924	1,298

	Group and Company 2012 RM	2011 RM
Fair value of shares issued (based on average exercise price)	1.53	1.18

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 2012 RM'000	2011 RM'000
Share options granted in 2011	1,891	554
Share options granted in 2012	39	-
Total expense recognised as share-based payments	1,930	554

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

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:

	Group and Company	
	2012	**2011**
Fair value at grant date (RM)		
- Granted in Year 2006	-	RM0.17 - RM0.22
- Granted in Year 2007	-	RM0.76 - RM1.03
- Granted in Year 2008	-	RM0.30 - RM0.37
- Granted in Year 2009	-	RM0.32
- Granted in Year 2010	-	RM0.25
- Granted in Year 2011	RM0.34 - RM0.42	RM0.34 – RM0.42
- Granted in Year 2012	RM0.49 - RM0.67	–
Weighted average share price		
- Granted in Year 2006	-	0.55
- Granted in Year 2007	-	2.04
- Granted in Year 2008	-	1.18
- Granted in Year 2009	-	0.98
- Granted in Year 2010	-	0.84
- Granted in Year 2011	0.88	0.88
- Granted in Year 2012	1.74	–

18. Employee benefits (continued)

18.1 Share-based payments (continued)

Fair value of share options and assumptions (continued)

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:

	Group and Company	
	2012	**2011**
Exercise price		
- Granted in Year 2006	-	RM0.55
- Granted in Year 2007	-	RM1.90
- Granted in Year 2008	-	RM1.09
- Granted in Year 2009	-	RM0.86
- Granted in Year 2010	-	RM0.75
- Granted in Year 2011	RM0.80	RM0.80
- Granted in Year 2012	RM1.57	-
Expected volatility (weighted average volatility)	38.01% - 45.20%	31.99% - 59.24%
Option life	4 years	5 years
Risk-free interest rate (based on Malaysian Government bonds)		
- Granted in Year 2006	-	4.48% - 4.57%
- Granted in Year 2007	-	3.30% - 3.35%
- Granted in Year 2008	-	4.04% - 4.12%
- Granted in Year 2009	-	2.56%
- Granted in Year 2010	-	2.79%
- Granted in Year 2011	3.23% - 3.41%	3.23% - 3.41%
- Granted in Year 2012	3.06% - 3.24%	-
Expected staff turnover	10%	5%-15%

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.

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19. Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Contract revenue	612,424	382,510	-	-
Sales of goods	53,434	78,982	-	-
Services rendered	30,889	20,861	-	-
Dividends	-	-	21,754	22,037
Rental income	-	-	292	-
	696,747	482,353	22,046	22,037

20. Finance income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income:				
- fixed deposit	1,584	1,159	453	336
Interest income arising on financial assets/(liabilities) measured under MFRS139	6,270	933	2,687	1,952
	7,854	2,092	3,140	2,288

21. Finance costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expenses:				
- bills payable	1,737	1,321	-	-
- bank overdrafts	137	10	-	-
- revolving credits	259	225	259	226
- term loan	374	486	-	-
- insurance premium finance	74	-	-	-
- inter-company	-	-	4	217
Interest expenses arising on financial assets/(liabilities) measured under MFRS139	859	4,157	5,717	247
	3,440	6,199	5,980	690

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22. Operating profit

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating profit is arrived at after crediting:					
Allowance for impairment losses on receivables written back					
- third parties		2,197	1,519	-	-
- associate		633	-	-	-
Dividend income from subsidiaries		-	-	21,754	22,037
Gain on disposal of property, plant and equipment		367	142	-	-
Net unrealised foreign exchange gain		1,005	6,807	-	261
Realised foreign exchange gain		5,045	3,093	252	128
Rental income on:					
- premises		432	611	292	-
- cranes		11,418	8,932	-	-
Reversal of provision for warranties	16	2,087	2,420	-	-
		=====	=====	=====	=====
and after charging:					
Allowance for impairment losses on receivables		2,147	2,133	-	-
Auditors' remuneration:					
- holding company's auditors		118	100	52	40
- other auditors		413	516	-	-
Other services					
- holding company's auditors		10	10	10	10
Amortisation of intangible assets	4	2,220	1,357	-	-
Contract costs		531,473	316,692	-	-
Depreciation expenses:					
- investment property	5	-	-	128	-
- property, plant and equipment	3	12,424	13,449	-	-

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22. Operating profit (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
and after charging (continued):					
Intangible assets written off	4	-	6,046	-	-
Net unrealised foreign exchange loss		-	-	64	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		6,329	5,454	158	137
- Share-based payments	18	1,930	554	1,930	554
- Wages, salaries and others		65,550	61,360	1,040	865
Property, plant and equipment written off	3	31	50	-	-
Provision for warranties	16	35,852	3,416	-	-
Realised foreign exchange loss		262	21	-	-
Rental expense on:					
- cranes		7,389	5,872	-	-
- premises		5,799	3,202	53	50
- equipment		1,172	1,606	-	-
Writedown of inventories		1,514	1,281	-	-
		=====	=====	=====	=====

23. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors				
- Fees	426	426	396	396
- Remuneration	1,255	1,059	1,252	1,057
	1,681	1,485	1,648	1,453
	=====	=====	=====	=====

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.

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24. Tax expense

Recognised in the comprehensive income

Major components of tax expense include:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
Malaysia - current	1,868	1,950	110	43
- prior year	366	(196)	10	-
	2,234	1,754	120	43
Overseas - current	2,728	2,920	-	-
- prior year	(171)	(1,288)	-	-
	2,557	1,632	-	-
Total current tax expense	4,791	3,386	120	43
Deferred tax expense				
Origination of temporary differences	1,018	740	-	-
(Over)/underprovision in prior years	(280)	475	-	-
Total deferred tax	738	1,215	-	-
Total tax expense	5,529	4,601	120	43
Reconciliation of tax expense				
Profit for the year	61,155	47,592	15,106	25,631
Total tax expense	5,529	4,601	120	43
Profit excluding tax	66,684	52,193	15,226	25,674

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24. Tax expense (continued)

Reconciliation of tax expense (continued)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Tax at Malaysian tax rate of 25%	16,671	13,048	3,807	6,419
Effect of different tax rates in foreign jurisdictions	504	(625)	-	-
Non-deductible expense	6,714	4,533	2,404	338
Non-taxable gain	(727)	(1,461)	(592)	(1,191)
Tax exempt income	(19,653)	(8,986)	(5,509)	(5,523)
Tax incentives	(409)	(1,599)	-	-
Effect of utilisation of deferred tax assets previously not recognised	(5,444)	(1,322)	-	-
Effect of non-recognition of deferred tax benefits	7,928	2,099	-	-
Under/(Over)provision in prior years	2	(1,009)	10	-
Other	(57)	(77)	-	-
Tax expense	5,529	4,601	120	43

A subsidiary which is principally engaged in the designing, manufacturing, supply, servicing, trading and renting of cranes was granted tax exemption of 100% on cranes sales under Section 127, Income Tax Act, 1967 for a period of 10 years with effect from 1 June 2002. The tax exemption had not been renewed and expired on 31 May 2012.

25. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2012			
First and final 2011 ordinary	6.00	10,749	10 August 2012
2011			
First and final 2010 ordinary	5.00	8,957	3 August 2011

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25. Dividends (continued)

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial statements upon approval by the shareholders.

	Sen
Taxable dividend, less tax of 25%	1.35
Tax exempt dividend	6.65
Total final dividend for 2012	8.00

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 2012 of RM16,243,792 (2011 – RM10,749,421) on the issued and paid-up share capital (excluding treasury shares) of 211,990,763 (2011 – 177,157,020) ordinary shares of RM0.50 each as at end of reporting date.

26. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per share for the financial year ended 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2012 RM'000	2011 RM'000
Profit for the financial year attributable to owners of the Company	61,746	47,606

Weighted average number of ordinary shares

	Group	
	2012 '000	2011 '000
Number of ordinary shares in issue at 1 January	179,167	177,136
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under ESOS	4,406	1,252
Total weighted average number of ordinary shares in issue (unit)	183,563	178,378

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26. Earnings per ordinary share (continued)

	Group 2012 Sen	Group 2011 Sen
Basic earnings per ordinary share	33.64	26.69

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 2012 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 2012 RM'000	Group 2011 RM'000
Profit for the financial year attributable to owners of the Company	61,746	47,606

Weighted average number of ordinary shares (diluted)

	Group 2012 '000	Group 2011 '000
Weighted average number of ordinary shares at 31 December	183,563	178,378
Effect of share options in issue	4,387	3,466
Weighted average number of ordinary shares (diluted) at 31 December	187,950	181,844

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 2012 Sen	Group 2011 Sen
Diluted earnings per ordinary share	32.85	26.18

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27. 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.

The Group operates only in one business segment. Accordingly, information by business segments is not presented.

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.

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 customers. Segment assets are also based on the geographical location of assets.

	Inside Malaysia		**Outside Malaysia**		**Eliminations**		**Consolidated**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Geographical segments								
Revenue from external customers	302,561	228,966	394,186	253,387	-	-	696,747	482,353
Inter-segment revenue	256,533	139,587	74,212	69,515	(330,745)	(209,102)	-	-
Total revenue	559,094	368,553	468,398	322,902	(330,745)	(209,102)	696,747	482,353
Operating profit							63,106	56,982
Interest income							7,854	2,092
Interest expense							(3,440)	(6,199)
Share of loss of associates							(836)	(682)
Profit before tax							66,684	52,193
Segment assets	816,370	609,394	395,323	352,968	(322,474)	(287,531)	889,219	674,831
Investments in associates	22	22	15,003	6,614	(1,740)	(904)	13,285	5,732
Total assets	816,392	609,416	410,326	359,582	(324,214)	(288,435)	902,504	680,563

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27. Segment reporting (continued)

Geographical segments (continued)

	Inside Malaysia 2012 RM'000	Inside Malaysia 2011 RM'000	Outside Malaysia 2012 RM'000	Outside Malaysia 2011 RM'000	Eliminations 2012 RM'000	Eliminations 2011 RM'000	Consolidated 2012 RM'000	Consolidated 2011 RM'000
Segment liabilities	499,526	387,555	303,377	263,774	(246,588)	(211,304)	556,315	440,025
	======	======	======	======	======	======	======	======
Capital expenditure - Property, plant and equipment	70,756	13,945	10,429	9,835	-	-	81,185	23,780
	======	======	======	======	======	======	======	======
Depreciation and amortisation	7,253	5,982	7,391	8,824	-	-	14,644	14,806
	======	======	======	======	======	======	======	======

28. Financial instruments

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association only to business partners with high creditworthiness.

At the end of the reporting period, there were no significant concentrations of credit risk other than trade receivables owing from four (2010 – one) major customers amounting to RM114,547,000 (2011 - RM29,006,000). The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset in the statements of financial position.

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

	Group 2012 RM'000	Group 2011 RM'000
Asia	170,955	67,542
Europe	48,846	15,340
America	25,830	31,110
Australia	12,852	-
Middle East	3,848	-
	262,331	113,992
	=====	=====

Company No. 249243-W

28. Financial instruments (continued)

Credit risk (continued)

The ageing of trade receivables as at the end of the reporting period was:

Group	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2012			
Not past due	104,230	-	104,230
Past due 0 – 90 days	56,805	-	56,805
Past due 91 – 180 days	15,131	-	15,131
Past due more than 180 days	93,740	(7,575)	86,165
	269,906	(7,575)	262,331
2011			
Not past due	30,113	-	30,113
Past due 0 – 90 days	17,882	-	17,882
Past due 91 – 180 days	1,940	-	1,940
Past due more than 180 days	71,735	(7,678)	64,057
	121,670	(7,678)	113,992

Impairment losses

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2012 RM'000	**2011 RM'000**
At 1 January	7,678	7,038
Impairment loss recognised	2,147	2,133
Impairment loss written back	(2,197)	(1,519)
Effect of movements in exchange rates	(53)	26
At 31 December	7,575	7,678

The Group's trade receivables as at 31 December 2012 which is past due but not impaired amounted to RM158,101,000 (2011 – RM83,879,000). Trade receivables which are past due and impaired as at 31 December 2012 amounted to RM7,575,000 (2010 – RM7,678,000). For those trade receivables which are past due but not impaired, the Group is satisfied that these debtors are recoverable.

Company No. 249243-W

28. Financial instruments (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available. In addition, the Group and the Company ensure that the amount of debt maturing in any one year is not beyond the Group's and the Company's means to repay and/or refinance.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows:

Group	**Effective interest rate %**	**Carrying amount RM'000**	**Contractual cash flows RM'000**	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**
2012						
Secured term loan	5.56	5,795	6,250	2,372	3,878	-
Unsecured revolving credits	2.72	9,187	9,212	9,212	-	-
Unsecured bank overdrafts	6.18	2,750	2,750	2,750	-	-
Unsecured insurance premium finance	2.95	2,759	2,775	2,775	-	-
Bills payable	3.61	60,185	60,983	60,983	-	-
Finance lease liabilities	5.00	197	200	200	-	-
Unsecured payables and accruals	-	222,344	222,344	222,344	-	-
		303,217	304,514	300,636	3,878	-
2011						
Secured term loan	5.57	7,907	8,723	2,487	6,236	-
Unsecured revolving credits	2.47	9,488	9,510	9,510	-	-
Unsecured insurance premium finance	2.95	2,569	2,629	2,629	-	-
Bills payable	3.61	30,886	31,109	31,109	-	-
Finance lease liabilities	5.00	396	434	215	219	-
Unsecured payables and accruals	-	219,838	219,838	219,838	-	-
		271,084	272,243	265,788	6,455	-

28. Financial instruments (continued)

Liquidity risk (continued)

Company	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2012						
Unsecured revolving credits	2.72	9,187	9,210	9,210	-	-
Unsecured payables and accruals	-	5,940	5,940	5,940	-	-
		15,127	15,150	15,150	-	-
2011						
Unsecured revolving credits	2.47	9,488	9,510	9,510	-	-
Unsecured payables and accruals	-	2,314	2,314	2,314	-	-
		11,802	11,824	11,824	-	-

Interest rate risk

The Group and the Company's income and operating cash flows are exposed to a risk of change in their fair value due to changes in interest rates. Interest rate exposure arises from the Group and the Company's borrowings and deposits, and is managed through the use of fixed and floating rate debts.

Company No. 249243-W

28. Financial instruments (continued)

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

Group	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000
2012								
Fixed rate instruments								
Deposit placed with licensed banks	2.50 – 5.85	14,795	14,795	-	-	-	-	-
		======	======	======	======	======	======	======
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	197	197	-	-	-	-	-
Unsecured insurance premium finance - AUD	2.95	2,759	2,759	-	-	-	-	-
Floating rate instruments								
Secured term loan	5.56	5,795	2,112	2,112	1,571	-	-	-
Unsecured revolving credits - USD	2.72	9,187	9,187	-	-	-	-	-
Secured bank overdraft - SGD	6.18	2,750	2,750					
Bills payable	3.61	60,185	60,185	-	-	-	-	-
		80,873	77,190	2,112	1,571	-	-	-
		======	======	======	======	======	======	======

Company No. 249243-W

28. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Group	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000
2011								
Fixed rate instruments								
Deposit placed with licensed banks	2.50 – 5.85	7,171	7,171	-	-	-	-	-
		======	======	=====	=====	=====	=====	=====
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	396	192	204	-	-	-	-
Unsecured insurance premium finance - AUD	2.95	2,569	2,569	-	-	-	-	-
Floating rate instruments								
Secured term loan	5.57	7,907	2,112	2,112	2,112	1,571	-	-
Unsecured revolving credits - USD	2.47	9,488	9,488	-	-	-	-	-
Bills payable	3.61	30,886	30,886	-	-	-	-	-
		51,246	45,247	2,316	2,112	1,571	-	-
		======	======	=====	=====	=====	=====	=====

28. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Company		2012			2011	
	Effective interest rate %	Total RM'000	Less than 1 year RM'000	Effective interest rate %	Total RM'000	Less than 1 year RM'000
Fixed rate instruments						
Deposits placed with licensed banks	2.50	4,442	4,442	2.50	6,270	6,270
		=====	=====		=====	=====
Floating rate instruments						
Unsecured revolving credits	2.72	9,187	9,187	2.47	9,488	9,488
		======	======		======	=====

Interest rate risk sensitivity analysis

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's profit after taxation would have decreased by RM342,000. 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 entered into by subsidiaries in currencies other than Ringgit Malaysia.

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 currencies giving rise to this risk are mainly US Dollar, Euro, Australian Dollar, Singapore Dollar, Danish Krone, Hong Kong Dollar, Japanese Yen, Pound Sterling and Chinese Renminbi.

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.

Company No. 249243-W

28. Financial instruments (continued)

Foreign currency (continued)

The Group's exposure to major foreign currency is as follows:

Group	**USD RM'000**	**AUD RM'000**	**SGD RM'000**
2012			
Financial assets	84,687	80,648	47,723
Financial liabilities	(49,941)	(65,186)	(16,924)
Net financial assets	34,746	15,462	30,799
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(33,741)	14,038	(28,674)
Less: Forward foreign currency contracts (contracted notional principal)	(115,010)	(54,978)	(90,134)
Net currency exposure	(114,005)	(25,478)	(88,009)
2011			
Financial assets	107,677	73,215	11,676
Financial liabilities	(49,328)	(68,647)	(3,247)
Net financial assets	58,349	4,568	8,429
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(32,245)	8,162	1,116
Less: Forward foreign currency contracts (contracted notional principal)	(167,855)	-	(162,499)
Net currency exposure	(141,751)	12,730	(152,954)

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation			
2012			
- strengthened by 5%	(4,275)	(955)	(3,300)
- weakened by 5%	4,275	955	3,300
2011			
- strengthened by 5%	(5,316)	477	(5,736)
- weakened by 5%	5,316	(477)	5,736

28. Financial instruments (continued)

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

It is not practicable to estimate the fair value of the Company's investments in subsidiaries and associates due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial liabilities, together with the carrying amounts shown in the statements of financial position as at 31 December are as follows:

Group	2012 Carrying amount RM'000	2012 Fair value RM'000	2011 Carrying amount RM'000	2011 Fair value RM'000
Financial liabilities				
Secured term loans	5,795	5,795	7,907	7,907
Finance lease liabilities	197	197	396	396
	=====	=====	=====	=====

The fair values of secured term loans with variable interest rates approximate their carrying values as they are on floating rates and reprice to market interest rates for liabilities with similar risk profile.

The Company provides financial guarantees to financial institutions for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the subsidiaries are managed by the management team without an expectation of default on the credit lines.

28. Financial instruments (continued)

Fair values (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2012				
Financial asset				
Derivative assets	1,185	-	-	1,185
	======	======	======	======
2011				
Financial asset				
Derivative assets	2,987	-	-	2,987
	======	======	======	======

29. Contingencies

Contingent liabilities - unsecured

	Group 2012 RM'000	Group 2011 RM'000
Corporate guarantee for credit facilities granted to subsidiaries	107,529	86,822
	======	======

In the ordinary course of business, the Group and the Company also issue bank and performance guarantees to customers who awarded contracts to the Group and the Company.

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 6).

29. Contingencies (continued)

Contingent liabilities - litigation

Litigation against the Company and Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York

A composition of personal injury actions, wrongful death actions, property damage actions, subrogation actions and lien actions ("the Suit") related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York has been filed against the Company and Favelle Favco Cranes (USA) Inc. ("FFCUSA").

The Suit relates to an incident involving the collapse of a Favelle Favco crane said to be caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration ("OSHA") found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The Company's and FFCUSA's inclusion in the Suit is purported simply to be by reason that the crane was a Favelle Favco crane.

The Suit remains ongoing and Company's and FFCUSA's management are of the opinion that it is premature to assess the outcome of the actions at this point in time.

Litigation against Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York, County of New York

The Company's subsidiary, Favelle Favco Cranes (USA) Inc. ("FFCUSA") has been named as a defendant in connection with a lawsuit placed by Mr. Robert Paranella, who is claiming personal injuries resulting from an accident while descending a ladder on a crane. The plaintiff has alleged claims of general negligence and Labor Law claims. Based on the claim as it is, the management believes FFCUSA cannot be held liable.

The case is currently in its discovery phase and it is too early to determine whether or not Mr. Paranella's claims have any merit.

30. Related parties

Identity of related parties

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

The Group has related party relationships with its ultimate holding company, subsidiaries (see Note 6), related companies, associates (see Note 7) and Directors (see Note 23).

Significant transactions with related parties:

	Group		**Company**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Ultimate holding company				
Purchase of property, plant and equipment	48,742	138	-	-
Rental expense payable	3,055	2,283	-	-
Rental income receivable	(11)	(198)	-	-
Sale of goods and services	(2,192)	(1,865)	-	-
Subcontract cost payable	3,443	21	-	-
	=====	=====	=====	=====
Subsidiaries				
Dividend income receivable	-	-	(21,754)	(22,037)
Interest expense payable	-	-	4	217
Rental income receivable	-	-	(292)	-
	=====	=====	=====	=====
Related companies				
Purchase of property, plant and equipment	-	4,231	-	-
Sale of goods	(230)	-	-	-
Rental income receivable	(315)	-	-	-
Rental expense payable	2,350	2,175	-	-
Subcontract cost payable	6,142	3,587	-	-
	=====	=====	=====	=====

30. Related parties (continued)

Significant transactions with related parties (continued):

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Associates				
Sale of goods and services	(9,297)	(14,743)	-	-
Purchase of goods and services	25	67	-	-
	=====	=====	=====	=====

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 9 and Note 17 respectively.

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

There are no allowances for impairment losses on receivables as at 31 December 2011 in respect of the above related party balances.

31. Acquisition of subsidiary

During the financial year, the Group subscribed for additional 10,800,000 ordinary shares of RMB 1 each in Shanghai Favco Engineering Machinery Manufacturing Co., Ltd.

The cash inflow on acquisition is as follows:-

	2012 Fair value recognised on acquisition RM'000	**2011 Fair value recognised on acquisition RM'000**
Purchase consideration satisfied by cash	5,234	5,364
Cash and cash equivalent of subsidiary acquired	(6,979)	(8,940)
Net cash inflow of the Group	1,745	3,576
	=======	=======

32. Explanation of transition to MFRS

As stated in Note 1(a), these are the first financial statements of the prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the Company's date of transition to MFRSs).

The transition to MFRSs does not have material financial impact to the financial statements of the Group and of the Company. As a result, the comparative figures for financial position at 1 January 2011 are not presented in each note to the financial statements.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position is set out as follows:

a) Foreign currency translation reserve

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

Reconciliation of equity as at 1 January 2011

	FRSs as at 1.1.2011	**Effect of transition to MFRSs**	**MFRSs as at 1.1.2011**
	RM'000	**RM'000**	**RM'000**
Equity			
Translation reserve	7,238	(7,238)	-
Retained earnings	84,896	7,238	92,134

Reconciliation of equity as at 31 December 2011

	FRSs as at 31.12.2011	**Effect of transition to MFRSs**	**MFRSs as at 31.12.2011**
	RM'000	**RM'000**	**RM'000**
Equity			
Translation reserve	8,111	(7,238)	873
Retained earnings	124,073	7,238	131,311

33. Realised and unrealised profits/(losses)

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	2012 RM'000	**2011 RM'000**
Total retained profits of Favelle Favco Berhad and its subsidiaries:		
- Realised	144,553	62,092
- Unrealised	(8,263)	14,497
	136,290	76,589
Total retained profits from associated companies:		
- Realised	(1,059)	(868)
- Unrealised	3	-
	135,234	75,721
Less: Consolidation adjustments	47,074	55,590
Total Group retained profits	182,308	131,311

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

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 8 to 90 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the year then ended.

In opinion of the Directors, the information set out in note 33 on page 90 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………………
Mac Ngan Boon @ Mac Yin Boon

…………………………………………………………
Mac Chung Hui

Klang,

Date: 23 April 2013

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Poh Kwee**, 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 8 to 90 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 23 April 2013.

…………………..
Lee Poh Kwee

Before me:

Sabbir B. Ali Hussin
Pesuruhjaya Sumpah Malaysia
(No. B369)

Independent auditors' report to the members of Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Favelle Favco Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 90.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of Favelle Favco Berhad (continued)

(Company No. 249243-W)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and 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 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 90 in Note 33 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent auditors' report to the members of Favelle Favco Berhad (continued)

(Company No. 249243-W)
(Incorporated in Malaysia)

Other Matters

As stated in Note 1(a) to the financial statements, Favelle Favco Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm Number: AF 1018
Chartered Accountants

Onn Kien Hoe
1772/11/14 (J/PH)
Chartered Accountant

23 April 2013

Kuala Lumpur