

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

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**FAVELLE FAVCO BERHAD**

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE OPTION SCHEME**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

***Principal Adviser***



**Maybank Investment Bank Berhad (15938-H)**  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("EGM") of Favelle Favco Berhad ("FFB") together with the Form of Proxy are enclosed in this Circular. If you decide to appoint a proxy to attend and vote on your behalf at the forthcoming EGM, the Form of Proxy must be lodged at the Registered Office of FFB at Lot 586, 2<sup>nd</sup> Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan on or before the time and date indicated below. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy for the EGM : Sunday, 26 June 2011 at 2.30 p.m.

Date and time of the EGM : Tuesday, 28 June 2011 at 2.30 p.m. or immediately after the conclusion or adjournment (as the case may be) of the Nineteenth Annual General Meeting of FFB which will be held at 2.00 p.m. on the same day at the same venue.

Venue of the EGM : Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Peransang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan

**This Circular is dated 13 June 2011**

## DEFINITIONS

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In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:

"Act"	: Companies Act, 1965 as amended from time to time and any re-enactment thereof
"Articles"	: Articles of Association of the Company as amended from time to time
"Board"	: Board of Directors of FFB
"Bursa Depository"	: Bursa Malaysia Depository Sdn. Bhd. (165570-W)
"Bursa Securities"	: Bursa Malaysia Securities Berhad (635998-W)
"Bye-Laws"	: Bye-laws containing the terms and conditions of the Proposed ESOS
"Circular"	: This circular dated 13 June 2011 in relation to the Proposed ESOS
"Director(s)"	: A person as defined in Section 4 of the Act
"EGM"	: Extraordinary general meeting
"Eligible Employee(s)"	: An employee (including an Executive Director) of the FFB Group who meets the criteria of eligibility for participation in the Scheme as set out in clause 4 of the Bye-Laws
"EPS"	: Earnings per share
"ESOS"	: Employees' share option scheme
"Executive Director(s)"	: Executive director of FFB Group who is on the payroll and is involved in the execution of strategic and operational decisions of FFB and/or any of its non-dormant subsidiaries
"Existing Scheme"	: Existing employees' share option scheme of FFB which was implemented on 30 June 2006 and will be expiring on 29 June 2011
"FFB" or "Company"	: Favelle Favco Berhad (249243-W)
"FFB Group" or "Group"	: FFB and its subsidiaries (that are not dormant) as defined in Section 5 of the Act, collectively
"FFB Share(s)" or "Share(s)"	: Ordinary share(s) of RM0.50 each in FFB
"Grantee(s)"	: An Eligible Employee who has accepted an Offer in the manner indicated in clause 8 of the Bye-Laws
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 16 May 2011, being the latest practicable date prior to the printing of this Circular
"Market Day"	: Any day between Monday and Friday (inclusive both days) other than a day on which Bursa Securities is declared officially closed for trading of securities

## DEFINITIONS (Cont'd)

"Maximum Allowable Allotment"	: The maximum number of new FFB Shares in respect of which Offers may be made to any Eligible Employee, as provided in clause 6 of the Bye-Laws
"Maybank IB"	: Maybank Investment Bank Berhad (15938-H)
"NA"	: Net assets
"Offer(s)"	: An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in clause 5 of the Bye-Laws
"Offer Date"	: The date of which an Offer (including any subsequent Offer) is made by the Option Committee to an Eligible Employee to participate in the Scheme in accordance with the Bye-Laws
"Option(s)"	: The right of a Grantee to subscribe for new FFB Share(s) pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in clause 8 of the Bye-Laws, of an Offer made to such Eligible Employee pursuant to clause 5 of the Bye-Laws
"Option Committee"	: A committee to be duly authorised and appointed by the Board to administer the Scheme
"Option Period"	: A period commencing from the Offer Date for each Eligible Employee and expiring on a date which the Option Committee may in its discretion decide, provided that no option period shall extend beyond the duration of the Scheme
"Outstanding ESOS Options"	: 2,353,000 ESOS options granted under the Existing Scheme which is presently in force that have yet to be exercised as at the LPD
"Proposed ESOS"	: Proposed establishment of a new ESOS of FFB for the granting of Options to the Eligible Employees to subscribe for such number of new FFB Shares representing up to ten per cent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the existence of the Scheme, based on the terms and conditions of the Bye-Laws
"Record of Depositors"	: The record of securities holders established by Bursa Depository under the rules of Bursa Depository
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"Scheme"	: The ESOS for the grant of Options to Eligible Employees to subscribe for new FFB Shares on the terms as set out in the Bye-Laws

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference to any enactment in this Circular is a reference to that enactment as amended or re-enacted from time to time.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

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**FAVELLE FAVCO BERHAD**

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

Lot 586, 2<sup>nd</sup> Mile  
Jalan Batu Tiga Lama  
41300 Klang  
Selangor Darul Ehsan

13 June 2011

**Directors:**

Tuan Haji Mohamed Taib bin Ibrahim (*Chairman, Independent Non-Executive Director*)  
Tan Sri A. Razak bin Ramli (*Independent Non-Executive Director*)  
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor (*Independent Non-Executive Director*)  
Mac Ngan Boon @ Mac Yin Boon (*Managing Director*)  
Mac Chung Hui (*Deputy Managing Director/ Chief Executive Officer*)  
Lee Poh Kwee (*Executive Director*)  
Mazlan bin Abdul Hamid (*Executive Director*)  
Lim Teik Hin (*Non-Independent Non-Executive Director*)

**To : Shareholders of Favelle Favco Berhad**

Dear Sir/Madam

**PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE OPTION SCHEME**

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**1. INTRODUCTION**

On 23 May 2011, Maybank IB, announced on behalf of the Board that the Company proposed to establish and implement a new Scheme of up to ten per cent (10%) of the issued and paid-up share capital of FFB for Eligible Employees of the Group at any point in time during the existence of the Scheme, after the expiry of the Existing Scheme on 29 June 2011.

Bursa Securities had, vide its letter dated 2 June 2011, approved the listing of such number of new FFB Shares to be issued pursuant to the exercise of the Options arising from the Proposed ESOS.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS WITH THE DETAILS OF THE PROPOSED ESOS AND TO SEEK THE SHAREHOLDERS' APPROVAL FOR THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED ESOS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.**

**SHAREHOLDERS OF FFB ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTIONS IN RELATION TO THE PROPOSED ESOS AT THE FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSED ESOS**

The Proposed ESOS will involve the granting of Options to the Eligible Employees which carry the right to subscribe for new Shares subject to the terms and conditions of the Bye-Laws.

The Proposed ESOS will be administered by the Option Committee.

The salient terms and conditions of the Proposed ESOS, which are governed by the Bye-Laws are set out below:

### **2.1 Total number of Shares available under the Proposed ESOS**

The maximum number of new Shares which may be allotted and issued pursuant to the exercise of the Options which are granted under the Scheme, shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the duration of the Proposed ESOS as provided in the Bye-Laws.

### **2.2 Eligibility**

Any employee (including an Executive Director) of the FFB Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:

- (i) has attained the age of 18 years old;
- (ii) is employed by and is on the payroll of a company within the FFB Group;
- (iii) save for an Executive Director, is employed for a continuous period of at least one (1) year in the Group and his employment must have been confirmed on the Offer Date;
- (iv) is employed by a company which is acquired by the Group during the duration of the Proposed ESOS and becomes a subsidiary upon such acquisition, the employee must have completed continuous service of at least one (1) year from the date that company becomes a subsidiary, and his employment must have been confirmed on the Offer Date;
- (v) fulfils any other criteria as may be set by the Option Committee from time to time; and
- (vi) in order to sustain a high performance culture and for the interests of the Company's shareholders, in determining the eligibility and allocation of Eligible Employee to participate in the Scheme, the Option Committee will take into account among others, the performance appraisal and past and future contribution of the Eligible Employee to the Group, and such other factors that the Option Committee deems relevant from time to time. For the avoidance of doubt, the selection of Eligible Employees for participation in the Scheme shall be at the sole and absolute discretion of the Option Committee.

### **2.3 Basis of allotment and Maximum Allowable Allotment of Shares**

Subject to any adjustments which may be made under clause 14 of the Bye-Laws, the aggregate number of new Shares comprised in the Options to be offered to an Eligible Employee in accordance with the Scheme shall be determined at the discretion of the Option Committee after taking into consideration the Eligible Employee's performance, position, seniority and the number of years in service subject to the following:

- (i) that the aggregate number of new Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in clause 3.1 of the Bye-Laws;
- (ii) that not more than fifty per cent (50%) of the new Shares available under the Scheme at the point in time when an Offer is made shall be allocated, in aggregate, to Directors and senior management; and
- (iii) that not more than ten per cent (10%) of the new Shares available under the Scheme at the point in time when an Offer is made shall be granted to any individual Eligible Employee who, either singly or collectively through persons connected with an Eligible Employee, holds twenty per cent (20%) or more in the paid-up capital of the Company.

In the circumstances where the maximum allowable allotment as provided in the Listing Requirements on ESOS is amended by Bursa Securities from time to time, the Option Committee (subject to necessary approvals being obtained if required) shall have the discretion to make the necessary adjustments so that the number of new FFB Shares comprised in an Option that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the Listing Requirements prevailing during the Option Period.

#### **2.4 Acceptance of Offer and exercise price**

Acceptance of an Offer by an Eligible Employee shall be accompanied by the payment of RM1.00 or such other amount and/or in such other currency as may be determined at the discretion of the Option Committee as non-refundable consideration for such Option.

The price at which the Grantee is entitled to subscribe for each new Share shall be based on:

- (i) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Offer Date subject to a discount of not more than ten per cent (10%); or
- (ii) the par value of the Shares,

whichever is higher and payment in full for such exercise shall accompany the Grantee's exercise notice in accordance with the Bye-Laws.

The exercise price shall be subjected to any adjustments in accordance with clause 14 of the Bye-Laws.

#### **2.5 Ranking of the new FFB Shares**

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank *pari passu* in all respects with the then issued and fully paid-up Shares except that the Shares so allotted will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new Shares and will be subject to all the provisions of the Articles relating to the transfer, transmission and otherwise of the Shares.

## 2.6 Listing of the new Shares

The Company will submit necessary documents and information to Bursa Securities and Bursa Depository for the listing of and quotation for the new FFB Shares to be issued pursuant to the exercise of the Options granted under the Proposed ESOS.

## 2.7 Effective date and duration of the Proposed ESOS

The effective date for the commencement of the Scheme shall be the date of full compliance with the Listing Requirements in relation to Proposed ESOS including the following:

- (i) submission of the final copy of the Bye-Laws to Bursa Securities pursuant to the Listing Requirements;
- (ii) receipt of approval-in-principle for the listing of and quotation for the new FFB Shares to be issued pursuant to the exercise of the Options from Bursa Securities;
- (iii) the approval of the shareholders of FFB for the Proposed ESOS being obtained;
- (iv) receipt of the approval of any other relevant authority, where necessary; and
- (v) fulfilment of all the conditions attached to the above approvals, if any.

The Scheme shall be in force for a period of five (5) years from the effective date of commencement of the Scheme. However, an extension to the Scheme may be effected by the Company upon the recommendation of the Option Committee and receipt of approval of the shareholders for the extension, subject to an aggregate duration of ten (10) years from the effective date of commencement.

## 2.8 Exercise of Options

Subject to clauses 10, 14, 19, 20 and 25 of the Bye-Laws and all other provisions relevant to the exercise of an Option, the Options granted to an Eligible Employee are exercisable in the following manner:

		< ----- Year in which the Options are granted ----- >				
		Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative percentage of Options exercisable during the duration of the Scheme	Year 1	-	-	-	-	-
	Year 2	33.33%	-	-	-	-
	Year 3	66.67%	33.33%	-	-	-
	Year 4	100.00%	66.67%	33.33%	-	-
	Year 5	100.00%	100.00%	100.00%	100.00%	100.00%

### Note:

*For calculation of number of Options exercisable in a particular year, the number of Shares is rounded up to the nearest 1,000 Shares.*



The Option Committee may in addition, at any time and from time to time, before or after an Option is granted, limit or vary the exercise of the Option to a maximum number of new FFB Shares and/or such percentage of the total new FFB Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier ("**Exercise Condition**"). The Option Committee may, at their absolute discretion, vary the Exercise Condition where the Option Committee considers it no longer appropriate. Without prejudice to the generality of the foregoing, the Option Committee may impose an Exercise Condition that the Options granted shall only be exercised in such proportions as shall be determined by the Option Committee (in its absolute discretion at any time and from time to time) and notified in writing to the Grantee.

Where the maximum percentage of an Option exercisable within a particular year of the Scheme is not fully exercised by the Grantee, the percentage unexercised shall be carried forward to the following year and the maximum percentage of the Option exercisable in that year shall not exceed the aggregate of the percentage unexercised in the previous year and the exercisable percentage of that year, provided always that no Option shall be carried forward beyond the Option Period.

## **2.9 Adjustments to Options granted**

In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of rights issues, bonus issues, capitalisation issues, consolidation or subdivision of shares or capital reduction or any other variation of capital, or otherwise howsoever taking place:

- (i) the subscription price; and/ or
- (ii) the number of new FFB Shares comprised in the Option in so far as the Option has not been exercised,

may be adjusted, provided always that:

- (a) any adjustment to the subscription price shall be rounded down to the nearest RM0.01 and no adjustment to the subscription price shall be made which would result in the new FFB Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the subscription price payable shall be the par value of the new FFB Shares;
- (b) upon any adjustment being made pursuant to clause 14 of the Bye-Laws, the Option Committee shall, within ten (10) Market Days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal or personal representatives, where applicable) in writing, informing the Grantee:
  - (i) of the adjusted subscription price in effect and/or the revised number of new FFB Shares to be issued on the exercise of the Option (in so far as the Option remains unexercised);
  - (ii) the effective date of such adjustment; and
  - (iii) the event giving rise to the adjustment,

any adjustment pursuant to clause 14 of the Bye-Laws shall be made in accordance with the formulas as set out in the schedule of the Bye-Laws and shall be effective on the day as set out in the schedule of the Bye-Laws.

## **2.10 Amendments and/or modification to the Scheme**

Subject to compliance with the requirements of Bursa Securities and any other relevant authorities, the Board shall have the power, at any time and from time to time, by resolution to amend, at the recommendation of the Option Committee, all or any provisions of the Scheme. However, no such amendment shall be made which would alter to the advantage of any Eligible Employee or Grantee in respect of matters prescribed under Appendix 6E of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting where such approval is required by applicable laws.

Where an amendment and/or modification is made to the Bye-Laws, the Company shall submit to Bursa Securities, the amendment and/or modification to the Bye-Laws and a confirmation letter that the amendment and/or modification complies with the provision of the guidelines on ESOS as stipulated under the Listing Requirements and rules of Bursa Depository no later than five (5) Market Days from the effective date of the said amendment and/or modification.

The Grantees shall be given written notice in the form prescribed by the Option Committee from time to time of any additions, amendments to and/or modifications of these Bye-Laws within five (5) Market Days of any of the foregoing taking effect.

Further details of the Proposed ESOS are set out in the Bye-Laws as set out in Appendix I of this Circular.

## **3. RATIONALE FOR THE PROPOSED ESOS**

The rationale for the Proposed ESOS is as follows:

- (i) to attract prospective skilled and experienced executives or personnel to join the FFB Group as and when required and to reward and retain Eligible Employees who have contributed to the success of FFB and its non-dormant subsidiaries, whose services have proven to be invaluable to the smooth operation and continued growth of the FFB Group; and
- (ii) to create a sense of ownership in FFB through direct equity participation in FFB by the Eligible Employees and to provide an incentive for them to participate in the future growth of the FFB Group, thereby increasing the level of motivation, commitment, dedication and loyalty amongst the Eligible Employees.

## **4. UTILISATION OF PROCEEDS**

The gross proceeds to be raised pursuant to the exercise of the Options under the Proposed ESOS will depend on the number of Options granted and exercised at the relevant point in time and the exercise price payable upon the exercise of the Options.

The net proceeds (net of the estimated expenses for the Proposed ESOS of approximately RM130,000) arising from the exercise of the Options, if any, will be utilised for the Group's working capital requirements within twelve (12) months from the date when such proceeds are received.

## 5. EFFECTS OF THE PROPOSED ESOS

### 5.1 Share capital

The Proposed ESOS is not expected to have any immediate material effect on the issued and paid-up share capital of FFB until such time when such Options are exercised. However, the issued and paid-up share capital of FFB will increase progressively depending on the number of new FFB Shares to be issued pursuant to the exercise of the Options that may be granted under the Proposed ESOS, subject to a maximum of ten per cent (10%) of the entire issued and paid-up share capital of FFB (excluding treasury shares) at any point in time during the duration of the Scheme.

For illustrative purposes only, the proforma effects of the Proposed ESOS on the issued and paid-up share capital of FFB are set below:

	<b>No. of FFB Shares</b>	<b>Share capital</b>
	<b>'000</b>	<b>RM'000</b>
Existing issued and paid-up share capital as at the LPD	177,490	88,745
Less: Treasury shares	(10)	(5)
To be issued assuming full exercise of the remaining Outstanding ESOS Options	2,353	1,177
	<b>179,833</b>	<b>89,917</b>
To be issued assuming full exercise of all the Options that may be granted under the Proposed ESOS <sup>(1)</sup>	17,983	8,991
<b>Enlarged issued and paid-up share capital</b>	<b>197,816</b>	<b>98,908</b>

**Note:**

<sup>(1)</sup> Assuming the maximum grant and full exercise of the Options of up to ten per cent (10%) of the enlarged issued and paid-up share capital of the Company (after assuming full exercise of all Outstanding ESOS Options and less 10,000 treasury shares held as at the LPD) pursuant to the Proposed ESOS.

### 5.2 Earnings and EPS

The Proposed ESOS is not expected to have any immediate effect on the consolidated earnings and EPS of FFB until such time as the Options are exercised. Any potential effect on the consolidated earnings and EPS of FFB in the future would depend on, among others, the number of Options granted and exercised at the relevant point in time, the exercise price of such Options and the utilisation of proceeds arising from the exercise of such Options.

In addition, pursuant to the Financial Reporting Standard 2 on Share-Based Payment ("FRS 2") as issued by the Malaysian Accounting Standards Board, which requires the recognition of an expense arising from the granting of Options under the Proposed ESOS, the future consolidated earnings of FFB may be affected. However, the impact cannot be quantified at this juncture as it depends on various factors, among others, the number of Options granted and accepted, the fair value of such granted Options and the number of such granted Options that are expected to be vested. The Board has taken note of the potential impact of the FRS 2 on the consolidated earnings and EPS of FFB and shall take into consideration such impact in the allocation and granting of the Options.

### 5.3 NA and gearing

The Proposed ESOS is not expected to have any immediate material effect on the consolidated NA, NA per Share and gearing of FFB until such time as and when the Options are exercised. Any potential effect on the consolidated NA and gearing of FFB in the future would depend on, among others, the number of Options granted and exercised at the relevant point in time and the exercise price of such Options.

### 5.4 Substantial shareholders' shareholdings

The Proposed ESOS is not expected to have any immediate effect on the substantial shareholders' shareholdings until such time as and when the Options that are granted are exercised. Any potential effect on the substantial shareholders' shareholdings in the future would depend on the number of Options granted and exercised at the relevant point in time.

For illustration purposes only, the proforma effects of the Proposed ESOS on the substantial shareholders shareholdings in FFB are set out in the table below:

	As at the LPD				After the Proposed ESOS and assuming full exercise of the Options granted <sup>(1)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of FFB Shares	%	No. of FFB Shares	%	No. of FFB Shares	%	No. of FFB Shares	%
	'000		'000		'000		'000	
Muhibbah Engineering (M) Bhd	98,000	55.22	-	-	98,000	49.54	-	-
Mac Ngan Boon @ Mac Yin Boon	8,193	4.62	<sup>(3)</sup> 98,000	55.22	<sup>(2)</sup> 8,193	4.14	<sup>(3)</sup> 98,000	49.54
Lembaga Tabung Haji	11,386	6.42	-	-	11,386	5.76	-	-

**Notes:**

- <sup>(1)</sup> Assuming that the aggregate ESOS shares to be issued pursuant to the exercise of the Options under the Proposed ESOS amount to ten percent (10%) of the issued and paid-up share capital of the Company as at the LPD and that all the Outstanding ESOS Options are exercised and treasury shares are not sold prior to the exercise of such Options.
- <sup>(2)</sup> Assuming no change as the potential allocation of Options under the Proposed ESOS has not been fixed at this juncture. The allocation will be determined at any time and from time to time within the duration of the Scheme.
- <sup>(3)</sup> Deemed interest pursuant to Section 6A of the Act by virtue of his substantial interest in Muhibbah Engineering (M) Bhd.

## 6. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of FFB Shares traded on Bursa Securities for the last twelve (12) months are as follows:

	High RM	Low RM
<b>2010</b>		
June	0.88	0.76
July	0.86	0.78
August	0.88	0.81
September	0.84	0.80
October	0.98	0.81
November	1.14	0.95
December	1.11	1.00
<b>2011</b>		
January	1.26	1.06
February	1.14	1.02
March	1.09	1.00
April	1.22	1.10
May	1.47	1.15
Last transacted market price for FFB Shares on 20 May 2011, being the date immediately prior to the announcement of the Proposed ESOS		1.47
Last transacted market price for FFB Shares on the LPD		1.36

(Source: Bloomberg)

## 7. APPROVALS REQUIRED

The Proposed ESOS is subject to the following approvals being obtained:

- (i) Bursa Securities for the listing of such number of new FFB Shares to be issued pursuant to the exercise of the Options under the Proposed ESOS, which was obtained on 2 June 2011; and
- (ii) the shareholders of FFB at the forthcoming EGM.

Bursa Securities had vide its letter dated 2 June 2011 granted its approval for the listing of such number of new FFB Shares to be issued pursuant to the Proposed ESOS subject to the following conditions:

No.	Conditions	Status of compliance
1.	Maybank IB is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESOS	To be complied
2.	FFB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS shares listed as at the end of each quarter together with a detail computation of listing fees payable	To be complied

No.	Conditions	Status of compliance
3.	To incorporate Bursa Securities' comments on the draft circular for the Proposed ESOS	Complied

## 8. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed ESOS and the Existing Scheme, the Board confirms that as at the date of this Circular, there are no corporate exercises/schemes which have been announced but are pending completion. The Proposed ESOS is not conditional upon any other corporate exercise/scheme. The Proposed ESOS will only be implemented/effectuated after the expiry of the Existing Scheme.

## 9. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

All the Executive Directors of FFB, namely Mac Ngan Boon @ Mac Yin Boon (who is also a major shareholder of FFB ("**Interested Major Shareholder**")), Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid are deemed interested in the Proposed ESOS by virtue of their eligibility to participate in the Proposed ESOS and in respect of their respective potential allocations of Options ("**Interested Directors**"). Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of the Proposed ESOS and their respective potential allocations under the Proposed ESOS at the relevant Board meetings. Further, the Interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in FFB (if any) on resolutions pertaining to the Proposed ESOS and their respective potential allocations under the Proposed ESOS to be tabled at the forthcoming EGM. They have also undertaken to ensure that persons connected to them (if any) will abstain from voting on the resolutions pertaining to the Proposed ESOS to be tabled at the forthcoming EGM.

Further Mac Chung Hui is the son of Mac Ngan Boon @ Mac Yin Boon and as such Mac Ngan Boon @ Mac Yin Boon is deemed interested in the potential allocations of options to Mac Chung Hui. Accordingly, Mac Ngan Boon @ Mac Yin Boon have abstained and will continue to abstain from all deliberations and voting in respect of the potential allocations of ESOS options to Mac Chung Hui at the relevant Board meetings and will abstain and ensure that persons connected to him will also abstain from voting on the ordinary resolution pertaining to the potential allocations of ESOS options to Mac Chung Hui to be tabled at the forthcoming EGM. Mac Chung Hui will abstain and will ensure that persons connected to him will also abstain from voting on the resolution pertaining to the potential allocation of ESOS options to Mac Ngan Boon @ Mac Yin Boon to be tabled at the forthcoming EGM.

Muhibbah Engineering (M) Bhd is an Interested Major Shareholder by virtue of Mac Ngan Boon @ Mac Yin Boon's substantial interests in Muhibbah Engineering (M) Bhd. Accordingly, Muhibbah Engineering (M) Bhd will abstain from voting on the ordinary resolutions pertaining to the potential allocations of ESOS options to Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui to be tabled at the forthcoming EGM. It has also undertaken to ensure that persons connected to it (if any) will abstain from voting on the ordinary resolutions pertaining to the potential allocations of ESOS options to Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui to be tabled at the forthcoming EGM.

The direct and indirect shareholdings of the Interested Directors, Interested Major Shareholder and persons connected to the Interested Directors and/or Interested Major Shareholders in FFB as at the LPD are set out below:

	Direct		Indirect	
	No of Shares	%	No of Shares	%
<b>Interested Directors</b>				
Mac Ngan Boon @ Mac Yin Boon	8,192,913	4.62	<sup>(1)</sup> 101,689,800	57.30
Mac Chung Hui	2,012,000	1.13	-	-
Lee Poh Kwee	1,085,000	0.61	-	-
Mazlan bin Abdul Hamid	2,115,000	1.19	-	-
<b>Interested Major Shareholder</b>				
Mac Ngan Boon @ Mac Yin Boon	8,192,913	4.62	<sup>(2)</sup> 98,000,000	55.22
Muhibbah Engineering (M) Bhd	98,000,000	55.22	-	-
<b>Persons connected to the Interested Directors/Interested Major Shareholder</b>				
Chew Keng Siew	<sup>(3)</sup> 811,800	0.46	-	-
Mac Chung Lynn	<sup>(3)</sup> 400,000	0.23	-	-
Mac Chung Jin	<sup>(3)</sup> 466,000	0.26	-	-
Mac Chung Hui	<sup>(3)</sup> 2,012,000	1.13	-	-

**Notes:**

- <sup>(1)</sup> 98,000,000 deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in Muhibbah Engineering (M) Bhd and 3,689,800 deemed interest pursuant to Section 134 of the Act, held through his spouse and children.
- <sup>(2)</sup> 98,000,000 deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in Muhibbah Engineering (M) Bhd.
- <sup>(3)</sup> Being persons connected to Mac Ngan Boon @ Mac Yin Boon.

## 10. ESTIMATED TIME FRAME FOR COMPLETION

The Proposed ESOS is expected to be established by the third quarter of 2011 after the expiry of the Existing Scheme subject to all relevant approvals being obtained and conditions met.

## 11. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors), having considered the rationale and financial effects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the shareholders and the FFB Group. Accordingly, the Directors of FFB (save for the Interested Directors) recommend that shareholders vote in favour of the ordinary resolutions pertaining to the Proposed ESOS to be tabled at the forthcoming EGM.

## 12. EGM

An EGM, the notice of which is enclosed together with this Circular, will be held at 2.30 p.m. on Tuesday, 28 June 2011 at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Peransang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan or immediately following the conclusion or adjournment (as the case may be) of the Nineteenth Annual General Meeting of the Company, which will be held at the same place and on the same day at 2.00 p.m. for the purpose of considering, and if thought fit, passing the ordinary resolutions as described in the Notice of EGM enclosed herein pertaining to the Proposed ESOS.

### **13. FURTHER INFORMATION**

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully  
For and on behalf of the Board of Directors of  
**FAVELLE FAVCO BERHAD**

**TUAN HAJI MOHAMED TAIB BIN IBRAHIM**  
Chairman, Independent Non-Executive Director



## DRAFT BYE-LAWS OF THE PROPOSED ESOS

**1. DEFINITIONS**

1.1 Except where the context otherwise requires, the following expressions in these Bye-Laws shall have the following meanings:

"Act"	: The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Board"	: The board of directors of FFB
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"Bye-Laws"	: The Bye-Laws governing the Scheme, as may be amended, varied or supplemented from time to time in accordance to Clause 18 hereof
"CDS"	: Central Depository System
"Central Depositories Act"	: The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
"CMSA"	: Capital Markets and Services Act 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Director"	: An executive Director of FFB and/or its Subsidiaries who is on the payroll and who is involved in the execution of strategic and operational decisions of FFB and/or its Subsidiaries
"Duration of the Scheme"	: The duration of the Scheme shall be five (5) years from the effective date of the commencement of the Scheme as defined in Clause 19 hereof unless extended in accordance with Clause 19 hereof or terminated in accordance with Clause 20 hereof
"Eligible Employee"	: An employee (including a Director) of the FFB Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
"ESOS"	: Employees' share option scheme
"FFB Group" or "the Group"	: FFB and its Subsidiaries, collectively
"FFB" or "the Company"	: Favelle Favco Berhad ( <i>Company No. 249243-W</i> )
"FFB Shares" or "Shares"	: Ordinary share(s) of RM0.50 each (or such sum as may be adjusted from time to time) in the capital of the Company
"Grantee"	: An Eligible Employee who has accepted an Offer in the manner indicated in Clause 8 hereof

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"Market Day"	: Any day between Monday and Friday (inclusive) other than a day on which Bursa Securities is declared officially closed for trading
"Maximum Allowable Allotment"	: The maximum number of new FFB Shares in respect of which Offers may be made to Eligible Employees, as provided in Clause 6 hereof
"Offer Date"	: The date on which an Offer (including any subsequent Offers) is made by the Option Committee to an Eligible Employee to participate in the Scheme in accordance with the Bye-Laws
"Offer"	: An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in Clause 5 hereof
"Option Committee"	: The committee to be duly authorised and appointed by the Board to administer the Scheme
"Option Period"	: A period commencing from the Offer Date for each Eligible Employee and expiring on a date which the Option Committee may in its discretion decide, provided that no Option Period shall extend beyond the Duration of the Scheme
"Option"	: The rights of a Grantee to subscribe for new FFB Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in Clause 8 hereof, of an Offer made to such Eligible Employee pursuant to Clause 5 hereof
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"Rules of Bursa Depository"	: The Rules of Bursa Depository as issued pursuant to the Central Depositories Act or any statutory modification, amendment or re-enactment thereof for the time being in force
"Scheme"	: The scheme for the grant of Options to Eligible Employees to subscribe for new FFB Shares on the terms as set out herein
"Senior Management"	: A person holding senior managerial position within the Group who is nominated at any time and shall be subject to criteria as determined by the Option Committee from time to time
"Subscription Price"	: In respect of each Option, the price per share at which a Grantee shall be entitled to subscribe for new FFB Shares by exercising his Option as set out in Clause 7 hereof
"Subsidiary(ies)"	: A subsidiary company of FFB as defined in Section 5 of the Act and for the purpose of the Scheme shall exclude subsidiary(ies) which is/are dormant and/or which have been divested by FFB in the manner provided in Clause 25 hereof

- 1.2 In these Bye-Laws, unless the context requires otherwise, words denoting the singular shall include the plural and words denoting the masculine gender shall include the feminine and neuter gender.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- 1.3 Any liberty or power which may be exercised or any determination which may be made hereunder by the Option Committee may be exercised at the Option Committee's discretion.
- 1.4 The headings in these Bye-Laws are for convenience only and shall not be taken into account in the interpretation of these Bye-Laws.
- 1.5 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the next Market Day.

**2. NAME OF SCHEME**

This Scheme will be named the "Favelle Favco Berhad Employees' Share Option Scheme 2011/2016".

**3. MAXIMUM NUMBER OF SHARES ALLOWABLE UNDER THE SCHEME**

- 3.1 Subject to Clause 3.2, the maximum number of new FFB Shares which may be allotted under the Scheme shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the Duration of the Scheme.
- 3.2 Notwithstanding the provision of Clause 3.1 nor any other provisions herein contained, in the event the maximum number of new FFB Shares comprised in the Options granted under the Scheme exceeds the aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) as a result of the Company:
  - (a) purchasing its own Shares in accordance with the provision of Section 67A of the Act, whereby the shares so purchased in treasury will not be taken into account in calculating the number of its issued and paid-up share capital;
  - (b) cancelling any FFB Share purchased by FFB or reducing its issued and paid-up share capital and thereby diminishing its issued and paid-up capital; or
  - (c) undertaking any corporate proposal which diminishes its issued and paid-up share capital,

then such Options granted prior to the adjustment of the issued and paid-up capital of the Company (excluding treasury shares) shall remain valid and exercisable in accordance with the provisions of this Scheme.

However, no further Offer shall be made to any Eligible Employee as long as the aggregate shares comprised in the number of Options offered exceeds ten per cent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares).

- 3.3 The Company will, for the Duration of the Scheme, keep available sufficient authorised and unissued Shares to satisfy all outstanding Options, which may be exercisable from time to time.

**4. ELIGIBILITY**

- 4.1 Any employee (including a Director) of the FFB Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:
  - (a) Has attained the age of eighteen (18) years;
  - (b) Is employed by and is on the payroll of a company within the FFB Group;

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- (c) Save for a Director, is employed for a continuous period of at least one (1) year in the Group and his employment must have been confirmed on the Offer Date;
  - (d) If an employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a Subsidiary upon such acquisition, the employee must have completed continuous service of at least one (1) year from the date that company becomes a Subsidiary, and his employment must have been confirmed on the Offer Date; and
  - (e) Fulfils any other criteria as may be set by the Option Committee from time to time.
- 4.2 Eligibility under the Scheme does not confer on an Eligible Employee a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Employee does not acquire or have any rights over or in connection with the Options or the new FFB Shares comprised therein unless an Offer had been made by the Option Committee to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.
- 4.3 In determining the eligibility and allocation of Eligible Employee to participate in the Scheme, the Option Committee will take into account among others, the performance appraisal(s) and past and future contributions of Eligible Employee to the Company and/or its Subsidiaries, and such other factors that the Option Committee deems relevant from time to time. For avoidance of doubt, the selection of Eligible Employees for participation in the Scheme shall be at the sole and absolute discretion of the Option Committee.
- 5. OFFER**
- 5.1 The Option Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make an Offer to any Eligible Employee whom the Option Committee may in its sole and absolute discretion select to subscribe during the Option Period for new FFB Shares in accordance with the terms of the Scheme. A set of criteria on eligibility shall be clearly specified and all Eligible Employees shall be made aware of it through notification in writing.
- 5.2 Nothing herein shall prevent the Option Committee from making more than one (1) Offer to any Eligible Employee provided always that, the total aggregate number of new FFB Shares comprised in the Offers shall not be less than one thousand (1,000) new FFB Shares but not more than the Maximum Allowable Allotment as set out in Clause 6 hereof and shall always be in multiples of one thousand (1,000) FFB Shares.
- 5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new FFB Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new FFB Share and the closing date for acceptance of the Offer.
- 5.4 No Option shall be granted to any Director of the Company and/or any person connected to a Director (as defined in the Listing Requirements), who is an Eligible Employee of the Group, unless specific grant of the Option to that Director and/or person connected shall have previously been approved by the shareholders of the Company in a general meeting, save that the Option may be granted to a Director and/or person connected to a Director prior to the admission of FFB on Bursa Securities.
- 5.5 Unless otherwise approved in writing by the Option Committee in its absolute discretion, any Offer which has not been accepted in the manner set out in Clause 8 shall automatically lapse and be null and void in the event the Eligible Employee shall cease to be employed for any reason whatsoever by the Group, or in the event the Eligible Employee shall have died or become a bankrupt prior to the acceptance of the Offer.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- 5.6 The Audit Committee of the Company shall verify the allocation of the Options, as being in compliance with the criteria as required pursuant to Clause 5.1, in respect of any Offers at the end of each financial year and that a statement by the Audit Committee verifying the allocation shall be included in the Company's Annual Report.

**6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT**

- 6.1 Subject to any adjustments which may be made under Clause 14, the aggregate number of Shares comprised in the Options to be offered to an Eligible Employee in accordance with the Scheme shall be determined at the discretion of the Option Committee after taking into consideration the Eligible Employee's performance, position, seniority and the number of years in service subject to the following:

- (a) that the aggregate number of Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in Clause 3.1;
- (b) that not more than fifty per cent (50%) of the Shares available under the Scheme at the point in time when an Offer is made shall be allocated, in aggregate, to Directors and Senior Management; and
- (c) that not more than ten per cent (10%) of the Shares available under the Scheme at the point in time when an Offer is made shall be granted to any individual Eligible Employee who, either singly or collectively through persons connected with an Eligible Employee, holds twenty per cent (20%) or more in the paid-up capital of the Company.

The term "person connected with an Eligible Employee" shall have the same meaning given in relation to persons connected with a Director or major shareholder as defined in the Listing Requirements.

- 6.2 In the circumstances where the maximum allowable allotment as provided in the Listing Requirements on ESOS is amended by Bursa Securities from time to time, the Option Committee shall (subject to the relevant approvals being obtained, if required) have the discretion to make the necessary adjustments so that the number of new FFB Shares comprised in an Option that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the Listing Requirements prevailing during the Option Period.

**7. SUBSCRIPTION PRICE**

- 7.1 The price at which the Grantee is entitled to subscribe for each new Share shall be based on:

- (a) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Offer Date subject to a discount of not more than ten per cent (10%); or
- (b) at the par value of the Shares;

whichever is higher.

- 7.2 Notwithstanding Clause 7.1 above, in the event the Offer is made to the Eligible Employees prior to the admission of FFB on Bursa Securities, the Subscription Price shall be the higher of the following:

- (a) public issue price of FFB Shares as shown in the Prospectus of the Company; or
- (b) the par value of the FFB Shares.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- 7.3 The Subscription Price shall be subjected to any adjustments in accordance with Clause 14 herein.

**8. ACCEPTANCE OF THE OFFER**

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty days (30) calendar days from the Offer Date or such longer period as may be determined by the Option Committee on a case-to-case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. In the event that the Eligible Employee fails to accept the Offer within the prescribed period and in the manner aforesaid, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) or such other amount and/or in such other currency as may be determined at the discretion of the Option Committee as non-refundable consideration for Option.
- 8.3 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.

**9. EXERCISE OF OPTIONS**

- 9.1 Subject to Clause 9.2 hereof and as long as the Option remains valid, an Option may be exercised by the Grantee by notice in writing to the Company by the Grantee or its authorised agent (subject that such authorised agent must be recognised by the Company) or in such other manner as may be determined by the Option Committee during the Option Period in respect of all or any part of the new FFB Shares comprised in the Option, PROVIDED THAT where an Option is exercised in respect of a part of the new FFB Shares comprised therein, the number of new FFB Shares of which such Option may be exercised shall not be less than one thousand (1,000) and shall be in multiples of one thousand (1,000).
- 9.2 Subject to Clauses 10, 14, 19, 20 and 25 hereof and all other provisions relevant to the exercise of an Option, the Options granted to an Eligible Employee are exercisable in the following manner:

←-----Year Options Granted-----→						
		Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative percentage of Options exercisable during the Duration of the Scheme	Year 1	-	-	-	-	-
	Year 2	33.33%	-	-	-	-
	Year 3	66.67%	33.33%	-	-	-
	Year 4	100.00%	66.67%	33.33%	-	-
	Year 5	100.00%	100.00%	100.00%	100.00%	100.00%

*Note:  
For calculation of number of Options exercisable in a particular year, the number of Shares is rounded up to the nearest 1,000 Shares.*

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

The Option Committee may in addition, at any time and from time to time, before or after an Option is granted, limit or vary the exercise of the Option to a maximum number of new FFB Shares and/or such percentage of the total new FFB Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier ("Exercise Condition"). The Option Committee may, at their absolute discretion, vary the Exercise Condition where the Option Committee considers it no longer appropriate. Without prejudice to the generality of the foregoing, the Option Committee may impose an Exercise Condition that the Options granted shall only be exercised in such proportions as shall be determined by the Option Committee (in its absolute discretion at any time and from time to time) and notified in writing to the Grantee.

Where the maximum percentage of an Option exercisable within a particular year of the Scheme is not fully exercised by the Grantee, the percentage unexercised shall be carried forward to the following year and the maximum percentage of the Option exercisable in that year shall not exceed the aggregate of the percentage unexercised in the previous year and the exercisable percentage of that year, provided always that no Option shall be carried forward beyond the Option Period.

- 9.3 Every such written notice referred to in Clause 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new FFB Shares in respect of which notice is given. Within eight (8) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee or any other period as may be prescribed by Bursa Securities, the Company shall allot such new FFB Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of Bursa Depository.
- 9.4 A Grantee who exercises his Option shall provide the Option Committee with his CDS account number or the CDS account number of his authorised nominee, as the case may be, in the notice referred to in Clause 9.1. The new FFB Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his authorised nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's authorised nominee with a copy to the Grantee, as the case may be, within eight (8) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.
- 9.5 No Options shall be exercisable on and after the expiry of the Option Period.
- 9.6 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), the Option Committee shall have the right, in its discretion, to suspend the Grantee's Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:
  - (a) in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Option Period;
  - (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- (c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the Option Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.
- 9.7 The Board, the Option Committee, the Company and/or any officer of the Company shall not, under any circumstances, be held liable for any costs, losses, expenses and/or damages whatsoever or howsoever arising in any event, including but not limited, to the delay on the part of the Company in allotting and issuing the new FFB Shares or in procuring Bursa Securities to list the new FFB Shares on Bursa Securities for which the Grantee is entitled to subscribe.
- 9.8 Unless the Option Committee shall decide otherwise, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Clauses 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.
- 9.9 Every Option shall be subject to the condition that no new FFB Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 9.10 The Options shall not carry any right to vote at any general meeting of the Company.
- 10. TERMINATION OF THE OPTION**
- 10.1 In the event of the cessation of employment of a Grantee with the FFB Group for whatever reason prior to the exercise of his Options or prior to full exercise of his Options, such Option shall cease immediately on the date of such cessation without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Option Committee in its sole discretion, if such cessation occurs by reason of:-
- (a) retirement on attaining the retirement age under the FFB Group's retirement policy;
  - (b) retirement before attaining the normal retirement age but with the consent of the Board;
  - (c) redundancy or any voluntary separation scheme;
  - (d) ill-health, injury, physical or mental disability; or
  - (e) any other circumstances which are acceptable to the Option Committee,
- such Option shall remain exercisable during the Option Period.
- 10.2 Subject to Clause 10.1 above, upon the resignation of the Grantee from his employment with the FFB Group, his remaining unexercised Options shall cease with immediate effect on the date of such cessation.
- 10.3 An Option shall immediately become void and of no further effect upon the Grantee being adjudicated a bankrupt.
- 10.4 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.



**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- 10.5 Where a Grantee dies before the expiry of the Option Period and at the time of his death held unexercised Options, such Options shall cease immediately on the date of such death without any claim whatsoever against the Company PROVIDED ALWAYS THAT, subject to the written approval of the Option Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death provided that such exercise shall be within the Option Period and shall not be later than twelve (12) months after the date of his death.

**11. TAKEOVER**

Notwithstanding Clause 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities:

- (a) in the event a takeover offer for the Company, under the Malaysian Code on Takeovers and Mergers 2010, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer) ("Offeror") or any person acting in concert with the Offeror, then notwithstanding Clause 9 hereof, the Grantee shall be entitled, within such period to be determined by the Option Committee, to exercise in full or in part any Option as yet unexercised and the Board shall use its best endeavours to procure that such a general offer be extended to any new FFB Shares that may be issued pursuant to the exercise of the Options under this Clause; and
- (b) in the event a person becomes entitled or bound to exercise rights of compulsory acquisition of FFB Shares under the provisions of the Act or the CMSA and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specific Date"), then notwithstanding Clause 9 hereof, the Option shall remain exercisable by the Grantee in full or in part until the expiry of the Specific Date. In the foregoing circumstance if the Grantee fails to exercise his Option or elects to exercise only part of his Option by the Specific Date, then the Option, or as the case may be the Option in relation to the balance thereof, shall automatically lapse after the Specific Date and be null and void.

**12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.**

Notwithstanding Clause 9 hereof and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, then notwithstanding Clause 9 hereof, a Grantee may be entitled to exercise all or any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and shall become null and void.

**13. RETENTION PERIOD**

The new FFB Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period. However, the Grantees are encouraged to hold the FFB Shares as a long-term investment rather than for any speculative purpose and/or realisation or immediate gains.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)****14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD**

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of rights issues, bonus issues, capitalisation issues, consolidation or subdivision of shares or capital reduction or any other variation of capital, or otherwise howsoever taking place:

- (i) the Subscription Price; and/ or
- (ii) the number of new FFB Shares comprised in the Option in so far as the Option has not been exercised,

may be adjusted, PROVIDED ALWAYS THAT:-

- (a) any adjustment to the Subscription Price shall be rounded down to the nearest RM0.01 and no adjustment to the Subscription Price shall be made which would result in the new FFB Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the new FFB Shares;
- (b) upon any adjustment being made pursuant to this Clause, the Option Committee shall, within ten (10) Market Days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal or personal representatives, where applicable) in writing, informing the Grantee:
  - (i) of the adjusted Subscription Price in effect and/or the revised number of new FFB Shares to be issued on the exercise of the Option (in so far as the Option remains unexercised);
  - (ii) the effective date of such adjustment;
  - (iii) the event giving rise to the adjustment; and

Any adjustment pursuant to this clause shall be made in accordance with the formulas as set out in the Schedule AND shall be effective on the day as set out in the Schedule.

14.2 Notwithstanding anything to the contrary contained in the Scheme, in the event that a fraction of a new Share arising from the adjustments referred to in Clause 14.1 hereof would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number of new Shares.

14.3 The provisions of this Clause shall not apply where the alteration in the capital structure of the Company arises from:

- (a) an issue of new FFB Shares or any other convertible securities into new FFB Shares in consideration or part consideration for an acquisition of any other securities, assets or business;
- (b) a special issue of new FFB Shares or any other convertible securities into new FFB Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with Government policy on Bumiputera capital participation;
- (c) a private placement or restricted issue of new FFB Shares or any other convertible securities into new FFB Shares, by the Company;
- (d) a share buy-back arrangement by the Company;

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

(e) any issue of new Shares arising from the exercise of any exercise or conversion rights attached to the issue of warrants, convertible securities or other instrument; or

(f) an issue of new FFB Shares upon the exercise of Options pursuant to the Scheme.

14.4 All adjustments (other than bonus issue) must be confirmed in writing by the external auditors of the Company (acting as experts and not as arbitrators) and such certification shall be final and binding in all respects.

**15. QUOTATION OF SHARES**

Upon any new Shares (if any) being allotted to the Grantee pursuant to an exercise of the Options, the Company shall make the necessary application to Bursa Securities within the stipulated timeframe as prescribed by the Listing Requirements for the listing of and quotation for such new FFB Shares and use its best endeavours to obtain permission and approval for such listing and quotation.

**16. RIGHTS ATTACHING TO THE NEW FFB SHARES**

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank *pari passu* in all respects with the then issued and fully paid-up Shares except that the Shares so allotted will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new Shares and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission and otherwise of the Shares.

**17. ADMINISTRATION**

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme.

The Board shall have the discretion and power at any time and from time to time as it deems fit to approve, rescind and/or revoke the appointment of any person in the Option Committee.

**18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

Subject to the compliance with the requirements of Bursa Securities and any other relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend, at the recommendation of the Option Committee, all or any provisions of the Scheme. However, no such amendment shall be made which would alter to the advantage of any Eligible Employee or Grantee in respect of matters prescribed under Appendix 6E of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting where such approval is required by applicable laws/regulations.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

Where an amendment and/or modification is made to the Bye-Laws of the Scheme, the Company shall submit to Bursa Securities, the amendment and/or modification to the Bye-Laws of the Scheme and a confirmation letter that the amendment and/or modification complies with the provision of the guidelines on ESOS as stipulated under the Listing Requirements and Rules of Bursa Depository no later than 5 Market Days from the effective date of the said amendment and/or modification.

The Grantees shall be given written notice in the form prescribed by the Option Committee from time to time of any additions, amendments to and/or modifications of these Bye-Laws within 5 Market Days of any of the foregoing taking effect.

**19. EFFECTIVE DATE AND DURATION OF THE SCHEME**

19.1 The effective date of the commencement of the Scheme shall be the date of full compliance with the Listing Requirements in relation to ESOS including the following:

- (a) submission of a final copy of the Bye-Laws to Bursa Securities pursuant to the Listing Requirements;
- (b) receipt of approval-in-principle for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options from Bursa Securities;
- (c) receipt of approval of the shareholders' for the Scheme;
- (d) receipt of any other relevant authority whose approval is necessary in respect of the Scheme; and
- (e) fulfilment of all the conditions attached to the above approvals for the Scheme.

The Scheme shall be in force for a period of five (5) years from the effective date of commencement of the Scheme ("Date of Commencement"). However, an extension to the Scheme may be effected by the Company upon the recommendation of the Option Committee and receipt of approval of the shareholders for the extension, provided that the aggregate duration of the Scheme does not exceed ten (10) years from the Date of Commencement (or any other duration that is allowed by the relevant authorities). In the event the Scheme is extended and implemented in accordance with the terms of these Bye-Laws, the Option Committee shall inform the relevant parties of such extension, prior to the proposed extension of the Scheme.

19.2 Subject to the approval of the relevant authorities and the shareholders, the Company may establish a new employee share option scheme after the expiry of the current Scheme or if the current Scheme has been terminated during the Duration of the Scheme. An Eligible Employee who has been granted Options under the earlier Scheme may be allowed to participate in this new scheme, subject to the then bye-laws of the new scheme.

**20. TERMINATION OF THE SCHEME**

Notwithstanding the provisions of Clause 19, the Scheme may be terminated by the Company at any time during the Duration of the Scheme provided the following approval / consent are obtained:

- (a) the consent of the shareholders at a general meeting wherein at least a majority of the shareholders present must have voted in favour of the termination; and
- (b) the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

Whereupon the Options unexercised or partially exercised shall be deemed to have been terminated and be null and void on the date on which the last of the abovementioned condition is fulfilled.

**21. GOVERNING LAW AND MULTIPLE JURISDICTIONS**

The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with the Bye-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

In order to facilitate the making of any grant under this Scheme, the Board may provide for such special terms to Eligible Employees who are employed by the Company or any Subsidiary in a particular jurisdiction as the Board may consider necessary or appropriate to accommodate differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Employees pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the Option Committee in the Offer.

**22. DISPUTES**

In the event of any dispute or difference between the Option Committee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision (without any obligation to give any reasons therefor) given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the decision by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects.

**23. COMPENSATION**

- 23.1 An Eligible Employee or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 23.2 No Eligible Employee or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws, as may be amended from time to time in accordance with Clause 18 hereof.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)****24. TRANSFERS/RECRUITMENT FROM OTHER COMPANIES TO THE GROUP**

In the event that:

- (a) an employee or a Director who was employed in a company related to FFB pursuant to Section 6 of the Act (being a company that is not a subsidiary of the Company) and is subsequently transferred/employed from such company to any company within the Group; or
- (b) an employee or a Director who was in the employment of a company which subsequently becomes a subsidiary of the Company as a result of a restructuring or acquisition or otherwise involving the Company and/or any company within the Group;

(the first mentioned company in each of (a) and (b) is hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these Bye-Laws, be eligible to be considered for the offer of Options under the Scheme for the remaining Duration of the Scheme and subject to all the terms and conditions of these Bye-Laws. The Affected Employee shall also be entitled to continue to exercise all such unexercised option(s) which were granted to him under the employee share option scheme (if any) in which he was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the bye-laws of such Previous ESOS but he shall not, upon such transfer or restructuring or acquisition as the case may be, be eligible to participate for further options of such Previous ESOS unless the Affected Employee also remains eligible to participate in Previous ESOS as stipulated in the bye-laws of the Previous Company.

**25. DIVESTMENT FROM THE GROUP**

If a Grantee who was in the employment with a company in the Group which was subsequently divested wholly or in part from the Group which resulted in a subsequent holding of fifty per cent (50%) or less by the Group, then such Grantee:

- (a) may be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a particular time frame determined within the Option Period at the discretion of the Option Committee, failing which the right of such Grantee to subscribe for that number of new FFB Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and
- (b) shall not be eligible to participate for further Options under the Scheme.

**26. COSTS AND EXPENSES**

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new FFB Shares upon the exercise of any Option shall be borne by the Company.

**27. NOT A TERM OF EMPLOYMENT**

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee of the Group.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

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**28. ARTICLES OF ASSOCIATION**

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

**29. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS**

All Grantees are entitled to inspect the latest audited financial statements of the Company during normal office hours on any working day at the Registered Office of the Company.

**30. WINDING UP**

All outstanding Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

**31. TAXES**

All taxes (including income tax) arising from the exercise of any Option granted to any Grantee under the Scheme shall be borne by the Grantee.

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**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)****THE SCHEDULE****ADJUSTMENT TO THE SUBSCRIPTION PRICE  
OR THE NUMBER OF SHARES**

The Subscription Price and/or the number of Shares to be comprised in an Option in respect of the right to subscribe for new Shares as yet unexercised to which a Grantee may be entitled shall from time to time be adjusted, calculated or determined by the Option Committee and confirmed in writing by the external auditors (other than adjustments made pursuant to bonus issues) for the time being of the Company (acting as experts and not as arbitrators) in accordance with the following relevant provisions:

- (a) If and whenever the Shares by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price and the additional Shares comprised in the Options as yet unexercised ("Additional Shares Under Options") shall be adjusted, calculated or determined in the following manner:

$$\text{New Subscription Price} = S \times \left[ \frac{\text{Revised par value for each Share}}{\text{Original par value for each Share}} \right]$$

$$\text{Additional Shares Under Options} = T \times \left[ \frac{\text{Original par value for each Share}}{\text{Revised par value for each Share}} \right] - T$$

where:

S - existing Subscription Price; and

T - existing number of Shares comprised in the Options in respect of the right to subscribe for new Shares as yet unexercised

The par value shall be adjusted to the revised par value.

Each such adjustment will be effective from the close of business of the Market Day next following the date on which the consolidation or subdivision or conversion becomes effective (being the date on which the Shares are traded on Bursa Securities at the new par value) or such other date as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of Shares to shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Subscription Price} = S \times \left[ \frac{A}{A + B} \right]$$

and the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[ \frac{A + B}{A} \right] - T$$

Where:

A = the aggregate number of issued and fully paid-up Shares on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) immediately before such capitalisation issue;



**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund);

S = as S above; and

T = as T above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for such issue.

(c) If and whenever the Company shall make:

- (1) a Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets); or
- (2) any offer or invitation to shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
- (3) any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in any such case, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = S \times \left[ \frac{C - D}{C} \right]$$

and in respect of the case referred to in paragraph (c)(2) hereof, the Additional Shares Under Options shall be adjusted, calculated or determined in the following manner:

$$\begin{array}{l} \text{Additional Shares} \\ \text{Under Options} \end{array} = T \times \left[ \frac{C}{C - D^*} \right] - T$$

where:

S = as S above;

T = as T above;

C = the Current Market Price (as defined in paragraph (h) below) of one (1) Share on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing such announcement), immediately preceding the date of announcement of the entitlement date of the Capital Distribution or, as the case may be, of the offer or invitation (where appropriate), or any relevant date as may be determined by the Company in consultation with the external auditors of the Company; and

- D = (aa) in the case of an offer or invitation to acquire or subscribe for Shares or securities convertible into Shares or with rights to acquire or subscribe for Shares under paragraphs (c)(2) and (c)(3) above, the value of rights attributable to one (1) Share (as defined below); or
- (bb) in the case of any other transaction falling within this paragraph (c), the fair market value, as determined by the Company in consultation with the external

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

auditors of the Company, of that portion of the Capital Distribution attributable to one (1) Share

For the purpose of sub-paragraph (aa) of D above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

C = as C above;

E = the subscription consideration for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares, the conversion value paid for conversion into one (1) additional Share, or the exercise price paid in connection with the rights to acquire or subscribe for one (1) additional Share;

F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or to acquire or subscribe for securities convertible into one (1) additional Share or rights to acquire or subscribe for one (1) additional Share; and

D\* = the value of the rights attributable to one (1) Share (as defined below)

For the purpose of definition D\* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where:

C = as C above;

E\* = the subscription consideration for one (1) additional Share under the terms of the offer or invitation; and

F\* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share

For the purpose of this paragraph (c), "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue (not falling under paragraph (b) above) of Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for such issue.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

- (d) If and whenever the Company makes any allotment to its shareholders as provided in paragraph (b) above and also makes any offer or invitation to its shareholders as provided in paragraph (c)(2) or paragraph (c)(3) above and the entitlement date for the purposes of the allotment is also the entitlement date for the purpose of the offer or invitation, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = S \times \left[ \frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

and in respect of each case referred to in paragraph (b) and paragraph (c)(2) above, the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up Shares on the entitlement date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares, as the case may be;

H\* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscription consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I\* = the subscription consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;

S = as S above; and

T = as T above.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the date next following the entitlement date for such issues.

- (e) If and whenever the Company makes any offer or invitation to the shareholders as provided in paragraph (c)(2) above together with an offer or invitation to the shareholders as provided in paragraph (c)(3) above, the Subscription Price shall be adjusted in the following manner.

$$\text{New Subscription Price} = S \times \left[ \frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C} \right]$$

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

and the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[ \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

C = as C above;

G = as G above;

H\* = as H\* above;

I\* = as I\* above;

J = the aggregate number of Shares to be issued to its shareholders upon conversion of such securities or exercise of such rights to acquire or subscribe for Shares by the shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share;

S = as S above; and

T = as T above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transactions.

- (f) If and whenever the Company makes an allotment to its shareholders as provided in paragraph (b) above and also makes an offer or invitation to its shareholders as provided in paragraph (c)(2) above together with an offer or invitation to its shareholders as provided in paragraph (c)(3) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = S \times \left[ \frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C} \right]$$

and the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

B = as B above;

C = as C above;

G = as G above;

H\* = as H\* above;

I\* = as I\* above;

J = as J above;

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

K = as K above;

S = as S above; and

T = as T above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the date next following the entitlement date for the above transactions.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all the shareholders alike and requiring an adjustment under paragraphs (c)(2), (c)(3), (d), (e) or (f) above), the Company shall issue any Shares, any securities convertible into Shares or securities with rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the Average Price (as defined in paragraph (h) below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, then the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = S \times \left[ \frac{L + M}{L + N} \right]$$

where:

L = the aggregate number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the aggregate number of Shares which the Total Effective Consideration (as defined below) would have purchased at such Current Market Price (exclusive of expenses);

N = the aggregate number of Shares so issued or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights; and

S = as S above

For the purposes of this paragraph (g), the "Total Effective Consideration" shall be as determined by the Directors of the Company in consultation with the external auditors and shall be:

- (1) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (2) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (3) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

**DRAFT BYE-LAWS OF THE PROPOSED ESOS (Cont'd)**

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Each such adjustment will be effective (if appropriate, retroactively) from the close of the Market Day immediately preceding the date on which the aforesaid Shares, or securities convertible into Shares or securities with rights to acquire or subscribe for Shares are issued, as the case may be.

- (h) For the purpose of paragraphs (c), (d), (e) and (f), the "Current Market Price" in relation to each Share shall be the weighted average price of the Shares as transacted on Bursa Securities for the five (5) consecutive Market Days preceding such relevant date.

For the purpose of paragraph (g), the "Average Price" means the average price of one (1) Share as derived from the last dealt price for one (1) or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

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## FURTHER INFORMATION

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of FFB and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries to the best of their knowledge and belief, there are no false or misleading statement or other material facts, the omission of which would make any statement herein false or misleading.

### 2. CONSENT

The written consent of Maybank IB for the inclusion in this Circular and all its appendices, of its name and all references thereto in the form and context in which they appear, has been given and has not subsequently been withdrawn before the issue of this Circular.

### 3. CONFLICT OF INTEREST

As at the LPD, Malayan Banking Berhad ("**Maybank**") had extended banking facilities to FFB Group. Maybank is the parent company of Maybank IB.

Maybank IB is of the view that the said banking facilities do not result in a conflict of interest as the banking facilities are not material, accounting for only approximately 0.06% of the audited total assets of Maybank and its subsidiaries ("**Maybank Group**") as at 30 June 2010. Furthermore, the banking facilities arose in the ordinary course of business of the Maybank Group in view of Maybank Group's extensive participation in the Malaysian banking industry with various financial services activities and wide network of branches across Malaysia.

Save as disclosed above, Maybank IB is not aware of any other circumstances or relationships which exist or are likely to exist to give rise to a possible conflict of interest in relation to its role as the Principal Adviser to FFB for the Proposed ESOS.

### 4. MATERIAL COMMITMENT AND CONTINGENT LIABILITY

#### 4.1 Material commitments

As at the LPD, there are no material commitments contracted or known to be contracted by the FFB Group which, upon becoming enforceable, may have a material impact on the Group's financial position.

#### 4.2 Contingent liabilities

As at the LPD, save as disclosed below and in Section 5 below, there are no contingent liabilities incurred or known to be incurred by the FFB Group which, upon becoming enforceable, may have a material impact on the Group's financial position:

Unsecured corporate guarantees	RM'000
Corporate guarantees to licensed banks for credit facilities granted to Favelle Favco Cranes (M) Sdn Bhd and Favelle Favco Cranes Pte Ltd	81,881

## FURTHER INFORMATION (Cont'd)

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### 5. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, there is no other material litigation, claims or arbitration involving FFB and/or any of its subsidiaries, including those pending or threatened.

#### 5.1 Litigation suit against Favelle Favco Cranes (USA), Inc ("FFCUSA")

The above matter, which was instituted in the Supreme Court of the State of New York consists of a composition of several personal injury actions, wrongful death actions, property damage actions, subrogation actions and lien actions ("**Suit**") related to the collapse of a Favelle Favco crane on 15 March 2008 in the City of New York, said to be caused by rigging activity carried out by a third party. FFCUSA has been named as defendant, third-party defendant and second third-party defendant with regard to Labor Law/personal injury, loss of crane and wrongful death claims. 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. FFCUSA's inclusion in the Suit is purported simply to be by reason that the crane was a Favelle Favco crane.

FFCUSA has been advised that, as it is not an owner, general contractor or otherwise statutorily liable to the Labor Law plaintiffs, any basis of recovery against it is limited to either, products liability or general negligence, if any, which will thereafter be subject to apportionment of liability (if any) against FFCUSA.

The Suit remains ongoing. FFCUSA is of the opinion that it is premature to assess the outcome and its liability (due to the current stage of proceedings) of the Suit at this point in time.

#### 5.2 Zachry Industrial, Inc ("ZII") v the Company and FFCUSA

A suit was instituted by ZII against the Company, FFCUSA and FFCUSA's agent Transport Equipment Sales Inc., ("**TES**") in the District Court of Bexar County, Texas.

The suit relates to a claim (approximately USD 5,500,000) in respect of alleged defects to parts sold to ZII by FFCUSA via TES and is currently in its discovery phase.

The Company intends to have the suit dismissed against itself at the appropriate juncture as there is no contractual relationship between the Company and ZII. In any case, the Company and FFCUSA intend to vigorously defend the suit. FFCUSA's solicitors have opined that it is still too early to determine whether or not ZII's allegations have any merit.

#### 5.3 Abriaco Investments Ltd ("AIL") v Kroll Cranes A/S ("Kroll")

Toronto Crane Services Inc ("**TCS**") purchased a crane from Kroll in September 2003. The crane was subsequently sold by TCS to AIL. In April 2007 an accident happened involving the crane.

AIL instituted an action in the Canadian courts against Kroll, claiming for the alleged loss suffered (estimated at USD500,000) against Kroll and has instituted proceedings before the Canadian courts against Kroll.

It is the opinion of Kroll's Danish and Canadian counsels' that Kroll has a good defence in this matter and the board of Kroll is of the opinion that it is unlikely that the case will result in any losses.



**FURTHER INFORMATION (Cont'd)**

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**6. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of FFB at Lot 586, 2<sup>nd</sup> Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (excluding public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Memorandum and Articles of Associations of FFB;
- (ii) The audited consolidated financial statements of FFB for the past two (2) financial years ended 31 December 2010 and the latest unaudited results for the financial period ended 31 March 2011;
- (iii) The letter of consent referred to in Section 2 above;
- (iv) The writ and relevant cause papers (where applicable) in respect of the material litigation referred to in Section 5 above; and
- (v) The draft Bye-Laws as set out in Appendix I above.



**FAVELLE FAVCO BERHAD**

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Favelle Favco Berhad ("**FFB**" or "**Company**") will be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 June 2011 at 2.30 p.m. or immediately after the conclusion or adjournment (as the case may be) of the Nineteenth Annual General Meeting of FFB which will be held at 2.00 p.m. on the same day at the same venue, for the purpose of considering and if thought fit, passing the following Ordinary Resolutions:

**ORDINARY RESOLUTION 1**

**PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE OPTION SCHEME ("**ESOS**") OF FFB FOR THE EXECUTIVE DIRECTORS AND ELIGIBLE EMPLOYEES OF FFB AND ITS SUBSIDIARIES**

**"THAT** subject to the approvals of the relevant authorities, approval be and is hereby given to the Board of Directors of FFB ("**FFB Directors**"):

- (a) To establish and administer a new employees' share option scheme of FFB ("**Proposed ESOS**") after the expiry of the existing employees' share option scheme ("**Existing Scheme**") on 29 June 2011, for the benefit of the Executive Directors and eligible employees of FFB and its subsidiary companies ("**FFB Group**") as defined in the Bye-Laws of the Proposed ESOS, the salient terms of which are described in Section 2 of the Circular to Shareholders dated 13 June 2011 and in accordance with the provisions of the Bye-Laws of the Proposed ESOS as set out in Appendix I of the Circular to Shareholders dated 13 June 2011, under which options ("**FFB Options**") may be granted to such Executive Directors and eligible employees of FFB Group giving the right to subscribe for new ordinary shares of RM0.50 each in FFB ("**FFB Shares**") and to give full effect to the Proposed ESOS with full power to assent to any modification or amendment as may be made or required by the relevant authorities or as the FFB Directors may in their absolute discretion deem fit, including any revision to the allocation of the FFB Options to the Executive Directors and eligible employees of FFB Group;
- (b) To offer and grant such FFB Options as required to be granted under the Proposed ESOS and to allot and issue from time to time such number of new FFB Shares as may be required to be issued pursuant to the exercise of the FFB Options under the Proposed ESOS provided that the total number of new FFB Shares to be issued under the Proposed ESOS shall not exceed ten per centum (10%) of the issued and paid-up share capital of FFB at any point of time throughout the duration of the Proposed ESOS and that such new FFB Shares will, upon allotment and issuance, rank pari passu in all respects with the then issued and paid-up FFB Shares except that the FFB Shares so allotted will not be entitled to any dividend, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the new FFB Shares and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission and otherwise of the FFB Shares. For the purpose hereof, the entitlement date means the date at the close of business on which shareholders must be registered in the Record of Depositors with Bursa Malaysia Depository Sdn Bhd in order to be entitled to any dividends, rights, allotments and/or other distributions;

- (c) To make the necessary application to Bursa Securities and take whatever necessary actions at the appropriate time or times for permission to deal in and for the listing of and quotation for the new FFB Shares which may from time to time be allotted and issued pursuant to the exercise of the FFB Options to be granted under the Proposed ESOS; and
- (d) To modify and/or amend the Bye-Laws of the Proposed ESOS from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Bye-Laws relating to modifications and/or amendments.

**AND FURTHER THAT** the FFB Directors be and are hereby authorised to take all such steps and do all acts, deeds and things and execute, sign and deliver on behalf of FFB all necessary documents to give full effect to and for the purpose of completing or implementing the Proposed ESOS with full power to assent to any condition, revaluation, modification, variation and/or amendment in any manner as may be required by any relevant authorities."

#### **ORDINARY RESOLUTION 2**

##### **PROPOSED ALLOCATION OF OPTIONS TO MAC NGAN BOON @ MAC YIN BOON**

**"THAT** contingent upon the passing of Ordinary Resolution 1 above, and subject to the approval and in compliance with any conditions as may be imposed by the relevant authorities, the Company hereby authorises, at any time and from time to time during the existence of the Proposed ESOS, to offer and to grant to Mac Ngan Boon @ Mac Yin Boon, the Managing Director of the Company, options to subscribe for the new FFB Shares and if such options are accepted and exercised, to allot and issue such number of new FFB Shares as may be required to be issued to him under the Proposed ESOS, in accordance with the provisions of the Bye-Laws of the Proposed ESOS as set out in Appendix I of the Circular to Shareholders dated 13 June 2011, provided that:

- (a) not more than 50% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted, in aggregate, to the eligible employees who are Executive Directors and members of the senior management of FFB and its subsidiary companies who are eligible to participate in the Proposed ESOS; and
- (b) not more than 10% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted to Mac Ngan Boon @ Mac Yin Boon, as long as Mac Ngan Boon @ Mac Yin Boon either singly or collectively through persons connected to him, as defined in the Listing Requirements of Bursa Securities, holds 20% or more of the issued and paid-up share capital of FFB;

Subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bye-Laws of the Proposed ESOS."

#### **ORDINARY RESOLUTION 3**

##### **PROPOSED ALLOCATION OF OPTIONS TO MAC CHUNG HUI**

**"THAT** contingent upon the passing of Ordinary Resolution 1 above, and subject to the approval and in compliance with any conditions as may be imposed by the relevant authorities, the Company hereby authorises, at any time and from time to time during the existence of the Proposed ESOS, to offer and to grant to Mac Chung Hui, the Chief Executive Officer of the Company, options to subscribe for the new FFB Shares and if such options are accepted and exercised, to allot and issue such number of new FFB Shares as may be required to be issued to him under the Proposed ESOS, in accordance with the provisions of the Bye-Laws of the Proposed ESOS as set out in Appendix I of the Circular to Shareholders dated 13 June 2011, provided that:

- (a) not more than 50% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted, in aggregate, to the eligible employees who are Executive Directors and members of the senior management of FFB and its subsidiary companies who are eligible to participate in the Proposed ESOS; and

- (b) not more than 10% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted to Mac Chung Hui, as long as Mac Chung Hui either singly or collectively through persons connected to him, as defined in the Listing Requirements of Bursa Securities, holds 20% or more of the issued and paid-up share capital of FFB;

Subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bye-Laws of the Proposed ESOS."

#### **ORDINARY RESOLUTION 4**

##### **PROPOSED ALLOCATION OF OPTIONS TO LEE POH KWEE**

"**THAT** contingent upon the passing of Ordinary Resolution 1 above, and subject to the approval and in compliance with any conditions as may be imposed by the relevant authorities, the Company hereby authorises, at any time and from time to time during the existence of the Proposed ESOS, to offer and to grant to Lee Poh Kwee, an Executive Director of the Company, options to subscribe for the new FFB Shares and if such options are accepted and exercised, to allot and issue such number of new FFB Shares as may be required to be issued to her under the Proposed ESOS, in accordance with the provisions of the Bye-Laws of the Proposed ESOS as set out in Appendix I of the Circular dated 13 June 2011, provided that:

- (a) not more than 50% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted, in aggregate, to the eligible employees who are Executive Directors and members of the senior management of FFB and its subsidiary companies who are eligible to participate in the Proposed ESOS; and
- (b) not more than 10% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted to Lee Poh Kwee, as long as Lee Poh Kwee either singly or collectively through persons connected to her, as defined in the Listing Requirements of Bursa Securities, holds 20% or more of the issued and paid-up share capital of FFB;

Subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bye-Laws of the Proposed ESOS."

#### **ORDINARY RESOLUTION 5**

##### **PROPOSED ALLOCATION OF OPTIONS TO MAZLAN BIN ABDUL HAMID**

"**THAT** contingent upon the passing of Ordinary Resolution 1 above, and subject to the approval and in compliance with any conditions as may be imposed by the relevant authorities, the Company hereby authorises, at any time and from time to time during the existence of the Proposed ESOS, to offer and to grant to Mazlan bin Abdul Hamid, an Executive Director of the Company, options to subscribe for the new FFB Shares and if such options are accepted and exercised, to allot and issue such number of new FFB Shares as may be required to be issued to him under the Proposed ESOS, in accordance with the provisions of the Bye-Laws of the Proposed ESOS as set out in Appendix I of the Circular dated 13 June 2011, provided that:

- (a) not more than 50% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted, in aggregate, to the eligible employees who are Executive Directors and members of the senior management of FFB and its subsidiary companies who are eligible to participate in the Proposed ESOS; and
- (b) not more than 10% of new FFB Shares which are available for subscription under the Proposed ESOS shall be allotted to Mazlan bin Abdul Hamid, as long as Mazlan bin Abdul Hamid either singly or collectively through persons connected to him, as defined in the Listing Requirements of Bursa Securities, holds 20% or more of the issued and paid-up share capital of FFB;

Subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bye-Laws of the Proposed ESOS."

**BY ORDER OF THE BOARD**

**CATHERINE MAH SUIK CHING (LS 01302)**  
**TEW SIEW CHONG (MIA 20729)**  
**LIM SUAK GUAK (MIA 19689)**  
Company Secretaries

Kuala Lumpur  
13 June 2011

**Notes:**

1. *A member entitled to attend and vote at this Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead.*
2. *When a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a Corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*



**FAVELLE FAVCO BERHAD**

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING**

I/We .....  
(Full Name in Capital Letters)

of .....  
(Address)

being a member/members of Favelle Favco Berhad, hereby appoint

.....  
(Full name)

of .....  
(Address)

or failing whom .....  
(Full name)

of .....  
(Address)

as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of Favelle Favco Berhad which is to be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 June 2011 at 2.30 p.m. or immediately after the conclusion or adjournment (as the case may be) of the Nineteenth Annual General Meeting of FFB which will be held at 2.00 p.m. on the same day at the same venue.

NO.	RESOLUTION	FOR	AGAINST
1.	Proposed establishment of a new employees' share option scheme of FFB for the Executive Directors and eligible employees of FFB and its subsidiaries		
2.	Proposed allocation of Options to Mac Ngan Boon @ Mac Yin Boon		
3.	Proposed allocation of Options to Mac Chung Hui		
4.	Proposed allocation of Options to Lee Poh Kwee		
5.	Proposed allocation of Options to Mazlan bin Abdul Hamid		

Please indicate with an "X" how you wish your vote to be cast in respect of each resolution. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.



Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

No. of shares held \_\_\_\_\_

\_\_\_\_\_  
Signature/ Common seal of the shareholder(s)

**Notes:**

1. *A member entitled to attend and vote at this Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead.*
2. *When a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a Corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX  
STAMP

The Company Secretary

**FAVELLE FAVCO BERHAD**  
Lot 586,  
2<sup>nd</sup> Mile, Jalan Batu Tiga Lama  
41300 Klang  
Selangor Darul Ehsan

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