

THIS STATEMENT/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. Bursa Malaysia Securities Berhad (“Bursa Securities”) takes no responsibility for the contents of this Statement/Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement/Circular.

Bursa Securities has prescribed circular or document in relation to purchase of own shares as Exempt Circular. As such, Bursa Securities has not perused the information relating to the Proposed Share Buy-Back (as defined herein).



FAVELLE FAVCO BERHAD

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

PART A

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

PART B

PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE AND NEW SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The ordinary resolutions in respect of the above proposals will be tabled at the Seventeenth (“17th”) Annual General Meeting of the Company to be held at Rebana 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Monday, 22 June 2009 at 10.00 a.m. The Notice of the 17th Annual General Meeting together with the Form of Proxy are enclosed in the Annual Report 2008. The Form of Proxy must be completed and lodged at the Company’s Registered Office at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Statement/Circular is dated 29 May 2009

DEFINITIONS

For the purpose of this Statement/Circular, except where the context otherwise requires, the following definitions shall apply:

Act	:	The Malaysian Companies Act, 1965 as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting
Annual Report 2008	:	The Annual Report of FFB issued for the financial year ended 31 December 2008
Board	:	Board of Directors of FFB
Bursa Securities	:	Bursa Malaysia Securities Berhad
Code	:	Malaysian Code on Take-Overs and Mergers 1998, as amended from time to time
EPS	:	Earnings per share
ESOS	:	Employees' Share Option Scheme
FFA	:	Favelle Favco Cranes Pty Limited, a wholly-owned subsidiary of FFB
FFB or Company	:	Favelle Favco Berhad
FFB Group or Group	:	FFB, its subsidiary and associated companies collectively
FFCI	:	Favelle Favco Cranes International Ltd, a wholly-owned subsidiary of FFB
FFES	:	Favelle Favco Equipment Services Sdn Bhd, a wholly-owned subsidiary of FFB
FFM	:	Favelle Favco Cranes (M) Sdn Bhd, a wholly-owned subsidiary of FFB
FFMgmt	:	FF Management Pty Limited, a wholly-owned subsidiary of FFA
FFS	:	Favelle Favco Cranes Pte Ltd, a wholly-owned subsidiary of FFB
FFU	:	Favelle Favco Cranes USA, Inc, a wholly-owned subsidiary of FFB
FO	:	Favco Offshores Sdn Bhd, an associated company of FFB
KC	:	Kroll Cranes A/S, a wholly-owned subsidiary of FFB

DEFINITIONS (Cont'd)

Listing Requirements	:	Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto
Market Day	:	Any day when Bursa Securities is open for trading of securities
MBC	:	Milperra Blasting and Coating Pty. Limited, a wholly-owned subsidiary of FFA
MEB	:	Muhibbah Engineering (M) Bhd, the ultimate holding company of FFB
MEB Group	:	MEB, its subsidiary and associated companies collectively
NA	:	Net assets
Option(s)	:	The right of the grantee to subscribe for new FFB Share(s) pursuant to the ESOS in accordance with the terms and conditions of the ESOS bye-laws
Proposed New Shareholders' Mandate	:	Proposed shareholders' approval for the new shareholders' mandate in respect of the additional RRPT as set out in Part B of Section 2.1.2
Proposed Renewal of Shareholders' Mandate	:	Proposed shareholders' approval for the renewal of shareholders' mandate in respect of the RRPT as set out in Part B of Section 2.1.2
Proposed Shareholders' Mandate	:	Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for RRPT as set out in Part B of Section 2.1.2
Proposed Authorised Period	:	The period where authority is granted by the shareholders of the Company for the Proposed Share Buy-Back which is effective upon the passing of the ordinary resolution in the forthcoming AGM and may continue to be in force until: (a) the conclusion of the next AGM of the Company; or (b) the expiration of the period within which the next AGM after that date is required by law to be held; or (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting, whichever occurs first
Proposed Share Buy-Back	:	Proposed renewal of the existing authority granted to the Company to purchase up to ten percent (10%) of its own issued and paid-up share capital
Purchased Shares	:	Shares purchased pursuant to the Proposed Share Buy-Back

DEFINITIONS (Cont'd)

Recurrent Transaction or RRPT	:	Recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business of the Group
Related Party(ies)	:	Director(s), major shareholder(s) or person(s) connected with such director(s) or major shareholder(s) who are interested in the Proposals. The terms "director", "major shareholder" and "person connected" shall have the meanings as set out in the Listing Requirements
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s) or FFB Share(s)	:	Ordinary share(s) of RM0.50 each in FFB
Treasury Shares	:	The Purchased Shares which are retained by the Company and shall have the meaning given under Section 67A of the Act

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PART A

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**



FAVELLE FAVCO BERHAD

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. INTRODUCTION

The Company had announced on 8 May 2009 that it will be seeking shareholders' approval at its 17th AGM to be held on 22 June 2009 for the proposed renewal of authority for the purchase by FFB of its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back").

This Statement serves to provide you with the relevant information on the Proposed Share Buy-Back, to set out your Board's recommendation thereon and to seek your approval for the ordinary resolution in respect of the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

The Notice of AGM together with the Form of Proxy are enclosed in the Annual Report 2008.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

At the 16th AGM of the Company held on Thursday, 19 June 2008, the shareholders had approved the renewal of authority for the Company to buy back up to ten percent (10%) of its issued and paid-up share capital. The said approval will expire at the conclusion of the forthcoming AGM of the Company unless renewed by an ordinary resolution passed by the shareholders.

The maximum number of shares that may be bought-back of up to ten percent (10%) of the issued and paid-up share capital of the Company would include all shares which have been previously bought-back and cancelled or retained as Treasury Shares. The renewal of the authority for the purchase by the Company of its own shares will be effective immediately upon the passing of the ordinary resolution on the Proposed Share Buy-Back at its 17th AGM to be held on 22 June 2009 until:

- (i) the conclusion of the next AGM of the Company; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, if implemented, may potentially benefit the Company and its shareholders as follows:

- a) This would stabilise the supply and demand of FFB Shares in the open market and thereby supporting the fundamental value of the Shares.
- b) The Purchased Shares can be retained as Treasury Shares and resold on Bursa Securities at a higher price with the intention of realising potential capital gain without affecting the total issued and paid-up share capital of the Company and/or be distributed as share dividend as a reward to its shareholders.
- c) All things being equal, the Proposed Share Buy-Back, irrespective of whether the Purchased Shares are held as Treasury Shares or cancelled, will result in a lower number of FFB Shares being taken into account for the purpose of computing the EPS of FFB Shares. The purchase of FFB Shares by FFB will improve the EPS of FFB, which in turn is expected to have a positive impact on the share price of FFB Shares. Thereby, enabling long term and genuine investor to enjoy potential corresponding increase in the value of investments in the Company.

4. FUNDING FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will allow the Board to purchase FFB Shares at any time within the Proposed Authorised Period. The Board proposes to allocate an amount of funds not exceeding the retained earnings and/or share premium account of the Company for the purchase of its own Shares pursuant to the Proposed Share Buy-Back. The retained earnings and/or share premium account of the Company based on its latest audited financial statements for the financial year ended 31 December 2008 are as follows:

	Financial year ended 31.12.2008 (RM'000)
Share premium	1,142
Retained earnings	10,384

The amount of funds allocated for the purchase of its own Shares pursuant to the Proposed Share Buy-Back shall be financed from internally generated funds and/or external borrowings, the proportion of which will only be determined later depending on the available internally generated funds, actual number of Shares to be purchased and other relevant cost factors. In the event the Proposed Share Buy-Back is to be partly financed by external borrowings, the Board will ensure that the Company has sufficient funds to repay external borrowings and service the interests and that the repayment will not have any material effect on the cash flow of the FFB Group.

5. ADVANTAGES AND DISADVANTAGES

In addition to the potential advantages mentioned in Section 3 above, the Proposed Share Buy-Back, if exercised, may also potentially benefit the Company as follows:

- (a) The EPS of FFB Shares and the return on equity of FFB, assuming all other things being equal, would be enhanced resulting from the smaller issued and paid-up share capital of the Company. This is expected to have a positive impact on the market price of FFB Shares which will benefit the shareholders of FFB; and
- (b) Allow FFB the flexibility in achieving the desired capital structure, in terms of its debt and equity composition and the size of its equity.

The potential disadvantages of the Proposed Share Buy-Back, if exercised, are as follows:

- (a) Will reduce the financial resources of the Company and may result in the Group forgoing better investment opportunities that may emerge in the future; and
- (b) As the Proposed Share Buy-Back can only be made out of retained earnings and share premium account, it may result in the reduction of financial resources available for distribution to the shareholders of the Company in the immediate future.

Nevertheless, the Board is mindful of the interests of the Company and its shareholders in undertaking the Proposed Share Buy-Back. The Proposed Share Buy-Back will be exercised only after careful consideration of the financial resources of the FFB Group, and of the resultant impact on the Company and its shareholders.

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

Assuming that the Company purchases Shares representing ten percent (10%) of its issued and paid-up share capital as at 30 April 2009, the effects of the Proposed Share Buy-Back on the share capital, NA, working capital, earnings and dividends are set out as follows:

6.1 Share Capital

The Proposed Share Buy-Back will result in the reduction of the issued and paid-up share capital of the Company if the Purchase Shares are cancelled. The proforma effects of the Proposed Share Buy-Back on the issued and paid-up share capital of FFB as at 30 April 2009 assuming the Purchase Shares are cancelled, is illustrated below:

- Scenario I : Assuming that the Proposed Share Buy-Back is carried out in full and none of the outstanding Options are exercised into FFB Shares during the implementation of the Proposed Share Buy-Back.
- Scenario II : Assuming that the Proposed Share Buy-Back is carried out in full and full exercise of the outstanding Options into FFB Shares within the Proposed Authorised Period.

	Scenario I	Scenario II
	No. of Shares	No. of Shares
Issued and paid-up ordinary share capital as at 30 April 2009*	171,028,020	171,028,020
Assuming full exercise of the outstanding Options	-	#8,332,000
Enlarged issued and paid-up ordinary share capital after full exercise of the outstanding Options	171,028,020	179,360,020
Maximum number of Shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back	(17,102,802)	(17,936,002)
Resulting issued and paid-up share capital upon completion of cancellation of maximum number of Shares which may be purchased under the Proposed Share Buy-Back	153,925,218	161,424,018

Notes:

* The above illustration is on the assumption that a total of 10,000 Treasury Shares held on 30 April 2009 are not cancelled.

The Proposed Authorised Period is only applicable for all the outstanding 8,332,000 Options as at 30 April 2009 which are exercisable into Shares with effect from 30 June 2007, 30 June 2008 and 30 June 2009.

The Proposed Share Buy-Back will not have any effect on the share capital of the Group if the Purchased Shares are retained as Treasury Shares.

6.2 NA

Depending on the purchase price and number of Shares purchased, the Proposed Share Buy-Back will reduce the consolidated NA per Share at the time of purchase if the purchase price exceeds the consolidated NA per Share and conversely will increase the consolidated NA per Share at the time of purchase if the purchase price is less than the consolidated NA per Share.

Should the Purchased Shares be resold, the consolidated NA per Share will increase if the Company realises a gain from the resale, and vice versa.

6.3 Working Capital

The implementation of the Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum being dependent on the number of FFB Shares being purchased, the purchase price(s) and the amount of financial resources to be utilised for the purchase of FFB Shares.

For the Purchased Shares retained as Treasury Shares, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the Treasury Shares resold, the effective gain or interest saving arising and the gain or loss from the disposal.

6.4 Earnings

The effects of the Proposed Share Buy-Back on the consolidated earnings of FFB would depend on the purchase price and number of Shares purchased as well as the effective funding cost to the Company in implementing the Proposed Share Buy-Back. The reduction in the number of Shares applied in the computation of the consolidated EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the consolidated EPS for the financial year when the Proposed Share Buy-Back is implemented. Should the Purchased Shares be resold, the extent of the impact to the earnings of FFB Group will depend on the actual selling price, the number of Treasury Shares resold, the effective funding cost and the gain or loss on the disposal, if any.

6.5 Dividends

The Board proposed a first and final tax-exempt dividend of 5% per ordinary share (2007: first and final dividend of 6.5% less income tax of 26% per ordinary share) in respect of the financial year ended 31 December 2008, subject to the approval of the shareholders at the forthcoming AGM. Barring any unforeseen circumstances, the Board does not expect the Proposed Share Buy-Back to materially affect the dividend policy of the Company. The actual dividend rate to be declared and paid will depend on, among others, the actual results of our Group, its cash reserves, capital commitment and future funding requirements.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

In the event that all the Purchased Shares are cancelled and on the assumption that the Proposed Share Buy-Back is exercised in full and that the Company will purchase the Shares from shareholders other than the directors and substantial shareholders, the proforma effects of the Proposed Share Buy-Back on the shareholdings of the directors, substantial shareholders of FFB and persons connected as at 30 April 2009, are set out as follows:

Scenario I

Assuming that the Proposed Share Buy-Back is carried out in full and none of the outstanding Options are exercised during the implementation of the Proposed Share Buy-Back.

	As at 30 April 2009				After Proposed Share Buy-Back			
	Direct No. of Shares	%**	Indirect No. of Shares	%**	Direct No. of Shares	%**	Indirect No. of Shares	%**
Substantial Shareholders								
Muhibbah Engineering (M) Bhd	98,000,000	57.30	-	-	98,000,000	63.67	-	-
Mac Ngan Boon @ Mac Yin Boon	7,392,913 ^(a)	4.32	101,089,800 ^(b)	59.11	7,392,913 ^(a)	4.80	101,089,800 ^(b)	65.68
Lembaga Tabung Haji	11,386,200 ^(f)	6.66	-	-	11,386,200 ^(f)	7.40	-	-
Directors								
Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.66	106,500 ^(c)	0.06	2,845,671	1.85	106,500 ^(c)	0.07
Tan Sri A. Razak bin Ramli	300,000	0.18	800 ^(d)	*	300,000	0.19	800 ^(d)	*
Mac Ngan Boon @ Mac Yin Boon	7,392,913 ^(a)	4.32	101,089,800 ^(b)	59.11	7,392,913 ^(a)	4.80	101,089,800 ^(b)	65.68
Mac Chung Hui	1,412,000 ^(a)	0.83	-	-	1,412,000 ^(a)	0.92	-	-
Lee Poh Kwee	185,000 ^(a)	0.11	-	-	185,000 ^(a)	0.12	-	-
Mazlan bin Abdul Hamid	1,415,000	0.83	-	-	1,415,000	0.92	-	-
Vice Admiral Dato' Seri Ahmad Ramli bin Haji Mohd Nor (Rtd)	300,000 ^(e)	0.18	-	-	300,000 ^(e)	0.19	-	-
Lim Teik Hin	100,000	0.06	-	-	100,000	0.06	-	-
Persons connected with Director and/or Substantial Shareholder								
Chew Keng Siew	811,800 ^(a)	0.47	-	-	811,800 ^(a)	0.53	-	-
Mac Chung Jin	466,000 ^(a)	0.27	-	-	466,000 ^(a)	0.30	-	-
Mac Chung Lynn	400,000 ^(e)	0.23	-	-	400,000 ^(e)	0.26	-	-
Fatimah bte Ismail	12,500	0.01	-	-	12,500	0.01	-	-
Hamidah binti Mohd Taib	32,000	0.02	-	-	32,000	0.02	-	-
Aminah binti Mohd Taib	32,000	0.02	-	-	32,000	0.02	-	-
Mohamed Ezani bin Md Taib	30,000	0.02	-	-	30,000	0.02	-	-
Erman bin Abdul Razak	800 ^(e)	*	-	-	800 ^(e)	*	-	-
Norazah bte Haji Sulaiman	2,000 ^(e)	*	-	-	2,000 ^(e)	*	-	-

Notes:

(a) Certain Shares are held in trust through nominee trust companies.

(b) Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB and the Shares held by his wife and children pursuant to Section 134 of the Act.

(c) Deemed interested by virtue of the Shares held by his wife and children pursuant to Section 134 of the Act.

(d) Deemed interested by virtue of the Shares held by his son pursuant to Section 134 of the Act.

(e) Shares held in trust through nominee trust companies.

(f) Based on the notice of interest of substantial shareholders pursuant to Section 69 of the Act, which had been received by FFB.

* Percentage of shareholding of less than 0.01%.

** Excluding a total of 10,000 Treasury Shares held as at 30 April 2009 pursuant to Section 67A of the Act.

Scenario II

Assuming that the Proposed Share Buy-Back is carried out in full and full exercise of the outstanding Options into FFB Shares within the Proposed Authorised Period.

(I)

	As at 30 April 2009				Assuming all Options are fully exercised				After (I) and Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%**	No. of Shares	%**	No. of Shares	%**	No. of Shares	%**	No. of Shares	%**	No. of Shares	%**
Substantial Shareholders												
Muhibbah Engineering (M) Bhd	98,000,000	57.30	-	-	98,000,000	54.64	-	-	98,000,000	60.71	-	-
Mac Ngan Boon @ Mac Yin Boon	7,392,913 ^(a)	4.32	101,089,800 ^(b)	59.11	7,792,913 ^{(a)#}	4.35	101,689,800 ^{(b)#}	56.70	7,792,913 ^{(a)#}	4.83	101,689,800 ^{(b)#}	63.00
Lembaga Tabung Haji	11,386,200 ^(f)	6.66	-	-	11,386,200 ^(f)	6.35	-	-	11,386,200 ^(f)	7.05	-	-
Directors												
Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.66	106,500 ^(c)	0.06	2,845,671	1.59	106,500 ^(c)	0.06	2,845,671	1.76	106,500 ^(c)	0.07
Tan Sri A. Razak bin Ramli	300,000	0.18	800 ^(d)	*	300,000	0.17	800 ^(d)	*	300,000	0.19	800 ^(d)	*
Mac Ngan Boon @ Mac Yin Boon	7,392,913 ^(a)	4.32	101,089,800 ^(b)	59.11	8,192,913 ^{(a)#}	4.57	101,689,800 ^{(b)#}	56.70	8,192,913 ^{(a)#}	5.08	101,689,800 ^{(b)#}	63.00
Mac Chung Hui	1,412,000 ^(a)	0.83	-	-	2,012,000 ^{(a)#}	1.12	-	-	2,012,000 ^{(a)#}	1.25	-	-
Lee Poh Kwee	185,000 ^(a)	0.11	-	-	1,085,000 ^{(a)#}	0.60	-	-	1,085,000 ^{(a)#}	0.67	-	-
Mazlan bin Abdul Hamid	1,415,000	0.83	-	-	2,115,000 [#]	1.18	-	-	2,115,000 [#]	1.31	-	-
Vice Admiral Dato' Seri Ahmad Ramli	300,000 ^(e)	0.18	-	-	300,000 ^(e)	0.17	-	-	300,000 ^(e)	0.19	-	-
bin Haji Mohd Nor (Rtd)												
Lim Teik Hin	100,000	0.06	-	-	100,000	0.06	-	-	100,000	0.06	-	-
Persons connected with Director and/or Substantial Shareholder												
Chew Keng Siew	811,800 ^(a)	0.47	-	-	811,800 ^(a)	0.45	-	-	811,800 ^(a)	0.50	-	-
Mac Chung Jin	466,000 ^(a)	0.27	-	-	466,000 ^(a)	0.26	-	-	466,000 ^(a)	0.29	-	-
Mac Chung Lynn	400,000 ^(e)	0.23	-	-	400,000 ^(e)	0.22	-	-	400,000 ^(e)	0.25	-	-
Fatimah bte Ismail	12,500	0.01	-	-	12,500	0.01	-	-	12,500	0.01	-	-
Hamidah binti Mohd Taib	32,000	0.02	-	-	32,000	0.02	-	-	32,000	0.02	-	-
Aminah binti Mohd Taib	32,000	0.02	-	-	32,000	0.02	-	-	32,000	0.02	-	-
Mohamed Ezani bin Md Taib	30,000	0.02	-	-	30,000	0.02	-	-	30,000	0.02	-	-
Erman bin Abdul Razak	800 ^(e)	*	-	-	800 ^(e)	*	-	-	800 ^(e)	*	-	-
Norazah bte Haji Sulaiman	2,000 ^(e)	*	-	-	2,000 ^(e)	*	-	-	2,000 ^(e)	*	-	-

Notes:

(a) Certain Shares are held in trust through nominee trust companies.

(b) Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB and the Shares held by his wife and children pursuant to Section 134 of the Act.

(c) Deemed interested by virtue of the Shares held by his wife and children pursuant to Section 134 of the Act.

(d) Deemed interested by virtue of the Shares held by his son pursuant to Section 134 of the Act.

(e) Shares held in trust through nominee trust companies.

(f) Based on the notice of interest of substantial shareholders pursuant to Section 69 of the Act, which had been received by FFB.

* Percentage of shareholding of less than 0.01%.

** Excluding a total of 10,000 Treasury Shares held as at 30 April 2009 pursuant to Section 67A of the Act.

Assuming the Options granted to Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid, to subscribe for 800,000, 600,000, 900,000 and 700,000 new Shares respectively, are fully exercised.

The Proposed Authorised Period is only applicable for all the outstanding 8,332,000 Options as at 30 April 2009 which are exercisable into Shares with effect from 30 June 2007, 30 June 2008 and 30 June 2009.

8. PUBLIC SHAREHOLDING SPREAD

As at 30 April 2009, approximately 57,105,076 Shares representing 33.39% of the issued and paid-up share capital of the Company were held by 3,090 public shareholders holding not less than 100 Shares. The Board will endeavour to ensure that the Proposed Share Buy-Back will not breach Paragraph 12.14 of the Listing Requirements, which states that a listed company must not purchase its own shares on Bursa Securities if the purchase(s) will result in the listed company being in breach of Paragraph 8.15(1) of the Listing Requirements. Paragraph 8.15(1) of the Listing Requirements states that a listed issuer must ensure at least 25% of its total listed shares are in the hands of a minimum of 1,000 public shareholders holding not less than 100 shares each.

The Board undertakes that any proposed purchase of the FFB Shares would only be conducted in accordance with laws prevailing at the time of the purchase including compliance with the twenty-five percent (25%) public shareholding spread as required by the Listing Requirements.

9. IMPLICATION RELATING TO THE CODE

There is no implication relating to the Code arising from the Proposed Share Buy-Back.

It is the intention of FFB to implement the Proposed Share Buy-Back in a manner that will not result in any of the shareholders of FFB having to undertake a mandatory offer pursuant to the Code.

10. PURCHASES IN THE LAST FINANCIAL YEAR

During the financial year ended 31 December 2008, the Company did not purchase any FFB Shares from the open market.

11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as shareholders as a consequence of the Proposed Share Buy-Back, none of the Directors or substantial shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back, or in the resale of the Treasury Shares, if any.

12. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Share Buy-Back and after careful consideration, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

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

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PART B

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW
SHAREHOLDERS' MANDATE FOR
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE
OR TRADING NATURE**



FAVELLE FAVCO BERHAD
(Company No. 249243-W)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan

29 May 2009

Board of Directors:

Tuan Haji Mohamed Taib bin Ibrahim (*Chairman, Independent Non-Executive Director*)
Tan Sri A. Razak bin Ramli (*Independent Non-Executive Director*)
Vice Admiral Dato' Seri Ahmad Ramli bin Haji Mohd Nor (Rtd) (*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: The shareholders of FFB

Dear Sir/ Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

1. INTRODUCTION

At the 16th AGM of the Company held on 19 June 2008, the shareholders of the Company approved, inter alia, the mandates for the Company and/or its subsidiaries to enter into Recurrent Transactions. The shareholders' mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the AGM.

Accordingly, the Board had on 8 May 2009 announced FFB's intention to seek its shareholders' approval for the Proposed Shareholders' Mandate.

The purpose of this Circular is to provide you with the details on the Proposed Shareholders' Mandate, and to seek your approval for the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM. The Notice of the AGM together with the Form of Proxy are enclosed in the Annual Report 2008.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Proposed Shareholders' Mandate

Under Part E, Paragraph 10.09 of the Listing Requirements allows the Company to seek shareholders' mandate in respect of RRPT subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
 - (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1,000,000; or
 - (ii) the percentage ratio of such Recurrent Transaction is equal to or exceeds 1%,whichever is the higher;
- (c) the issuance of a circular to shareholders by the listed issuer containing information as specified in the Listing Requirements; and
- (d) in a meeting to obtain the shareholders' mandate, the interested director(s), interested major shareholder(s) and interested person(s) connected with the director(s) or major shareholders; and where it involves the interest of an interested person connected with the director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Where the Company has obtained shareholders' mandate in respect of Recurrent Transaction, the provisions under paragraph 10.08 of the Listing Requirements shall not apply during the validity period of the shareholders' mandate.

The Company proposes to seek its shareholders' approval for the Proposed Shareholders' Mandate to enable the Company and/or its subsidiaries to continue entering into Recurrent Transactions with the classes of Related Parties as set out in Section 2.1.2 below. The renewed and new shareholders' mandates shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the 17th AGM at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

Thereafter, approval from the shareholders for subsequent renewals will be sought at each subsequent AGM of the Company.

2.1.1 Principal Activities of FFB Group

FFB is an investment holding company and the principal activities of its subsidiary and associated companies are as follows:

Name	% of effective ownership	Principal Activities
Subsidiary companies of FFB		
KC	100	Designing, manufacturing, servicing, trading and renting of cranes
FFU	100	Designing, manufacturing, supplying, servicing, trading and renting of cranes
FFM	100	Designing, manufacturing, supply, servicing, trading and renting of cranes
FFS	100	Supplying, servicing, trading and renting of cranes and sales of spare parts and services
FFA	100	Design, manufacture, supply, renting and servicing of industrial cranes
MBC	100	Dormant
FFMgmt	100	Management services
FFCI	100	Dormant
FFES	100	Supply of spare parts for cranes, provision of crane maintenance services and renting of cranes
Associated companies of FFB		
FO	30	Designing, manufacturing, supply, servicing and trading of cranes and renting of cranes and marine plant and undertaking other engineering works
Favelle Favco Machinery and Equipments LLC	49	Importing of Onshore and Offshore Gas and Oil Installations and Field Services, renting building and construction machinery, handling, loading and unloading equipment trading, building and construction equipment, plant and spare parts trading

2.1.2 Classes and Nature of RRPT

The details of the Related Parties and RRPT in relation to the Proposed Renewal of Shareholders' Mandate, are as follows:

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Interest</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions from the date of the 17th AGM to the date of next AGM (1) RM'000</i>
FFB Group and MEB Group	MEB, Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid	<p>MEB is the ultimate holding company of FFB. MEB owns 57.30% of the issued and paid-up share capital of FFB.</p> <p>Tuan Haji Mohamed Taib bin Ibrahim is a director and shareholder in both MEB and FFB. As at 30 April 2009, he owns approximately 1.93% and 1.66% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 0.06% direct equity interest in FFB. Tuan Haji Mohamed Taib bin Ibrahim also holds directorship in certain subsidiaries of both MEB and FFB.</p> <p>Mac Ngan Boon @ Mac Yin Boon is a director and major shareholder in both FFB and MEB. As at 30 April 2009, he owns approximately 17.59% and 4.32% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 59.11% direct equity interest in FFB. He also holds directorship in certain subsidiaries of both MEB and FFB. In addition, he is the father of Mac Chung Hui.</p> <p>Mac Chung Hui is a director and shareholder of FFB, and he also holds directorship in certain subsidiaries of FFB. As at 30 April 2009, he owns approximately 1.32% and 0.83% direct equity interest in MEB and FFB respectively and the persons connected to him owns approximately 5.29% direct equity interest in FFB. He is also the son of Mac Ngan Boon @ Mac Yin Boon.</p> <p>Lee Poh Kwee is a director and shareholder of FFB. As at 30 April 2009, she owns approximately 0.11% and 0.82% direct equity interest in FFB and MEB respectively. Lee Poh Kwee is also a director of certain subsidiaries of both MEB and FFB.</p> <p>Mazlan bin Abdul Hamid is a director in both FFB and FO. He is also a shareholder in MEB. He holds approximately 0.03%, 0.83% and 70% equity interest in MEB, FFB and FO respectively, as at 30 April 2009.</p>	<p>Purchases of cranes and parts and rental of cranes, plant and equipment by FFB Group from MEB Group; and subcontracting work awarded by FFB Group to MEB Group</p> <p>Sales and rental of cranes and parts, and the provision of crane maintenance and services by FFB Group to MEB Group</p> <p>Rental of barges by FO from MEB and its related maintenance cost and sale of spare parts from MEB to FO</p> <p># Rental of office building and factory located at 28, Yarrunga Street, Prestons, NSW 2170, Australia by MEB Group to FFB Group, measuring 11.6 acres</p> <p># Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres</p> <p># Rental of open yard located at PN 11185, Lot 104505, Telok Gong, District of Klang, Selangor by MEB Group to FFB Group, measuring 32,753.44 sq. ft.</p>	<p>25,000</p> <p>20,000</p> <p>2,000</p> <p>1,000</p> <p>400</p> <p>300</p>

2.1.2 Classes and Nature of RRPT (continued)

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Interest</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions from the date of the 17th AGM to the date of next AGM (1) RM'000</i>
FFB Group and MEB Group	MEB, Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	150

Note:

(1) The figures represent the estimated value of transactions that will be undertaken during the period from the date of the forthcoming AGM, to 30 June 2010, being the tentative date of the next AGM. The estimated values of these transactions may vary and are subject to change.

Tenancies are for terms not exceeding 3 years with rentals payable on monthly basis.

2.1.2 Classes and Nature of RRPT (continued)

The details of the Related Parties and RRPT in relation to the Proposed New Shareholders' Mandate, are as follows:

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Interest</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions from the date of the 17th AGM to the date of next AGM (1) RM'000</i>
FFB Group and FO	Ngan Boon @ Mac Yin Boon and Mazlan bin Abdul Hamid	<p>Mac Ngan Boon @ Mac Yin Boon is a director of FO, FFB and subsidiaries of FFB. He is also a major shareholder in FFB. As at 30 April 2009, he owns approximately 4.32% direct equity interest in FFB and the persons connected to him own approximately 59.11% direct equity interest in FFB</p> <p>Mazlan bin Abdul Hamid is a director of FO, FFB and certain subsidiaries FFB. He holds approximately 0.83% and 70% equity interest in FFB and FO respectively as at 30 April 2009.</p>	<p>Rental of waterbags for load testing of cranes by FFB Group to FO</p> <p>Sale of crane parts and provision of crane maintenance and services by FFB Group to FO</p> <p>Rental of barges and its related maintenance cost and sale of spare parts by FFB Group to FO</p> <p>Provision of crane maintenance and services and sale of crane parts by FO to FFB Group</p>	<p>3,000</p> <p>2,000</p>
FFB Group and MEB Group	MEB and Lee Poh Kwee	<p>MEB is the ultimate holding company of FFB. MEB owns 57.30% of the issued and paid-up share capital of FFB.</p> <p>Lee Poh Kwee is a director and shareholder of FFB. As at 30 April 2009, she owns approximately 0.11% and 0.82% direct equity interest in FFB and MEB respectively. Lee Poh Kwee is also a director of certain subsidiaries of both MEB and FFB.</p>	# Rental of land held under HS(D) 99546 Lot No. 104625 Mukim & District of Klang, State of Selangor measuring in area approximately 140,000 square metres by Muhibbah Steel Industries Sdn Bhd to FFM	1,000

Note:

(1) The figures represent the estimated value of transactions that will be undertaken during the period from the date of the forthcoming AGM, to 30 June 2010, being the tentative date of the next AGM. The estimated values of these transactions may vary and are subject to change.

Tenancies are for terms not exceeding 3 years with rentals payable on monthly basis.

2.1.3 Guidelines and Review Procedures for RRPT

The Audit Committee will be tasked with the review and approval of the RRPT to ensure that the relevant companies undertake such transactions on an arm's length basis and on normal commercial terms and to supervise the existing internal control procedures of the Group.

The following guidelines will apply to the review and approval of RRPT to ensure that the terms of the RRPT are not more favourable to the Related Parties than those generally available to the public and the RRPT are not detrimental to the minority shareholders of FFB.

- (i) Any tender, quotation or contract received from or proposed to be entered into with Related Parties will not be approved unless:
 - (a) the pricing for services, products and materials and/or equipment to be provided or supplied and/or received or purchased is determined in accordance with the Group's usual business practices and policies, as mentioned in Section 2.1.3(c) below and consistent with the usual margins of the Group with unrelated third parties;
 - (b) the terms are not more favourable to the Related Parties than those extended to unrelated third parties and available to the public and the RRPT are not detrimental to the minority shareholders of FFB; and
 - (c) in respect of the provision and/or supply and/or purchase of equipment, machinery and/or products after taking into account factors such as pricing, quality, delivery schedules and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases, the terms offered are fair, reasonable and on the FFB Group's commercial rates.
- (ii) The Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers.
- (iii) In addition to the guidelines set out above, the Audit Committee will also undertake the following:
 - (a) review from time to time the RRPT being undertaken by the FFB Group;
 - (b) carry out an annual review to ascertain that the established guidelines and procedures for RRPT have been complied with; and
 - (c) consider from time to time whether the established guidelines and procedures for RRPT have become inappropriate and/or unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice the interest of shareholders generally.
- (iv) The Company will also maintain a record of RRPT carried out pursuant to the Proposed Shareholders' Mandate. The Company's internal audit plan will incorporate a review of the records in respect of the transactions entered into during the year.

- (v) Further, where any Director or person connected to the Director have an interest (direct or indirect) in any RRPT, such Director shall abstain from all deliberations and voting on any matter relating to any decision to be taken by the Board in respect of the RRPT at the relevant Board meetings. Where any member of the Audit Committee is interested in any RRPT, that member shall abstain from all deliberations and voting on any matter relating to any decision to be taken by the Audit Committee in respect of the RRPT at the relevant Audit Committee meetings.

2.1.4 Statement by Audit Committee

The Audit Committee has seen and reviewed the procedures mentioned in Section 2.1.3 above and is satisfied that the said procedures are sufficient to ensure that the RRPT as well as the annual review by the Audit Committee in relation thereto, are carried out on normal commercial terms which are not prejudicial to the interests of shareholders of FFB, and the terms are not more favourable to the Related Parties than those generally available to the public and such transactions are not detrimental to the interests of the minority shareholders of FFB.

Save and except as disclosed in Section 2.1.2, none of the members of the Audit Committee has any interest in any of the RRPT.

As at 29 May 2009, the composition of the Audit Committee is as follows:

Tuan Haji Mohamed Taib bin Ibrahim (<i>Independent Non-Executive Chairman</i>)	Chairman
Tan Sri A. Razak bin Ramli (<i>Independent Non-Executive Director</i>)	Member
Vice Admiral Dato' Seri Ahmad Ramli bin Haji Mohd Nor (Rtd) (<i>Independent Non-Executive Director</i>)	Member
Lim Teik Hin (<i>Non-Independent Non-Executive Director</i>)	Member

The Audit Committee shall periodically review the RRPT and also review the established guidelines and procedures to ascertain their compliance. If during the periodic reviews, the Audit Committee is of the opinion that the guidelines and procedures are not sufficient to ensure that the RRPT:

- will be conducted on an arm's length basis;
- are on normal commercial terms in the ordinary course of business;
- are not more favourable to the Related Parties than those generally available to the public;
- are not more prejudicial to the interests of shareholders; and
- are not detrimental to the interests of minority shareholders

The Company will seek a fresh mandate based on new guidelines and procedures.

2.1.5 Benefits to the Group from the RRPT

The RRPT entered into by FFB Group are intended to meet business needs at the best possible terms. The FFB Group should be able to generate sales revenue from its customers which includes its Related Party. Transacting with its Related Party also enhances the ability to explore other business opportunities which will be beneficial to the FFB Group. Further, the close working relationship with the Related Party in the RRPT will ensure timely delivery and provision of services, commitment and reliability of quality services for the FFB Group, to enable the smooth operation of the day-to-day business of the FFB Group.

3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE

The RRPT to be entered into by the Group with respect to which the Proposed Shareholder's Mandate are sought, are those transactions which will be carried out in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and which may arise at any time and from time to time. These RRPT may be constrained by the time-sensitive and frequent nature of such transactions, and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPT. As such, the Board is seeking a shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Listing Requirements for the RRPT described in Section 2.1.2 above to allow the Group to enter into such RRPT, which will be made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company and which are not prejudicial to the interest of the shareholders.

By obtaining the mandate for the Proposed Shareholders' Mandate, the necessity to announce and convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. The Proposed Shareholders' Mandate, if approved, would result in substantial savings of administrative time, inconvenience, costs and expenses for the Company where it would dispense the need for the Company to convene separate shareholders' meetings to approve the RRPT which are of a recurring nature, thus improving the administrative efficacy considerably and allow resources to be channelled towards meeting its other corporate objectives and pursuing business opportunities.

The RRPT entered into by the FFB Group are intended to meet business needs at the best possible terms. The FFB Group should be able to generate sales revenue from its customers which includes its Related Party. Transacting with its Related Party also enhances the ability to explore other business opportunities which will be beneficial to the FFB Group. Further, the close working relationship with Related Party in the RRPT will ensure timely delivery and provision of services, commitment and reliability of quality services for the FFB Group, to enable the smooth operation of the day-to-day business of the FFB Group.

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any effect on the share capital and shareholding structure of the Company, consolidated NA and earnings of the FFB Group.

5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS' INTERESTS AND PERSONS CONNECTED TO THEM

Save as disclosed below, none of the directors, major shareholders and/or person connected have any interest, direct or indirect, in the Proposed Shareholders' Mandate:

(i) Interested Directors

Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid are deemed interested in the Proposed Shareholders' Mandate ("Interested Directors"). Their shareholdings in FFB as at 30 April 2009 are as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.66	106,500 ^(a)	0.06
Mac Ngan Boon @ Mac Yin Boon	7,392,913	4.32	101,089,800 ^(b)	59.11
Mac Chung Hui	1,412,000	0.83	-	-
Lee Poh Kwee	185,000	0.11	-	-
Mazlan bin Abdul Hamid	1,415,000	0.83	-	-

^(a) Deemed interested by virtue of the Shares held by his wife and children pursuant to Section 134 of the Act.

^(b) Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB and the shares held by his wife and children pursuant to Section 134 of the Act.

(ii) Major Shareholders

MEB and Mac Ngan Boon @ Mac Yin Boon are interested in the Proposed Shareholders' Mandate ("Interested Major Shareholders"). MEB and Mac Ngan Boon @ Mac Yin Boon's shareholdings in FFB as at 30 April 2009 are as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
MEB	98,000,000	57.30	-	-
Mac Ngan Boon @ Mac Yin Boon	7,392,913	4.32	101,089,800 ^(a)	59.11

^(a) Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB and the shares held by his wife and children pursuant to Section 134 of the Act.

(iii) **Persons connected with the Interested Directors and Interested Major Shareholders**

Persons connected with Interested Directors and Interested Major Shareholders for the Proposed Shareholders' Mandate as at 30 April 2009 are as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
Persons connected with Interested Directors and/or Major Shareholders				
Chew Keng Siew ^(a)	811,800	0.47	-	-
Mac Chung Jin ^(b)	466,000	0.27	-	-
Mac Chung Lynn ^(c)	400,000	0.23	-	-
Fatimah bte Ismail ^(d)	12,500	0.01	-	-
Hamidah binti Mohd Taib ^(e)	32,000	0.02	-	-
Aminah binti Mohd Taib ^(e)	32,000	0.02	-	-
Mohamed Ezani bin Md Taib ^(f)	30,000	0.02	-	-

^(a) Chew Keng Siew is the spouse of Mac Ngan Boon @ Mac Yin Boon.

^(b) Mac Chung Jin is the son of Mac Ngan Boon @ Mac Yin Boon.

^(c) Mac Chung Lynn is the daughter of Mac Ngan Boon @ Mac Yin Boon.

^(d) Fatimah Bte Ismail is the spouse of Tuan Haji Mohamed Taib bin Ibrahim.

^(e) Hamidah binti Mohd Taib and Aminah binti Mohd Taib are the daughters of Tuan Haji Mohamed Taib bin Ibrahim.

^(f) Mohamed Ezani bin Md Taib is the son of Tuan Haji Mohamed Taib bin Ibrahim.

* Excluding a total of 10,000 Treasury Shares held as at 30 April 2009 pursuant to Section 67A of the Act.

The Interested Directors namely Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid, have abstained and will continue to abstain from Board deliberations and voting at the Board meeting, and voting on the Proposed Shareholders' Mandate at the forthcoming AGM.

The Interested Major Shareholders namely, MEB and Mac Ngan Boon @ Mac Yin Boon will abstain from voting on the Proposed Shareholders' Mandate in respect of their direct and/or indirect shareholdings in FFB at the forthcoming AGM.

In addition, the Interested Directors and Interested Major Shareholders have also undertaken to ensure that persons connected with them will abstain from voting on the Proposed Shareholders' Mandate in respect of their direct and/or indirect shareholdings in FFB at the forthcoming AGM.

6. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is subject to the approval of shareholders of FFB at the forthcoming AGM to be convened.

7. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposed Shareholders' Mandate and after careful deliberation, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the FFB Group. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

8. AGM

The AGM of FFB will be held at Rebana 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Monday, 22 June 2009 at 10.00 a.m. for the purpose of considering, and if thought fit, passing, inter alia, the ordinary resolution on the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the 17th AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions contained therein as soon as and in any event so as to arrive at the Company's Registered Office at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the 17th AGM.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 17th AGM should you subsequently wish to do so.

9. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I for further information.

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

TAN SRI A. RAZAK BIN RAMLI
Independent Non-Executive Director

APPENDIX I - FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. MATERIAL CONTRACTS

Neither FFB nor any of its subsidiary companies have entered into any contract which is or may be material during the two (2) years preceding the date of this Circular other than contracts entered into in the ordinary course of business.

3. MATERIAL LITIGATION

Save as disclosed below, FFB and/or its subsidiary companies are not engaged in any material litigation, either as Plaintiff or Defendant, and the Board of FFB has no knowledge of any proceedings pending or threatened against FFB and/or its subsidiary companies or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of FFB and/or its subsidiary companies:-

John E. Doyle (as Administrator of Estate of Dermot Sam Power) (“Plaintiff”) v. John Pegno Partners, A.J. Pegno Construction Corp./Tully Construction Co. Inc, a joint venture, Transport Equipment Sales Inc., (“Defendants”); and John Pegno Partners, A.J. Pegno Construction Corp./Tully Construction Co. Inc, a joint venture v. Budco Enterprises, Inc (“Budco”) and Favco Cranes USA, Inc. (“FFU”) (as third party defendants).

On 4 December 2006, the Plaintiff filed an action in the Supreme Court, Queens County, USA to commence an action against the Defendants for the alleged negligence of the Defendants which resulted in wrongful death of Dermot Sam Power, whilst he was assembling a Favelle Favco boom crane on a site where A.J. Pegno Construction Corp. / Tully Construction Co. Inc were the general contractors. The Defendants named Budco as a third party defendant, as Dermot Sam Power was an employee of Budco.

The claim has not been particularized and is at its early stage. Therefore, the probable outcome is premature to be fully assessed. However, based on the opinion of solicitors acting for FFU, a sustainable verdict against the Defendants could be up to USD2,000,000. This includes supervision claimed for the infant of the deceased and pain and suffering for the deceased, but does not include value of economic loss to the estate of the deceased, as discovery for this has not been done.

FFU’s solicitors successfully obtained summary judgment dismissing the Plaintiff’s claim against FFU. The remaining defendant has since commenced a third party action against FFU.

The matter is presently on the trial calendar with an anticipated trial date between September and December 2009 subject to the outcome of the motion to dismiss.

FFU confirmed that should it be held liable for the total or a portion of the damages, such liability would be borne by its insurers.

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

A composition of personal injury actions, wrongful death actions, property damages actions, subrogation actions and lien actions related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York have been filed. FFCUSA has been named as a third-party defendant and second third-party defendant with regards to Labor Law/personal injury, lost of crane and wrongful death claims.

Additionally, FFCUSA is named as a direct defendant in a subrogation action for the replacement costs of the lost crane by the Insurance Carrier for New York Crane, the owner of the crane, and by the owner of an art gallery who claims both property damages and emotional distress.

It is anticipated that this litigation will take between three and five years to resolve.

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

FFU is of the opinion that it is premature to assess the outcome of the actions at this point in time.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of FFB following the date of this Circular from Mondays to Fridays (except Public Holidays) during business hours up to the time set for convening the 17th AGM:

- (i) the Memorandum and Articles of Association of FFB;
- (ii) the audited consolidated financial statements of FFB for the past two (2) financial years ended 31 December 2007 and 2008; and
- (iii) the writ of summon/claim referred to in item 3 above.

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