

**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”) has only perused the proposed new shareholders’ mandate for recurrent related party transactions of a revenue or trading nature on a limited review basis pursuant to the provisions of Practice Note 18 of Bursa Securities Main Market Listing Requirements (“MMLR”); and

Bursa Securities has not perused the contents of this Statement relating to the proposed Share Buy-Back and the proposed renewal of existing shareholders’ mandate prior to its issuance as this is an Exempt Circular.

Bursa Securities takes no responsibility for the contents of the 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 the Statement/Circular.



**FAVELLE FAVCO BERHAD**

Registration No.: 199201017739 (249243-W)  
(Incorporated in Malaysia)

**PART A**

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

**PART B**

- (I) PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED NEW SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**(Collectively known as “The Proposals”)**

The resolutions for the above proposals will be tabled at the Twenty-Eighth (“28th”) Annual General Meeting (“AGM”) of the Company to be held fully virtual via remote participation and voting at the Broadcast Venue at Favelle Favco Berhad, Lekas Meeting Room, Lot 586, 2<sup>nd</sup> Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia on Thursday, 10 September 2020 at 10.30 a.m. The Notice of the 28th AGM, Proxy Form, Administrative Notes and this Statement/Circular are available online at the Company’s Website ([www.favellefavco.com](http://www.favellefavco.com)).

The Proxy Form must be completed and shall be deposited with the Poll Administrator at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia or submitted via email to [AGM-support.FFB@megacorp.com.my](mailto:AGM-support.FFB@megacorp.com.my) not later than forty-eight (48) hours before the time fixed for the 28th AGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting at the AGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 8 September 2020 at 10.30 a.m.

Date and time of the 28th AGM : Thursday, 10 September 2020 at 10.30 a.m.

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## DEFINITIONS

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

Act	:	The Companies Act 2016 as amended from time to time including any re-enactment thereof
AGM	:	Annual General Meeting of the Company
Board	:	Board of Directors of FFB
Bursa Securities	:	Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)]
Code	:	Malaysian Code on Take-Overs and Mergers 2016, as amended from time to time including any re-enactment thereof
CMSA	:	The prevailing Capital Markets and Services Act 2007, as amended from time to time including any re-enactment thereof
Director(s)	:	Shall have the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the respective RRPT were agreed upon, a director of the Company or any other company which is a subsidiary or holding company of the Company, or a chief executive officer of the Company or its subsidiary or holding company
EPS	:	Earnings per share
Existing Shareholders' Mandate	:	The Shareholders' Mandate for FFB Group to enter into Recurrent Related Party Transactions of a revenue or trading nature with the Related Parties for which approval from the shareholders was obtained during the Twenty-Seventh AGM held on 12 June 2019.
FFB or Company	:	Favelle Favco Berhad [Registration No.: 199201017739 (249243-W)]
FFB Group or Group	:	FFB, its subsidiary and associated companies collectively
FFA	:	Favelle Favco Cranes Pty Limited, a wholly-owned subsidiary of FFB
FFCI	:	Favelle Favco Cranes International Ltd, a wholly-owned subsidiary of FFB
FES	:	FES Equipment Services Sdn Bhd [Registration No.: 200001000934 (503539-A)], a wholly-owned subsidiary of FFB
FFM	:	Favelle Favco Cranes (M) Sdn Bhd [Registration No.: 199501021870 (351073-T)], 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

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**DEFINITIONS – CONT'D**

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FFU	:	Favelle Favco Cranes (USA), Inc, a wholly-owned subsidiary of FFB
FO	:	Favco Offshores Sdn Bhd [Registration No.: 199501010501 (339702-T)], an associated company of FFB
KC	:	Krøll Cranes A/S, a wholly-owned subsidiary of FFB
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto
LPD	:	24 July 2020, being the latest practical date prior to the printing of this Circular
Major Shareholder(s)	:	<p>A person who is or was within the preceding six (6) months of the date on which the terms of the respective RRPT were agreed upon, has an interest or interests in one (1) or more voting shares in FFB and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-</p> <ul style="list-style-type: none"><li>(i) Equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in FFB; or</li><li>(ii) Equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in FFB where such person is the largest shareholder of the Company</li></ul> <p>For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act and for the purpose of the Proposed Shareholders’ Mandate, include a major shareholder of FFB or any corporation which is FFB’s subsidiary or holding company</p>
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 [Registration No. 197201001137 (12737-K)], 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 Share Issuance Scheme (“SIS”) in accordance with the terms and conditions of the SIS bye-laws

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**DEFINITIONS - CONT'D**

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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 New Shareholders' Mandate	:	Proposed New Shareholders' Mandate for FFB Group to enter into RRPT of a revenue or trading nature as set out in Part B of Section 2.1.2 (B) for which approval from the shareholders is being sought at the forthcoming AGM.
Proposed Renewal of the Existing Shareholders' Mandate	:	Proposed renewal of the existing shareholders' mandate for RRPT of a revenue or trading nature as set out in Part B of Section 2.1.2 (A) for which approval from the shareholders is being sought at the forthcoming AGM
Proposed Shareholders' Mandate	:	Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate collectively
Purchased Shares	:	Shares purchased pursuant to the Proposed Share Buy-Back
Recurrent Related Party Transactions 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). For the purpose of this definition, "director", "major shareholder" and "person connected" shall include any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or major shareholder of the Group
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s) or FFB Share(s)	:	Ordinary shares in FFB
SIS	:	FFB Share Issuance Scheme 2017/2022
Treasury Shares	:	The Purchased Shares which are retained by the Company and shall have the meaning given under Section 127 of the Act

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**DEFINITIONS - CONT'D**

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Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation.

Any reference in this Circular/Statement to any enactment is a reference to that enactment for the time being amended or re-enacted. Any reference to a time of day in this Circular/Statement shall be a reference to Malaysian time, unless otherwise stated.

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**PART A**

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





**FAVELLE FAVCO BERHAD**  
Registration No.: 199201017739 (249243-W)  
(Incorporated in Malaysia)

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

### **1. INTRODUCTION**

The Company had announced on 24 July 2020 that it will be seeking shareholders' approval at its 28th AGM to be held on 10 September 2020 for the proposed renewal of authority for the purchase by FFB of its own shares of up to ten percent (10%) of the total number of issued Shares at the point of purchase ("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 the 28th AGM, Proxy Form, Administrative Notes and this Statement/Circular are available online at the Company's Website ([www.favellefavco.com](http://www.favellefavco.com)).

### **2. DETAILS OF THE PROPOSED SHARE BUY-BACK**

At the 27th AGM of the Company held on Wednesday, 12 June 2019, the shareholders had approved the renewal of authority for the Company to buy back up to ten percent (10%) of its total number of issued Shares at the point of purchase.

The maximum number of shares that may be bought-back of up to ten percent (10%) of the total number of issued Shares of the Company would include all shares which have been previously bought-back and cancelled or retained as Treasury Shares. As at 24 July 2020, a total of 10,000 Shares are being held 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 28th AGM to be held on 10 September 2020 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 is the earliest.

### **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 number of issued 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 profits of the Company for the purchase of its own Shares pursuant to the Proposed Share Buy-Back. The retained profits of the Company based on its latest audited financial statements for the financial year ended 31 December 2019 approximately amounted to RM120 million.

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 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 profit, 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 share capital as at LPD, 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 total issued share capital of the Company if the Purchase Shares are cancelled. The proforma effects of the Proposed Share Buy-Back on the total issued share capital of FFB as at LPD 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 1 No. of Shares	Scenario 2 No. of Shares
As at LPD*	223,944,763	223,944,763
Assuming all outstanding Options are fully exercised	-	7,888,000 #
Enlarged share capital	223,944,763	231,832,763
Maximum number of Shares which may be purchased pursuant to the Proposed Share Buy-Back	(22,394,476)	(23,183,276)
Resulting issued and paid-up share capital upon cancellation of maximum number of Shares which may be purchased under the Proposed Share Buy-Back	201,550,287	208,649,487

*Notes:*

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

# *The Proposed Authorised Period is applicable for all the outstanding 7,888,000 Options which are assumed exercised into Shares with effect from 15 September 2020.*

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 Dividend tax exempt dividend of 15.0 sen per ordinary share in respect of the financial year ended 31 December 2019, 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 effect of the Proposed Share Buy-Back on the shareholdings of the directors, substantial shareholders of FFB and persons connected as at LPD, are set out as follows:

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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 LPD				After Proposed Share Buy-Back			
	Direct No. of Shares	%**	Indirect No. of Shares	%**	Direct No. of Shares	%	Indirect No. of Shares	%
<b>Substantial Shareholders</b>								
Muhibbah Engineering (M) Bhd	131,241,043	58.61	-	-	131,241,043	65.12	-	-
Mac Ngan Boon @ Mac Yin Boon	9,482,913 <sup>(a)</sup>	4.23	131,241,043 <sup>(e)</sup>	58.61	9,482,913 <sup>(a)</sup>	4.70	131,241,043 <sup>(e)</sup>	65.12
<b>Directors</b>								
Tan Sri A. Razak bin Ramli	300,000	0.13	800 <sup>(c)</sup>	*	300,000	0.15	800 <sup>(c)</sup>	*
Mac Ngan Boon @ Mac Yin Boon	9,482,913 <sup>(a)</sup>	4.23	132,979,843 <sup>(b)</sup>	59.38	9,482,913 <sup>(a)</sup>	4.70	132,979,843 <sup>(b)</sup>	65.98
Mac Chung Hui	2,642,000 <sup>(a)</sup>	1.18	-	-	2,642,000 <sup>(a)</sup>	1.31	-	-
Lee Poh Kwee	1,715,000 <sup>(d)</sup>	0.77	-	-	1,715,000 <sup>(d)</sup>	0.85	-	-
Mazlan bin Abdul Hamid	2,304,800	1.03	-	-	2,304,800	1.14	-	-
Tan Sri Dato' Seri Ahmad Ramli	300,000 <sup>(d)</sup>	0.13	-	-	300,000 <sup>(d)</sup>	0.15	-	-
bin Haji Mohd Nor	-	-	-	-	-	-	-	-
Sobri bin Abu	-	-	-	-	-	-	-	-
Dato' Sri Khazali Bin Haji Ahmad	-	-	-	-	-	-	-	-
<b>Persons connected with Director and/or Substantial Shareholder</b>								
Chew Keng Siew	711,800 <sup>(a)</sup>	0.32	-	-	711,800 <sup>(a)</sup>	0.35	-	-
Mac Chung Jin	677,000 <sup>(a)</sup>	0.30	-	-	677,000 <sup>(a)</sup>	0.34	-	-
Mac Chung Lynn	350,000 <sup>(d)</sup>	0.16	-	-	350,000 <sup>(d)</sup>	0.17	-	-
Erman bin Abdul Razak	800 <sup>(d)</sup>	*	-	-	800 <sup>(d)</sup>	*	-	-

Notes:

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

(b) Deemed interested pursuant to Section 8 of the Act by virtue of his substantial interests in MEB and the Shares held by his wife and children pursuant to Section 59(11)(c) of the Act.

(c) Deemed interested by virtue of the Shares held by his son pursuant to Section 59(11)(c) of the Act.

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

(e) Deemed interested pursuant to Section 8 of the Act by virtue of his substantial interests in MEB.

\* Percentage of shareholding of less than 0.01%.

\*\* Excluding a total of 10,000 Treasury Shares held as at LPD pursuant to Section 127 of the Act.

Scenario 2

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

	As at LPD		(I) Assuming all exercisable 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	%
<b>Substantial Shareholders</b>												
Muhibbah Engineering (M) Bhd	131,241,043	58.61	-	-	131,241,043	56.61	-	-	131,241,043	62.90	-	-
Mac Ngan Boon @ Mac Yin Boon	9,482,913 <sup>(a)</sup>	4.23	131,241,043 <sup>(e)</sup>	58.61	10,162,913 <sup>(a)</sup>	4.38	131,241,043 <sup>(e)</sup>	56.61	10,162,913 <sup>(a)</sup>	4.87	131,241,043 <sup>(e)</sup>	62.90
<b>Directors</b>												
Tan Sri A. Razak bin Ramli	300,000	0.13	800 <sup>(c)</sup>	*	300,000	0.13	800 <sup>(c)</sup>	*	300,000	0.14	800 <sup>(c)</sup>	*
Mac Ngan Boon @ Mac Yin Boon	9,482,913 <sup>(a)</sup>	4.23	132,979,843 <sup>(b)</sup>	59.38	10,162,913 <sup>(a)</sup>	4.38	132,979,843 <sup>(b)</sup>	57.36	10,162,913 <sup>(a)</sup>	4.87	132,979,843 <sup>(b)</sup>	63.73
Mac Chung Hui	2,642,000 <sup>(a)</sup>	1.18	-	-	3,242,000 <sup>(a)</sup>	1.40	-	-	3,242,000 <sup>(a)</sup>	1.55	-	-
Lee Poh Kwee	1,715,000 <sup>(d)</sup>	0.77	-	-	2,435,000 <sup>(d)</sup>	1.05	-	-	2,435,000 <sup>(d)</sup>	1.17	-	-
Mazlan bin Abdul Hamid	2,304,800	1.03	-	-	2,784,800	1.20	-	-	2,784,800	1.33	-	-
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000 <sup>(d)</sup>	0.13	-	-	300,000 <sup>(d)</sup>	0.13	-	-	300,000 <sup>(d)</sup>	0.14	-	-
Sobri bin Abu	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Sri Khazali Bin Haji Ahmad	-	-	-	-	-	-	-	-	-	-	-	-
<b>Persons connected with Director and/or Substantial Shareholder</b>												
Chew Keng Siew	711,800 <sup>(a)</sup>	0.32	-	-	711,800 <sup>(a)</sup>	0.31	-	-	711,800 <sup>(a)</sup>	0.34	-	-
Mac Chung Jin	677,000 <sup>(a)</sup>	0.30	-	-	677,000 <sup>(a)</sup>	0.29	-	-	677,000 <sup>(a)</sup>	0.32	-	-
Mac Chung Lynn	350,000 <sup>(d)</sup>	0.16	-	-	350,000 <sup>(d)</sup>	0.15	-	-	350,000 <sup>(d)</sup>	0.17	-	-
Erman bin Abdul Razak	800 <sup>(d)</sup>	*	-	-	800 <sup>(d)</sup>	*	-	-	800 <sup>(d)</sup>	*	-	-

Notes:

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

(b) Deemed interested pursuant to Section 8 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 son pursuant to Section 59(11)(C) of the Act.

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

(e) Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB.

\* Percentage of shareholding of less than 0.01%.

\*\* Excluding a total of 10,000 Treasury Shares held as at LPD pursuant to Section 127 of the Act.

# Assuming the exercisable Options which are exercisable into Shares with effect from 15 September 2020 granted to Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid during the Proposed Authorised Period, to subscribe for 680,000, 600,000, 720,000 and 480,000 new Shares respectively are fully exercised.

## 8. PUBLIC SHAREHOLDING SPREAD

As at LPD, approximately 72,467,407 Shares representing 32.36% of the issued share capital of the Company were held by 3,990 public shareholders. 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 8.02(1) of the Listing Requirements. Paragraph 8.02(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 the public shareholders holding.

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 OF SHARES OR RESALE OR CANCELLATION OF TREASURY SHARES IN THE LAST FINANCIAL YEAR

During the financial year ended 31 December 2019, the Company has not purchased any FFB Shares from the open market. There was also no resale or cancellation of treasury shares during the same period.

## 11. HISTORICAL SHARE PRICE

The monthly highest and lowest prices of FFB shares traded on Bursa securities for the past twelve (12) months from July 2019 to LPD are as follows:-

Month/Year	High (RM)	Low (RM)
<b>2019</b>		
July	2.83	2.52
August	2.85	2.51
September	2.80	2.65
October	2.73	2.64
November	3.02	2.66
December	3.00	2.72
<b>2020</b>		
January	2.87	2.73
February	2.76	2.61
March	2.70	1.71
April	2.24	1.85
May	2.48	2.18
June	2.59	2.18

(Source : [www.investing.com](http://www.investing.com))

The last transacted price of FFB on LDP was RM2.25.

## **12. 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.

## **13. 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**

**TAN SRI A. RAZAK BIN RAMLI**  
Chairman, Senior Independent Non-Executive Director



**PART B**

**LETTER TO SHAREHOLDERS IN RELATION TO THE :**

- (I) PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**



**FAVELLE FAVCO BERHAD**  
Registration No.: 199201017739 (249243-W)  
(Incorporated in Malaysia)

**Registered Office:**

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

13 August 2020

**Board of Directors:**

Tan Sri A. Razak bin Ramli (*Chairman, Senior Independent Non-Executive Director*)  
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor (*Vice Chairman, Independent Non-Executive Director*)  
Mac Chung Hui (*Managing Director/Chief Executive Officer*)  
Mac Ngan Boon @ Mac Yin Boon (*Executive Director*)  
Lee Poh Kwee (*Executive Director*)  
Mazlan bin Abdul Hamid (*Executive Director*)  
Sobri Bin Abu (*Independent Non-Executive Director*)  
Dato' Sri Khazali Bin Haji Ahmad (*Independent Non-Executive Director*)

**To: The shareholders of FAVELLE FAVCO BERHAD**

Dear Sir/ Madam,

- (I) PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
  
- (II) PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

At the 27th AGM of the Company held on 12 June 2019, the shareholders of the Company approved, inter alia, the mandates for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions.

Accordingly, the Board had on 24 July 2020 announced FFB's intention to seek its shareholders' approval for the Proposed Shareholders' Mandate.

The purpose of this Statement/Circular is to provide you with the details on the Proposed Shareholders' Mandate as set out in the Notice of the AGM, and to seek your approval for the resolutions to be tabled at the forthcoming AGM. The Notice of the 28th AGM, Proxy Form, Administrative Notes and this Statement/Circular are available online at the Company's Website ([www.favellefavco.com](http://www.favellefavco.com)).

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

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## **2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

### **2.1 Proposed Shareholders' Mandate**

Under 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 Recurrent Related Party Transactions is equal to or exceeds RM1,000,000; or
  - (ii) the percentage ratio of such Recurrent Related Party Transactions 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;
- (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; and
- (e) to immediately announce to Bursa Securities when the actual value of the RRPT entered into, exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more.

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

The shareholders of the Company approved the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature with certain Related Parties at the 27th AGM of the Company held on 12 June 2019, the details of the which were set out in the Circular dated 30 April 2019.

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 Related Party Transactions with the classes of Related Parties as set out in Section 2.1.2 below. Any authority conferred by the Proposed Shareholders' Mandate shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the 28th AGM at which the Proposed Shareholders' Mandate was passed, at which time it shall lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever is the earliest.

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

*[The rest of this page has been intentionally left blank]*

### 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
<b>Subsidiary companies of FFB</b>		
FFM	100	Designing, manufacturing, supplying, servicing, trading and renting of cranes
FFS	100	Supplying, servicing, trading and renting of cranes and sales of spare parts and services
FFU	100	Designing, manufacturing, supplying, servicing, trading and renting of cranes
FFA	100	Designing, manufacturing, supplying, renting and servicing of industrial cranes
FFMgmt	100	Management services
MBC	100	Dormant
KC	100	Designing, manufacturing, servicing, trading and renting of cranes
FFCI	100	Dormant
FES	100	Supplying of spare parts for cranes, provision of crane maintenance services and renting of cranes
Favelle Favco Winches Pte Ltd	100	Designing, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment
Favelle Favco Management Services Sdn Bhd	100	Dormant
Shanghai Favco Engineering Machinery Manufacturing Co., Ltd	80	Manufacturing of cranes

*[The rest of this page has been intentionally left blank]*

<b>Name</b>	<b>% of effective ownership</b>	<b>Principal Activities</b>
<b>Subsidiary companies of FFB</b>		
Exact Analytical Sdn Bhd	70	Trading of process analysers, continuous emission monitoring system and providing related engineering services on the installation, commissioning and maintenance of environmental and process analysers
Exact Automation Sdn Bhd	70	Trading of industrial information technology equipment, automation and control components for power, quality measurement and providing integrated industrial automation solutions on the design, engineering, testing and project management of plant instrumentation as well as its related maintenance services
Exact Oil & Gas Sdn Bhd	70	Trading and engineering of specialised equipment used in the oil and gas industry including calibration, verification, installation, commissioning, repairs and maintenance of the equipment and systems
Sedia Teguh Sdn Bhd	70	Trading of specialised equipment used in the oil and gas industry including calibration, verification, installation, commissioning, repairs and maintenance of control meters
<b>Associated companies of FFB</b>		
FO	30	Manufacture, supply, servicing and renting of cranes
Favelle Favco Machinery and Equipment L.L.C	49	Trading and rental of construction equipment
Favco Heavy Industry (Changsu) Co., Ltd	50	Supplying, renting and servicing of lifting equipment and spare parts

*[The rest of this page has been intentionally left blank]*

## 2.1.2 Classes and Nature of RRPT

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

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions as disclosed in the Circular to Shareholders dated 30 April 2019 RM'000</i>	<i>Actual transaction value from 12 June 2019 till 30 June 2020 RM'000</i>	<i>Estimated value of transactions from the date of the 28th AGM to next AGM <sup>(1)</sup> RM'000</i>
FFB Group and MEB Group	MEB, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Mac Chung Jin and Mazlan bin Abdul Hamid	(2) Purchases of cranes and parts and rental of cranes, plant and equipment and barges by FFB Group from MEB Group; and subcontracting work awarded by FFB Group to MEB Group	20,000	666	50,000
		(3) Sales, rental of cranes and provision of maintenance and services by FFB Group to MEB Group	40,000	4,494	-
		(4) Rental of factory and office premises located at Geran #26559, Lot 9895, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres	1,500	1,349	1,500
		(4) Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	300	88	300
		(4) Rental of land held under PN 109083 Lot No. 104626, Mukim & District of Klang, State of Selangor measuring in area approximately 36,000 square metres by MEB Group to FFB Group	3,000	2,566	3,000
		(4) Rental of plant and equipment and scaffolding service by FFB Group to MEB Group	2,000	-	2,000
		Shared services expenses/charges by MEB Group to FFB Group which includes amongst others legal, information technology and internal audit by MEB Group to FFB Group	3,000	2,000	3,000

**2.1.2 Classes and Nature of RRPT (cont'd)**

(A) The details of the Related Parties and RRPT in relation to the Proposed Renewal of the Existing Shareholders' Mandate are as follows (cont'd):

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions as disclosed in the Circular to Shareholders dated 30 April 2019 RM'000</i>	<i>Actual transaction value from 12 June 2019 till 30 June 2020 RM'000</i>	<i>Estimated value of transactions from the date of the 28th AGM to next AGM<sup>(1)</sup> RM'000</i>
FFB Group and FO	Mac Ngan Boon @ Mac Yin Boon and Mazlan bin Abdul Hamid	Rental of plant and equipment, barges and its related maintenance cost by FFB Group to FO	4,000	265	4,000
		Sale of spare parts, and provision of crane maintenance and services by FFB Group to FO			
		Provision of crane maintenance and services and sale of spare parts by FO to FFB Group	3,000	-	3,000
		Rental of plant and equipment, barges and its related maintenance cost by FO to FFB Group			



## 2.1.2 Classes and Nature of RRPT (cont'd)

(B) The details of the Related Parties and RRPT in relation to the Proposed New Shareholders' Mandate are as follows (cont'd):

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions from the date of the 28th AGM to next AGM<sup>(1)</sup> RM'000</i>
FFB Group and MEB Group	MEB, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Mazlan bin Abdul Hamid	<sup>(5)</sup> Sales of goods and services, rental of cranes, plant and equipment by FFB Group to MEB Group; and subcontracting work awarded by MEB Group to FFB Group	50,000

*Notes:*

- (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 2021, being the tentative date of the next AGM, based on the assumptions that current level of operations will continue and as determined by the Group's management. The estimated values of these transactions may vary and are subject to change.*
- (2) *The nature of transaction is to meet immediate needs where FFB does not have the stocks of specific cranes, plant and equipment, barges or spare parts for operational use or re-rent for short period. Whereas, the nature of subcontracting work awarded by FFB Group to MEB Group includes fabrication and painting of crane's structure, etc. Out of RM50,000,000 estimated value of the transaction, RM30,000,000 is for the subcontracting work.*
- (3) *The Company does not intend to seek a renewal of the Shareholders Mandate for this transaction.*
- (4) *Tenancy and Rental are for terms not exceeding three (3) years with rentals payable on monthly basis.*
- (5) *The Proposed New Shareholders' Mandate set out above, are general transactions to be entered into by the FFB Group and MEB Group in the ordinary course of business. Whereas, the nature of subcontracting work awarded by MEB Group to FFB Group includes fabricate plug, sleeve, casing, exhaust stack, inlet transition, platform, ladder, handrail, assembly, insulation, painting, etc. Out of RM50,000,000 estimated value of the transaction, RM30,000,000 is for the subcontracting work. In addition, the nature of sales of goods and services by FFB Group to MEB Group includes cranes parts and services, etc.*

## 2.1.2 Classes and Nature of RRPT (cont'd)

(B) The details of the Related Parties and RRPT in relation to the Proposed New Shareholders' Mandate are as follows (cont'd):

(6) *Nature of Interest:-*

- (a) *MEB is the ultimate holding company of FFB. MEB owns 58.61% of the total number issued share capital of FFB.*
- (b) *Mac Ngan Boon @ Mac Yin Boon is a director and major shareholder in both MEB and FFB. As at LPD, he owns approximately 15.35% and 4.23% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 4.13% and 59.38% direct equity interest in MEB and FFB respectively. He also holds directorship in certain subsidiaries of both MEB and FFB. He does not hold any direct equity interest in FO and his indirect equity interest in FO is through FFB. In addition, he is the father of Mac Chung Jin and Mac Chung Hui.*
- (c) *Mac Chung Hui is a director and shareholder of FFB, and he also holds directorship in certain subsidiaries of FFB. As at LPD, he owns approximately 1.18% and 1.18% direct equity interest in MEB and FFB respectively. He is also the son of Mac Ngan Boon @ Mac Yin Boon and the brother of Mac Chung Jin.*
- (d) *Mazlan bin Abdul Hamid is a director and shareholder in MEB, FFB and FO. He holds approximately 0.10%, 1.03% and 70% equity interest in MEB, FFB and FO respectively, as at LPD.*
- (e) *Mac Chung Jin is a director and shareholder of MEB, and he also holds directorship in certain subsidiaries of MEB. As at LPD, he owns approximately 1.38% and 0.30% direct equity interest in MEB and FFB respectively and the persons connected to him owns approximately 0.01% direct equity interest in MEB. He is also the son of Mac Ngan Boon @ Mac Yin Boon and the brother of Mac Chung Hui.*

### 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 RRPT are undertaken on an arm's length basis, on transaction prices and terms 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) and (d) 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;
  - (c) in respect of the provision and/or supply of services 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; and
  - (d) at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services/equipment and/or quantities will be used as comparison, (wherever practical and/or possible), to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third party cannot be obtained (for instance, if there are no unrelated third party vendors/customers of similar products/services, or if the product/services is a proprietary item), the transaction price will be determined by the Group in accordance with prevailing commercial rates/terms, business practices and policies or otherwise in accordance with applicable industry norms or market knowledge to ensure that the RRPT is not detrimental to the Group. Besides pricing, FFB Group also has a policy that priority and/or selection of vendors and/or suppliers are not based on pricing alone but also on other intrinsic qualities such as quality and nature of goods or services, reliability, lead time and all other relevant business circumstances and considerations to ensure that the RRPT is not detrimental to FFB Group.

- (ii) The Company has in place an internal authority limit governing business transactions including RRPT. Such internal authority limit would include approval thresholds, which vary depending on inter alia, the type of transactions and based on grounds of practicality of the business and/or operations viewpoint unique to the Group. Generally, a transaction shall be first reviewed and/or agreed by the relevant personnel in charge and/or Head of Business Units/Departments prior to the approval of either the senior management and/or Executive Directors and/or the Managing Director in accordance with the internal authority limit procedure, (where applicable). Subsequently, the Audit Committee will review the management's reports on RRPT at the quarterly meetings of the Audit Committee.
- (iii) The Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers.
- (iv) 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.
- (v) 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.
- (vi) 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. The Audit Committee is satisfied that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner, and the frequency of review of these procedures and processes which is carried out on quarterly basis.

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 the date of the Circular, the composition of the Audit Committee is as follows:

Sobri bin Abu ( <i>Independent Non-Executive Director</i> )	Chairman
Tan Sri A. Razak bin Ramli ( <i>Senior Independent Non-Executive Director</i> )	Member
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor ( <i>Independent Non-Executive Director</i> )	Member
Dato' Sri Khazali Bin Haji Ahmad ( <i>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 is 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. AMOUNT DUE FROM THE RELATED PARTIES

The breakdown of the principal sum (without interest) for the total outstanding amount due to the Company from the Related Transacting Parties pursuant to Related Party Transactions which exceeded the credit terms for the following period as at the financial year ended 31 December 2019 are as follow:-

Related Parties	Total Outstanding RRPT Receivables as at 31 December 2019 (RM'000)	Outstanding Amount (RM'000)				Outstanding Amount Recovered as at LPD (RM'000)
		1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years	
		Principal Sum	Principal Sum	Principal Sum	Principal Sum	
MEB	100	31	69	-	-	17
Citech Energy Recovery System Malaysia Sdn Bhd	407	400	7	-	-	407
Wabag Muhibbah JV Sdn Bhd	150	-	150	-	-	-
MEB Construction Pty Ltd	6	6	-	-	-	6
KHAS JEJAKA SDN BHD	67	67	-	-	-	67
FO	705	655	50	-	-	406
<b>Total</b>	<b>1,435</b>	<b>1,159</b>	<b>276</b>	<b>-</b>	<b>-</b>	<b>903</b>

FFB Group does not charge interest on outstanding sums that are classified as short term in nature in the accounts i.e. amount less than one (1) year. The outstanding balances are to be cleared progressively. However, the Group is mindful of the implication of delay in payments and as such reminders will be sent to the Related Parties regarding the balance outstanding.

The Board is of the opinion that these outstanding sums will be paid by the respective Related Parties in due course. There will be no recoverability issues as the debtors are related parties with a long-standing business relationship with the Group and has proven to be creditworthy debtors with good payment records.

## 6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS 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:

### 6.1 Proposed Shareholders' Mandate

#### (i) Interested Directors

Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Mazlan bin Abdul Hamid are deemed interested in the Proposed Shareholders' Mandate ("Interested Directors"). Their shareholdings in FFB as at LPD are as follows:

Name	Direct		Indirect/ Deemed	
	No of shares held	%*	No of shares held	%*
Mac Ngan Boon @ Mac Yin Boon	9,482,913	4.23	132,979,843 <sup>(a)</sup>	59.38
Mac Chung Hui	2,642,000	1.18	-	-
Mazlan bin Abdul Hamid	2,304,800	1.03	-	-

(a) Deemed interested pursuant to Section 8 of the Act by virtue of his substantial interests in MEB and the shares held by his wife and children pursuant to Section 59(11)(c) of the Act.

\* Excluding a total of 10,000 Treasury Shares held as at LPD pursuant to Section 127 of the Act.

#### (ii) Major Shareholders

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

Name	Direct		Indirect/ Deemed	
	No of shares held	%*	No of shares held	%*
MEB	131,241,043	58.61	-	-
Mac Ngan Boon @ Mac Yin Boon	9,482,913	4.23	131,241,043	58.61

(a) Deemed interested pursuant to Section 8 of the Act by virtue of his substantial interests in MEB.

\* Excluding a total of 10,000 Treasury Shares held as at LPD pursuant to Section 127 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 LPD are as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
<b>Persons connected with Interested Directors and/or Major Shareholders</b>				
Chew Keng Siew <sup>(a)</sup>	711,800	0.32	-	-
Mac Chung Jin <sup>(b)</sup>	677,000	0.30	-	-
Mac Chung Lynn <sup>(c)</sup>	350,000	0.16	-	-

(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 and the brother of Mac Chung Hui*

(c) *Mac Chung Lynn is the daughter of Mac Ngan Boon @ Mac Yin Boon and the sister of Mac Chung Hui*

\* *Excluding a total of 10,000 Treasury Shares held as at LPD pursuant to Section 127 of the Act.*

The Interested Directors namely, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Mazlan bin Abdul Hamid have abstained and will continue to abstain from Board deliberations and voting at the Board meeting, and voting in respect of their direct and/or indirect shareholdings in FFB 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.

## **7. 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.

## **8. 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.



## 9. AGM

The 28th AGM of FFB will be held fully virtual via remote participation and voting at the Broadcast Venue at Favelle Favco Berhad, Lekas Meeting Room, Lot 586, 2<sup>nd</sup> Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia on Thursday, 10 September 2020 at 10.30 a.m. for the purpose of considering, and if thought fit, passing, inter alia, the ordinary resolutions on the Proposed Share Buy-Back and Proposed Shareholders' Mandate as set out in the Notice of AGM. The Notice of the 28th AGM, Proxy Form, Administrative Notes and this Statement/Circular are available online at the Company's Website ([www.favellefavco.com](http://www.favellefavco.com)). Please refer to the Administrative Notes for the procedures to register, participate and vote remotely at the AGM.

If you are unable to attend and vote in person at the 28th AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and deposit the Proxy Form enclosed in the Notice of 28th AGM via email to [AGM-support.FFB@megacorp.com.my](mailto:AGM-support.FFB@megacorp.com.my) or deposit to the Poll Administrator at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia at least forty-eight (48) hours before the time fixed for the 28th AGM or adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending and voting in person at the 28th AGM should you subsequently wish to do so.

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

**TAN SRI A. RAZAK BIN RAMLI**  
Chairman, Senior Independent Non-Executive Director

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**APPENDIX I - FURTHER INFORMATION**

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**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**

As at the LPD, 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**

As at the LPD, FFB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of FFB Group and the Board is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any other proceedings, which might materially and adversely affect the business or financial position of FFB Group.

**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 Monday to Friday (except Public Holidays) during business hours up to the time set for convening the 28th AGM:

- (i) the Constitution of FFB; and
- (ii) the audited consolidated financial statements of FFB for the past two (2) financial years ended 31 December 2018 and 31 December 2019.

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