FAVELLE FAVCO

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

Annual Report 2010

A MEMBER OF MUHIBBAH ENGINEERING (M) BHD

Corporate Information

Board of Directors

Tuan Haji Mohamed Taib bin Ibrahim *(Chairman, Independent Non-Executive Director)*

Tan Sri A. Razak bin Ramli *(Independent Non-Executive Director)*

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor *(Independent Non-Executive Director)*

Mac Ngan Boon @ Mac Yin Boon *(Managing Director)*

Mac Chung Hui *(Deputy Managing Director/Chief Executive Officer)*

Lee Poh Kwee *(Executive Director)*

Mazlan bin Abdul Hamid *(Executive Director)*

Lim Teik Hin *(Non-Independent Non-Executive Director)*

Offshore crane, Singapore,
Pipelay Barge LB-1

Audit Committee
Tuan Haji Mohamed Taib bin Ibrahim *(Chairman)*
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Lim Teik Hin

Company Secretaries
Catherine Mah Suik Ching *(LS 01302)*
Tew Siew Chong *(MIA 20729)*
Lim Suak Guak *(MIA 19689)*

Registered Office
Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia
Tel : (603) 3349 5465
Fax : (603) 3342 9807

Auditors
Crowe Horwath *(Firm No. AF 1018)*
Chartered Accountants
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

Principal Bankers
Ambank (Malaysia) Berhad
EON Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Share Registrar
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Telephone no. : (603) 2264 3883
Facsimile no. : (603) 2282 1886

Investor Relations
Tel : (603) 3349 5444 / 5435
Fax : (603) 3344 6302
E-mail : ir@favellefavco.com.my

Stock Exchange Listing
Main Market of Bursa Malaysia
Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg stock code: FFB MK
Listing date: 15 August 2006

Websites
www.favellefavco.com
E-mail : ffb@favellefavco.com.my

Offshore crane, Malaysia, SK 309/311 - Phase 1 Gas Development

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of Favelle Favco Berhad will be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Peransang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 June 2011 at 2.00 p.m. for the following purposes :-

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. Resolution 1

2. To approve a First and Final Tax-Exempt Dividend of 5.00 sen per ordinary share in respect of the financial year ended 31 December 2010. Resolution 2

3. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association :-

   a) Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor Resolution 3
   b) Mazlan bin Abdul Hamid Resolution 4

4. To consider and, if thought fit, to pass the following resolution :- Resolution 5

   "**THAT** Tuan Haji Mohamed Taib bin Ibrahim, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company in accordance with Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting."

5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions :-

6. **ORDINARY RESOLUTION**
   Proposed Renewal of Share Buy-Back Authority Resolution 7

   "**THAT** subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act, 1965, the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to buy back and/or hold from time to time and at any time such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities ("the Proposed Share Buy-Back") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :-

i. The maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being quoted on Bursa Securities provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandate for share buy-back which was obtained at the Annual General Meeting held on 28 June 2010, the Company shall be entitled to further purchase and/or hold such additional number of shares and shall (in aggregate with the shares then still held by the Company) not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being quoted on Bursa Securities; Resolution 7

ii. The maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of Retained Earnings and the Share Premium Account of the Company based on its latest audited financial statements available up to the date of a transaction pursuant to the Proposed Share Buy-Back (as at 31 December 2010, the audited Retained Earnings and Share Premium Account of the Company were RM11,695,000 and RM2,625,000 respectively); and

iii. The shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with by the Directors in all or any of the following manner :-

a. the shares so purchased may be cancelled; and/or
b. the shares so purchased may be retained in treasury for distribution as dividend to the shareholders and/or resold on the market of Bursa Securities and/or subsequently cancelled; and/or
c. part of the shares so purchased may be retained as treasury shares with the remainder being cancelled.

THAT such authority shall commence upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting but so as not to prejudice the completion of a purchase made before such expiry date;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by all relevant regulatory authorities from time to time and with full powers to do all such acts and things thereafter in accordance with the Companies Act, 1965, the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Securities and all other relevant regulatory authorities."

7. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate") Resolution 8

"**THAT** the Company and/or its subsidiaries be and is/are hereby authorised to enter into recurrent related party transactions from time to time with Related Parties who may be a Director, a major shareholder of the Company and/or its subsidiaries or a person connected with such a Director or a major shareholder, as specified in section 2.1.2 of the Circular to Shareholders dated 6 June 2011 subject to the following :-

i. the transactions are of a revenue or trading in nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are transacted on terms consistent or comparable with market or normal trade practices and/or based on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

ii. disclosure is made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

THAT the mandate given by the shareholders of the Company shall only continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do such acts and things as they may consider expedient or necessary to give full effect to the Proposed Shareholders' Mandate."

8. **SPECIAL RESOLUTION**
Proposed Amendments to the Articles of Association of the Company Resolution 9

<u>**"Article 74 – Right to appoint proxy and right to vote**</u>

THAT the existing Article 74(a) of the Articles of Association of the Company be deleted in its entirety and replaced with the new Article 74(a), which shall read as follows:-

74. (a) A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any General Meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. ***A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.***

THAT the existing Article 74 of the Articles of Association of the Company be amended by inserting the following new Article numbered as Article 74(d) immediately after Article 74(c):- Resolution 9

74. (d) ***If a Member having appointed a proxy/proxies to attend a general meeting attends such meeting in person, the appointment of such proxy/proxies shall be null and void in respect of such meeting and his proxy/proxies shall not be entitled to attend such meeting.***

Article 76 – Instrument to be left at the Company's office

THAT the existing Article 76 of the Articles of Association of the Company be deleted in its entirety and replaced with the new Article 76, which shall read as follows:-

The instrument appointing a proxy shall be left at the Office ***or such other place in Malaysia as is specified for that purpose in the notice convening the meeting,*** *at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the instrument shall be deemed to be invalid and the person so named shall not be entitled to vote in respect thereof.*

Article 77 – Form of proxy

THAT the footnote to the Form of Proxy of the existing Article 77 be amended and shall read as follows :-

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.

The duly completed Form of Proxy must be deposited at the registered office of the Company or such other place in Malaysia as is specified for that purpose in the notice convening the meeting, at least 48 hours before the time set for holding the meeting or adjourned meeting.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised."

9. To transact any other business of which due notice shall have been given.

Notice of Annual General Meeting (cont'd)

Offshore crane, Australia, ESSO Australia

Offshore crane, Netherlands, SEP Pauline

Notes :-

1. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy or more than one proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. The instrument appointing a proxy shall be in writing under the hands of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of its officer or its duly authorised attorney.

3. When a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.

4. The instrument appointing a proxy must be deposited at the Company's registered office at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the Meeting or at any adjournment thereof.

<u>Explanatory notes on Special Business</u>

5. **Resolution 7 on Proposed Renewal of Share Buy-Back Authority**
   For the detailed information on the Proposed Share Buy-Back, shareholders are advised to refer to the Statement to Shareholders dated 6 June 2011 which is circulated together with the Company's Annual Report 2010.

6. **Resolution 8 on Proposed Renewal of Shareholders' Mandate**
   For further information on the Proposed Renewal of Shareholders' Mandate, shareholders are advised to refer to the Circular to Shareholders dated 6 June 2011 which is circulated together with the Company's Annual Report 2010.

7. **Resolution 9 on Proposed Amendments to the Articles of Association**
   The proposed amendments to the Articles of Association of the Company are to further enhance the administration of the Company.

Notice of Dividend Entitlement and Payment Date

Offshore crane, Indonesia, Labroy

Tower crane, Australia, Santa Fe Jack Up

NOTICE IS HEREBY GIVEN THAT a First and Final Tax-Exempt Dividend of 5.00 sen per share in respect of the financial year ended 31 December 2010, if approved by the shareholders at the forthcoming Nineteenth Annual General Meeting, will be paid on 3 August 2011 to Depositors whose names appear in the Record of Depositors at the close of business on 15 July 2011.

A Depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 15 July 2011 in respect of ordinary transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

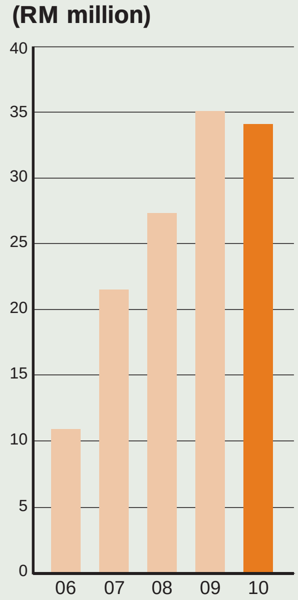
BY ORDER OF THE BOARD

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

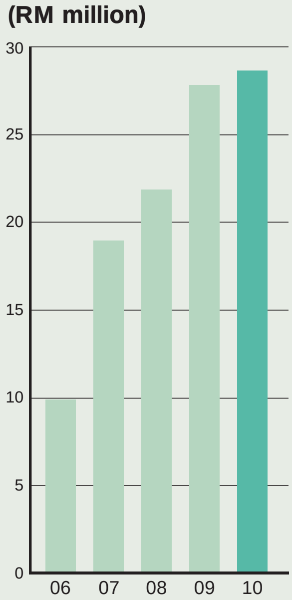
Selangor Darul Ehsan
6 June 2011

Group Financial Highlights

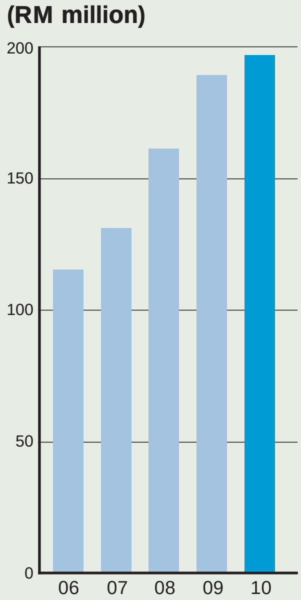
	2006	2007	2008	2009	2010
Turnover (RM'000)	357,956	453,896	581,125	534,747	**385,468**
Profit Before Tax (RM'000)	10,946	21,562	27,382	35,102	**34,163**
Profit After Tax Attributable to Shareholders of the Company (RM'000)	9,868	18,935	21,824	27,783	**28,608**
Shareholders' Fund (RM'000)	115,123	130,921	161,127	189,879	**195,608**
Share Capital (RM'000)	84,000	85,178	85,514	86,175	**88,568**
Basic Earnings Per Ordinary Share (Sen)	7.31	11.22	12.79	16.20	**16.36**
Net Assets Per Ordinary Share (RM)	0.69	0.77	0.94	1.10	**1.10**



Profit Before Tax



Profit After Tax Attributable to Shareholders of the Company



Shareholders' Fund

Net Assets Per Ordinary Share

Group Structure as at 29 April 2011

FAVELLE FAVCO BERHAD

- **100%** — **FAVELLE FAVCO CRANES (M) SDN. BHD.** (MALAYSIA)
- **100%** — **FAVELLE FAVCO CRANES (USA), INC.** (USA)
- **100%** — **FAVELLE FAVCO CRANES PTE. LTD.** (SINGAPORE)
- **100%** — **FAVELLE FAVCO CRANES PTY. LIMITED** (AUSTRALIA)
- **100%** — **KRØLL CRANES A/S** (DENMARK)
- **100%** — **FES EQUIPMENT SERVICES SDN. BHD.** FORMERLY KNOWN AS FAVELLE FAVCO EQUIPMENT SERVICES SDN. BHD. (MALAYSIA)
- **100%** — **FAVELLE FAVCO WINCHES PTE. LTD.** (SINGAPORE)
- **49%** — **FAVELLE FAVCO MACHINERY AND EQUIPMENT L.L.C.** (ABU DHABI, UAE)
- **30%** — **FAVCO OFFSHORES SDN. BHD.** (MALAYSIA)
- **50%** — **FAVCO EQUIPMENT (SHANGHAI) CO., LTD** (CHINA)

** Dormant companies are excluded from the above Group Structure*

Chairman's Statement

"On behalf of the Board of Directors of Favelle Favco Berhad ("FFB"), I am pleased to present the Annual Report and the audited financial statements of FFB and its subsidiary companies ("Favelle Favco Group" or "Group") for the financial year ended 31 December 2010."

Mohamed Taib Bin Ibrahim
(Chairman, Independent Non-Executive Director)

Offshore crane, Vietnam, WHP

Financial Performance

For the financial year under review, the Group posted a total revenue of RM385 million with a profit after taxation of RM28.6 million. This represents a 28% decrease in revenue and a 2.9% increase in profit after taxation as compared to the previous financial year. The improvement in profit after taxation is contributed by an improvement in margin and improved operational efficiencies in the Group's operations.

Dividend

The Board of Directors is recommending a first and final tax exempt dividend of 5 sen per share subject to the approval of the shareholders at the forthcoming Annual General Meeting. The total dividend will amount to RM8.856 million.

Industry and Market review

2010 started with a short burst of orders but for the most part, ended up as a quiet year. Order intake continued to stay low during the year. The oil & gas industry was slow. Construction globally was also slow.

However, the tail end of 2010 saw an uptick in orders mainly from the oil & gas industry. Higher oil prices and the Gulf of Mexico oil spill have caused the industry to rethink the ageing and productivity of their equipment, and subsequently invest in newer equipment.

Operations review

Despite the slowdown and reduction in sales, we managed to maintain our profitability. Operationally, we kept mindful of the slow industry and scaled our operations according to market demand. We closely monitored and used up existing inventory, managed our cash as well as our bank borrowings carefully.

Additionally, we established a joint venture for tower crane rentals business in China with our long-standing partner there. The China market remains a large market and is increasingly moving towards crane rentals. Together, we are confident of winning a larger share of this market.

This year, our move to improve our after-sales market produced promising results. We have recently won several maintenance contracts and have also added offshore crane rentals to our product offering.

Furthermore, we acquired a winch manufacturing company in March 2011. The Company is in the business of manufacturing custom designed winches like mooring winches and anchor handling winches. We welcome the new staff and are confident that this new product offering will complement our product range.

Outlook

Towards the end of 2010, Favelle Favco picked up a number of orders. Additionally, 2011 looks more promising as the industry has started planning for 2012 and beyond. This planning activity reflects that at least the recovery is sustainable.

Most of the industry players are expecting a recovery of sorts and we concur with them. Our existing order book of RM543 million takes us through to mid-2012.

Meanwhile, the Favelle Favco balance sheet remains strong and we shall continue to keep an eye out for further acquisitions.

Chairman's Statement (cont'd)


Tower crane, China, Guangzhou International Finance Center

Corporate Social Responsibility

Our main aim continues to be skills development and to this end we continue to invest in new entrants to the industry and supporting apprenticeship and trainee placement programs. Some of the other activities conducted include a beach clean up program in Malaysia whereby approximately 100 of our staff were involved in cleaning up Morib beach.

Corporate Governance

In compliance with the principles and best practices as set out in the Code of Corporate Governance, a Statement on Internal Control has been included in this Annual Report in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is committed to ensure that a high level of corporate governance is adopted and practised by the Favelle Favco Group.

Acknowledgement And Appreciation

The Board of Directors of Favelle Favco Group would like to thank the valued management team and employees of the Group for their continuous work commitment, perseverance and on-going dedication and effort, all of which have enabled the Group to achieve a successful year. We will require greater teamwork in the near future and I'm confident the team will rally to this cause.

A special word of appreciation should be mentioned to all our esteemed clients, business associates, suppliers, sub-contractors and the regulatory authorities whose support has been important to the Group.

We would also like to express our appreciation to the bankers and shareholders for their unwavering support extended to the Group.

Finally, my special thanks also to my colleagues on the Board of Favelle Favco Group for their invaluable support and guidance.

Mohamed Taib bin Ibrahim
Chairman

Profile of Directors

Tower crane, United Kingdom, Brookfield Contruction


Tower crane, Malaysia, Grand Hyatt

Tuan Haji Mohamed Taib bin Ibrahim

Aged 86, Malaysian *(Chairman, Independent Non-Executive Director)*

Member of the Audit Committee, Remuneration Committee and Nomination Committee

Tuan Haji Mohamed Taib bin Ibrahim was appointed as a Director of FFB on 15 September 1995. On 10 May 2004, he was appointed as the Independent Non-Executive Chairman and Chairman of the Audit Committee. He is the co-founder of Muhibbah Engineering (M) Bhd ("MEB"), the ultimate holding company and has been an Independent Non-Executive Director of MEB since its inception on 4 September 1972. He was later appointed as Chairman of MEB on 22 May 1973. He obtained the Senior Cambridge Certificate of Education in 1941. In 1967, he helped set up Federal Flour Mills Berhad. His last position in Federal Flour Mills Berhad was Alternate Director. He left Federal Flour Mills Berhad and ventured into the marine industry in 1969 when he was appointed the first Company Secretary of Malaysian International Shipping Corporation. In 1977, he was nominated to lead Johor-based Malaysian Shipyard and Engineering Berhad as the Company's President and Chief Executive Officer, a position which he relinquished in 1988. He was also the Chairman of Kuantan Flour Mills Berhad in 1984.

Tan Sri A. Razak bin Ramli

Aged 62, Malaysian *(Independent Non-Executive Director)*

Member of the Audit Committee, Remuneration Committee and Nomination Committee

Tan Sri A. Razak bin Ramli was appointed as an Independent Non-Executive Director of FFB on 1 November 2004. He joined the Malaysian Civil Service in 1972 and has served in the Prime Minister's Department, the Public Services Department and the Economic Planning Unit before being seconded to the private sector for a year in 1984. He joined MITI in 1985 where he rose to the post of Secretary-General on 19 January 2001. Tan Sri A. Razak bin Ramli retired from the Malaysian Civil Service on 24 October 2004. He obtained a Bachelor of Arts (Honours) Degree majoring in Public Administration from the University of Tasmania in 1971. He also holds a Diploma (Gestion Publique) from the Institut Internationale d'Administration Publique, Paris (1980). He currently holds various positions in other public-listed companies such as Chairman, Shangri-La Hotels (Malaysia) Berhad, Chairman, Transmile Group Berhad, Director of Lafarge Malayan Cement Berhad and Director of Ann Joo Resources Berhad.

Profile of Directors (cont'd)

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor

Aged 67, Malaysian *(Independent Non-Executive Director)*

Member of the Audit Committee

Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor was appointed as an Independent Non-Executive Director on 5 May 2004 and member of the Audit Committee of FFB on 10 May 2004. He is also the Independent Non-Executive Director of MEB, a position he has assumed since 19 April 2001. On 27 December 2001, he was appointed as a member of the Audit Committee of MEB, and the Senior Independent Non-Executive Director of MEB in accordance with the Malaysian Code of Corporate Governance. He was further appointed as a member of the Nomination and Remuneration Committees of MEB on 21 February 2002. He retired as the Chief of the Royal Malaysian Navy in January 1999. During his 35 years of service in the Navy, he received numerous awards, both local and international. He holds a Master in Public Administration degree from Harvard University, USA. He is a director of several private limited companies and is also a director of Affin Bank Berhad, Affin Islamic Bank Bhd and Boustead Heavy Industries Corporation Berhad.

Mac Ngan Boon @ Mac Yin Boon

Aged 67, Malaysian *(Managing Director)*

Member of the Remuneration Committee and Nomination Committee

Mac Ngan Boon was appointed as the Managing Director of FFB on 23 March 1993. He is the co-founder of MEB and has been its Managing Director since its inception on 4 September 1972. Mac Ngan Boon obtained a Bachelor of Engineering (Civil) degree from the University of Western Australia in 1967. He is a professional engineer and a member of the Institute of Engineers Malaysia. He has been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998. Mac Ngan Boon has been playing the leading role in the business expansion and strategic growth of the FFB Group since its acquisition by MEB in 1995. He is also the representative of MEB on the Board of Directors of FFB.

Mac Chung Hui

Aged 33, Malaysian *(Deputy Managing Director/Chief Executive Officer)*

Mac Chung Hui was appointed as the Deputy Managing Director of the FFB Group on 5 May 2004. He was also appointed as the Chief Executive Officer of FFB in 2004. He holds a Bachelor of Civil Engineering degree from the University of Nottingham, United Kingdom. He joined FFB as Supervisory Board Member in 1999 and was responsible in assisting the Managing Director in the execution of operational decisions of the FFB Group. He has also been overseeing the production and operation of Favelle Favco Cranes Pty Limited ("FFA") and Favelle Favco Cranes (M) Sdn Bhd ("FFM") over the past ten (10) years.

Lee Poh Kwee

Aged 46, Malaysian *(Executive Director)*

Lee Poh Kwee was appointed to the Board of FFB on 24 January 2003 as Executive Director. She is a qualified Chartered Accountant with the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. She is also a Certified Financial Planner of Financial Planning Association of Malaysia. Prior to joining MEB as Group Financial Controller in 1993, she was attached to an international accounting firm, KPMG Malaysia, for 4 years. She was involved in the listing exercise of MEB on the Main Board of the Bursa Securities in 1994.

She is currently the Chief Financial Officer of MEB and Finance Director of major subsidiaries of the MEB Group. She was involved in the acquisition of the business and assets of the FFB Group in 1995, and subsequently, financial planning and management of the FFB Group over the past sixteen (16) years.

Mazlan bin Abdul Hamid

Aged 48, Malaysian *(Executive Director)*

Mazlan bin Abdul Hamid was appointed as Executive Director of FFB on 17 May 2004 and heads the Marketing & Business Development of the FFB Group. He is also a Director of FFM, Favco Offshores Sdn Bhd and Muhibbah Marine Engineering Sdn Bhd, a subsidiary of MEB. He obtained a Diploma in Engineering from the University of Mara Technology in 1984 and attended an Advanced Metallurgy course in the United Kingdom in 1985. In the same year, he started his career as a project coordinator in DNT (M) Sdn Bhd. He then joined SCS Petrotechnical (M) Sdn Bhd on a contract basis, and thereafter, Bureau Veritas (M) Sdn Bhd as Surveyor and Marketing Manager. He joined FFM in 1996 as the Sales & Marketing General Manager. He played a key role in penetrating the cranes manufacturing market in the Asia Pacific region.

Lim Teik Hin

Aged 70, Malaysian *(Non-Independent Non-Executive Director)*

Member of the Audit Committee

Lim Teik Hin was appointed as a Non-Independent Non-Executive Director and member of the Audit Committee of FFB on 24 November 2008. He is a member of the Malaysian Institute of Certified Public Accountants, a member of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants. He graduated with an Accountancy Degree from Perth Technical College in 1966. He started his career with an accounting firm in Australia (L.A. Walker & Sons) and subsequently worked with KPMG in Malaysia. He then joined Federal Aluminium (M) Bhd as Operations Manager. His last held position was Senior Manager in MEB before he was appointed as a Non-Independent Non-Executive Director and member of the Audit Committee of MEB.

Other Information

Additional Information on Directors

1. **Family Relationship with any Director and/or major shareholder of Favelle Favco Berhad**

   None of the Directors have any relationship with each other and/or major shareholders of Favelle Favco Berhad except for Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Lim Teik Hin. Mac Ngan Boon @ Mac Yin Boon is the Managing Director and major shareholder of Favelle Favco Berhad (indirectly via MEB) and is also the father of Mac Chung Hui, the Deputy Managing Director/ Chief Executive Officer of Favelle Favco Berhad. Lim Teik Hin is the brother-in-law of Mac Ngan Boon @ Mac Yin Boon.

2. **Conflict of interest**

   None of the Directors have any conflict of interest with the Company.

3. **Convictions for Offences within the past 10 years, other than traffic offences**

   None of the Directors have been convicted for offences.

Additional Compliance Information

1. **Utilisation of Proceeds from Corporate Proposals**

   There were no proceeds raised from corporate proposals during the financial year.

2. **Share Buy-Backs**

   The Company did not buy back any ordinary shares of RM0.50 each of its own shares from the open market of Bursa Malaysia Securities Berhad during the financial year ended 31 December 2010.

3. **Options, Warrants or Convertible Securities**

   Details of the exercise of employees’ share options of the Company are disclosed from pages 37 to 38 of this Annual Report.

   Other than the exercise of employees’ share options as mentioned above, the Company did not issue any warrants or convertible securities during the financial year.

4. **American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programmes**

   The Company did not sponsor any ADR or GDR programme during the financial year.

5. Imposition of Sanctions and/or Penalties

During the financial year under review, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body.

6. Non-Audit Fees

During the financial year, there were no non-audit fees paid to the external auditors.

7. Variation in Results

There were no significant variations between the audited results for the financial year ended 31 December 2010 and the unaudited results previously announced.

8. Profit Estimate, Forecast or Projection

There was no profit estimate, forecast or projection announced by the Company and its subsidiary companies during the financial year ended 31 December 2010.

9. Profit Guarantee

There was no profit guarantee given/ received by the Company during the financial year.

10. Material Contracts

Save for the recurrent related party transactions disclosed below, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2010 or entered into since the end of the previous financial year ended 31 December 2009.

11. Revaluation Policy on Landed Properties

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

12. Recurrent Related Party Transactions

At the Annual General Meeting held on 28 June 2010, the Company had obtained a shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 4 June 2010.

In accordance with Section 3.1.5 of Practice Note No. 12/2001 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2010 pursuant to the shareholders' mandate are disclosed as follows :-

Other Information (cont'd)

12. **Recurrent Related Party Transactions (cont'd)**

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2010 RM'000
FFB Group and MEB Group	MEB, Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, and Mazlan bin Abdul Hamid	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	4,164
		Sales and rental of cranes and parts, and the provision of crane maintenance and services by FFB Group to MEB Group	462
		Rental of barges by FO from MEB and its related maintenance cost and sale of spare parts from MEB to FO	-
		# 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	640
		# 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	240
		# 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.	-
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	96

12. **Recurrent Related Party Transactions (cont'd)**

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2010 RM'000
FFB Group and MEB Group	MEB, Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, and Mazlan bin Abdul Hamid	[#] 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 MEB Group to FFB Group. *The total rental of land would increase from 140,000 square metres to 300,000 square metres.	1,370
FFB Group and FO	Mac Ngan Boon @ Mac Yin Boon and Mazlan bin Abdul Hamid	Rental of waterbags for load testing of cranes by FFB Group to FO Sale of crane parts and provision of crane maintenance and services by FFB Group to FO Rental of barges and its related maintenance cost and sale of spare parts by FFB Group to FO	2,336
		Provision of crane maintenance and services and sale of crane parts by FO to FFB Group	-

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

Abbreviations

"FFB"	:	Favelle Favco Berhad
"MEB"	:	Muhibbah Engineering (M) Bhd
"FFB Group"	:	FFB, its subsidiaries and associated companies
"MEB Group"	:	MEB, its subsidiaries and associated companies
"FFM"	:	Favelle Favco Cranes (M) Sdn Bhd, a wholly-owned subsidiary of FFB
"FO"	:	Favco Offshores Sdn Bhd, an associated company of FFB

Statement on Corporate Governance

INTRODUCTION

The Board of Directors ("the Board") is committed towards ensuring that the highest standards of Corporate Governance are observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

BOARD OF DIRECTORS

Composition and Balance
An experienced Board consisting of members with a wide range of business, technical, financial and public service backgrounds, lead and control the Group. This brings insightful depth and diversity to the acute leadership and management of an eminent and evolutionary engineering business.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of eight (8) members, comprising three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Executive Directors. The Company had thus complied with Paragraph 15.02 of the main market Listing Requirements of Bursa Malaysia Securities Berhad which requires that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is higher, to be independent.

The Board believes that the current composition is appropriate given the nature of business and scale of operations of the Group. Profiles of the Directors are presented from pages 13 to 15 of this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge of and experience in other business sectors.

The roles of the Chairman and Managing Director are separated with a clear division of responsibilities between them to ensure balance of power and authority. The Chairman leads the strategic planning at the Board level, while the Managing Director is responsible for the implementation of the policies laid down and executive decision making. The current Chairman has never held the post of Managing Director of the Company.

The Independent Non-Executive Directors are of the calibre necessary to provide independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The Board has identified Tan Sri A. Razak bin Ramli as the Independent Non-Executive Director to whom concerns of the Group may be conveyed.

Board Meetings
Board meetings are held at regular intervals with additional meetings taking place when necessary. During the year, the Board met four (4) times to review the Group's operations, review and approve the quarterly financial results and year-end financial statements and other matters requiring the Board's approval. The Company Secretary records all the deliberations, including pertinent issues, the substance of inquiries and responses, Board members' suggestions and the decisions made, in the minutes of the Board meetings. Details of the attendance of the Directors are as follows:

Names of Directors	Attendance at Meetings in 2010
Tuan Haji Mohamed Taib bin Ibrahim	4/4
Tan Sri A. Razak bin Ramli	3/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor.	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Mac Chung Hui	4/4
Lee Poh Kwee	4/4
Mazlan bin Abdul Hamid	4/4
Lim Teik Hin	4/4

Supply of Information

Due notice is given to the Directors prior to each Board meeting. Each Director is provided with the agenda and a full set of Board papers providing details on operational, financial, safety and corporate developments prior to each Board meeting with the aim of enabling the Directors to make well-informed decisions at the Board meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretary is available at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures and all applicable rules and regulations are complied with. The Articles of Association of the Company permit the removal of Company Secretary by the Board of Directors as a whole.

In addition, the Directors have authority to access all information within the Group in furtherance of their duties and they are also empowered to seek external independent professional advice at the Company's expense, to enable them to make well-informed decisions.

Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined terms of reference. The final decision on all matters, however, lies with the entire Board.

(i) Audit Committee

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of the Group. This includes reviewing the quarterly financial results and year-end financial statements to be disclosed, the scope of works and management letter of the external and internal auditors.

The Audit Committee members consist of all Non-Executive Directors, with a majority being Independent Directors. Tuan Haji Mohamed Taib bin Ibrahim, an Independent Non-Executive Director, is the Chairman of the Audit Committee.

The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role and activities of the Audit Committee is presented on pages 26 to 30 of this Annual Report.

Statement on Corporate Governance (cont'd)

(ii) Nomination Committee

The present members of the Nomination Committee are as follows:

Names of Committee Members	Designation
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Tan Sri A. Razak bin Ramli	Member *(Independent Non-Executive Director)*
Mac Ngan Boon @ Mac Yin Boon	Member *(Managing Director)*

The Nomination Committee met once during the financial year. In accordance with its terms of reference, the Nomination Committee reviewed the Board structure on the designation, roles and responsibilities of the individual Directors of the Company to ensure that the Board has the required mix of skills, experience and other core competencies. All assessments or evaluations carried out by the Nomination Committee are properly documented. The Nomination Committee also reviewed the existing balance, size and composition of the Board of Directors, and recommended appointments of new Directors to the Board. The Nomination Committee recommended to the Board on the Directors who were due for retirement by rotation at the forthcoming Annual General Meeting.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	Designation
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Tan Sri A. Razak bin Ramli	Member *(Independent Non-Executive Director)*
Mac Ngan Boon @ Mac Yin Boon	Member *(Managing Director)*

The Remuneration Committee met once during the financial year. In accordance with its terms of reference, the Remuneration Committee reviewed the remuneration packages and benefits of the Executive Directors to ensure the Company is able to attract high calibre executives to run the Company successfully. Directors do not participate in decisions on their own remuneration. At the same time, the Non-Executive Directors' fees were also reviewed and recommended for the Board's approval. The individual Non-Executive Directors concerned had abstained from discussion of their own remuneration packages.

Appointments and Re-election
In accordance with the Company's Articles of Association, one third of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office once at least every three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders in the Annual General Meeting.

Directors who are over 70 years of age are required to submit themselves for re-appointment and re-election annually in accordance with Section 129(2) and Section 129(6) of the Companies Act, 1965.

Directors' Training
All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursa Malaysia Securities Berhad within the stipulated time frame under the Listing Requirements.

Regular continuing training programmes, courses and seminars are organised for the Directors to help them keep abreast of latest developments in the industry and advances in Corporate Governance.

During the financial year, all Directors have participated in numerous seminars and training programmes on topics relevant to the enhancement of their roles and responsibilities as Directors of the Company. The seminars and training programmes attended includes topics relating to corporate planning, financial, taxation, leadership management, risk management and corporate governance.

It is the practice of the Group, whereby, following the appointment of new Directors to the Board, an induction programme is arranged to facilitate their understanding of the nature of the business, current issues within the Company, the corporate strategy, the expectations of the Company concerning input from Directors, the general responsibilities of Directors, operations of the Group as well as the products and services offered by the Group.

DIRECTORS' REMUNERATION

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	192,000	204,000	396,000
Remuneration	925,984	43,080	969,064
	1,117,984	247,080	1,365,064

The number of Directors in each remuneration band for the financial year 2010 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM50,001 to RM100,000	-	4	4
RM100,001 to RM150,000	1	-	1
RM150,001 to RM200,000	1	-	1
RM350,001 to RM400,000	2	-	2
	4	4	8

Statement on Corporate Governance (cont'd)

SHAREHOLDERS

Investors and Shareholders Relationship
The Board recognises the importance of maintaining effective communication with its investors and shareholders.

The Group communicates with its investors and shareholders regularly through release of quarterly financial results, announcements and press releases which provide an overview of the Group's performance and operations.

The Group is involved in investor relations through investors briefing with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investor briefing.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Malaysia Securities Berhad, the Group maintains a website (www.favellefavco.com) that allows all shareholders to gain access to information, business activities and recent developments of the Group and for feedback.

Annual General Meeting
The Annual General Meeting is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting and Statement of Directors' Responsibility
The Directors are responsible to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

The Board is responsible for ensuring that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of operations, changes in equity and cash flows of the Group and the Company for the financial year.

In preparation of the financial statements, the Board has ensured that:

i) suitable accounting policies have been adopted and applied consistently;

ii) judgements and statements made are reasonable and prudent; and

iii) financial statements have been prepared on a going-concern basis.

The Audit Committee assists the Board by overseeing that financial reporting reflects the substance of the business and transactions apart from being compliant with relevant standards and legislation.

The Board is responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure the financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

Statement on Corporate Governance (cont'd)

Offshore crane, Malaysia, Puteri Cakerawala Carigali HESS

Relationship with the Auditors

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views on issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of executive board members and management, at least twice a year.

Risk Management Framework and Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls and reviewing its effectiveness regularly via the Group Internal Audit Department of MEB, the ultimate holding company, which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group.

A Statement on Internal Control outlining the internal controls within the Group is presented on pages 31 and 32 of this Annual Report.

Recurring Related Party Transactions

The Board, through the Audit Committee, reviews all recurring related party transactions.

All recurring related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurring related party transactions.

Compliance Statement

The Company has applied the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance to the extent as set out above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 12 May 2011.

Audit Committee Report

Membership and Meetings

Details of the membership of the Audit Committee and the attendance of meetings in respect of the current financial year are as follows:

Names of Committee Members	Designation	Attendance at Meetings in 2010
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*	4/4
Tan Sri A. Razak bin Ramli	Member *(Independent Non-Executive Director)*	2/4
Vice Admiral Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor. (Rtd)	Member *(Independent Non-Executive Director)*	4/4
Lim Teik Hin	Member *(Non-Independent and Non-Executive Director)*	4/4

The Audit Committee comprises of all Non-Executive Directors, with a majority being Independent Directors. Mr. Lim Teik Hin is a member of the Malaysian Institute of Accountants and CPA Australia.

The Audit Committee held four (4) meetings during the financial year ended 31 December 2010. The Group's Financial Controller and the Group's Internal Audit Manager attended all meetings. Other Board members attended some of the meetings upon invitation by the Chairman of the Committee. The Group's external auditors attended two (2) meetings during the year.

The Chairman of the Audit Committee undertakes a continuing process of engagement with the senior executives of the Company as well as the external auditors so that the Audit Committee is kept up-to-date with all important issues affecting the Company.

During the year, the Audit Committee members have attended conferences, seminars and training programmes which are relevant to their roles and responsibilities.

Summary of Activities

During the year, the Audit Committee carried out its duties as set out in the terms of reference. These include:

(i) reviewing the quarterly financial results and year-end financial statements before submission to the Board of Directors for consideration and approval for announcement to Bursa Malaysia Securities Berhad.

(ii) reviewing with external auditors the general approach and overall scope of works required for the annual audit.

Summary of Activities (cont'd)

(iii) reviewing the adequacy and relevance of the scope of work and functions of the external auditors and making recommendations to the Board on the appointment of the external auditors and the determination of the audit fees.

(iv) reviewing with the Internal Audit Department the adequacy and relevance of the scope, function and risk based on audit plan and results of the internal audit processes.

(v) reviewing and discussing on issues and recommendations presented in the internal audit reports and thereafter considering whether or not appropriate corrective actions had been taken in addressing and resolving the issues on a timely basis.

(vi) verifying the allocation of the Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with criteria set out in the ESOS Bye-Laws of the Company.

Internal Audit Function

The internal audit function was carried out by the Group Internal Audit Department of MEB, the ultimate holding company. The Group Internal Audit Department, which reports directly to the Audit Committee, carries out its duties impartially and independently of the activities reviewed to provide reasonable assurance that the system of internal controls continues to operate satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology, which is aligned to the operational and financial activities that are significant to the overall performance of the Group.

The activities carried out by the Group Internal Audit Department include, among others, the review of systems of internal controls for effectiveness and efficiency, compliance with established policies, procedures and guidelines, and assessing of the Group's Corporate Governance practices and compliances rules. The total cost incurred for the internal audit function in respect of the financial year amounted to approximately RM6,000.

In addition, the Group has implemented a structured risk assessment and management framework of its operations. The implementation of this framework and monitoring process also forms the basis for continually improving the risk management process in the context of the Group's overall objectives. The Group Internal Audit Department is continuously facilitating the exercise for all the business units within the Group and advising the Risk Management Committee on the internal controls to better manage the risks identified.

Terms Of Reference

Objectives
The principal objective of the Audit Committee is to assist the Board of Directors in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of Favelle Favco Berhad and its subsidiaries.

In addition, the Audit Committee shall:
- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information provided by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the adequacy of the Company's internal control system.

Audit Committee Report (cont'd)

Membership
The Board shall appoint the Audit Committee comprising at least three (3) directors, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman of the Committee, who is an Independent Director, shall be appointed by members of the Audit Committee. No alternate Director can be a member of the Audit Committee.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or have similar qualifications as prescribed in Part I or Part II of the 1st Schedule of the Accountants Act, 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to fill the vacancy.

Attendance at meetings
The Audit Committee shall hold at least four (4) regular meetings per year and such additional meeting as the Chairman shall decide in order to fulfil its duties.

The quorum for each meeting shall be two (2) members where a majority of the members present must be Independent Directors.

The Company Secretary shall act as Secretary of the Audit Committee.

The Audit Committee may invite any person to be in attendance at any particular Audit Committee meeting to assist it in its deliberations.

Authority
The Audit Committee is authorised by the Board, in accordance with the procedures determined by the Board and at the cost to the Company, to:
- investigate any matter within its terms of reference;
- have adequate resources required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- obtain independent professional or other advice; and
- convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, wherever deemed necessary.

Duties and responsibilities
The Audit Committee shall undertake the following duties and responsibilities:

1. To review the following and report the same to the Board of Directors:

    - with the external auditors, the audit plan, their evaluation of the system of internal controls and the audit reports on the financial statements.

    - the assistance given by the employees to the external auditors.

Duties and responsibilities (cont'd)

1. To review the following and report the same to the Board of Directors: (cont'd)

    - the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
    - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
    - the quarterly results and year-end financial statements before submission to the Board of Directors for approval, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements.
    - any related party transactions and conflict of interest situations that may arise within the Group or Company including any transaction, procedure or course of conduct that raises questions of management integrity.
    - the appointment of the external auditors and audit fees, and any questions of resignation or dismissal.

2. To recommend the nomination of a person or persons as External Auditor(s).

3. To ensure that the Audit Committee Report is prepared at the end of each financial year for inclusion in the Annual Report of the Company. The Audit Committee Report shall comprise:

    - the composition of the Audit Committee, including the names, designations (indicating the Chairman) and directorships of the members (indicating whether the Directors are independent or otherwise).
    - the terms of reference of the Audit Committee.
    - the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
    - a summary of the activities of the Audit Committee in the discharge of functions and duties for that financial year of the Company.
    - a summary of the activities of the internal audit function or activity.

4. To verify, on a yearly basis, the allocation of options under a share option scheme for employees to ensure compliance with the allocation criteria determined by the Company's share option committee and in accordance with the by-laws of the relevant option scheme.

5. To promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board of Directors which have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.

Audit Committee Report (cont'd)


Offshore crane, Korea, 300 men Accomodation Barge


Offshore crane, India, Lakshim Project

Proceedings of the Audit Committee

Calling of meetings
The members may meet together for the despatch of business, adjourn and otherwise regulate their meetings. The Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

Notice of meeting
Notice of a meeting of the Audit Committee shall be given to all the members in writing via facsimile, hand delivery or by courier service. Unless otherwise determined by the Audit Committee from time to time, seven (7) days' notice shall be given, except in the case of an emergency where shorter notice may be given.

Voting at and proceeding of meetings
The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

Keeping of minutes
The members shall cause minutes to be made of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Custody, production and inspection of minutes
The minutes of meetings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be opened to the inspection of any member of the Committee or any member of the Board of Directors.

Review of Audit Committee

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Statement on Internal Control


Offshore crane, Malaysia, Cakerawala Gas Field

The Board acknowledges its responsibility for maintaining a system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. The system of internal control covers not only financial controls but operational and compliance controls and risk management.

The key processes of the Group's internal control system include the following:

- Documented delegation of authority limits have been established for all aspects of the businesses. These delegations of responsibilities and authority limits are subject to review when deemed necessary;

- Policies, objectives, quality procedures and environmental procedures for key business processes are formalised and documented in quality and environmental manuals. The Corporate Environment & Quality Assurance Department conducts half-yearly Internal Quality Audits and Internal Environmental Audits and checks that operational processes are in accordance with the ISO 9001 : 2000 Quality Management System and ISO 14001 : 2004 Environmental Management System respectively;

- The Internal Audit Department provides the Audit Committee with reviews of processes, risk exposures (through Enterprise Risk Management) and system of internal controls of the Group. The Internal Audit Department carried out audits based on audit plans approved by the Audit Committee;

- Subsequent follow-up reviews on recommendations and outstanding issues are conducted by the Internal Audit Department and reported to the Audit Committee to ensure that recommendations have been implemented and issues resolved accordingly;

- The preparation and submission of monthly management accounts and other information (i.e. financial performance) to management for review, monitoring and reporting purposes;

- The issuance of a Risk Management Policies and Procedures Manual which outlines the risk management framework for the Group offers practical guidance to all employees on risk management guidelines and processes;

Statement on Internal Control (cont'd)

- Submission of risk management reports to the Risk Management Units for reporting to the Group Risk Management Committee; and

- A consolidated risk profile of the Group together with a summary of key risks and actions to mitigate these risks is discussed in the Risk Management Committee meetings before being submitted to the Board for consideration.

The Board is continuing its ongoing process of identifying, assessing and managing key business, operational and financial risks faced by its business units. The Group is progressively developing risk management practices in significant subsidiaries.

The Board has overall responsibility for the Group's system of internal control, which aims to:

- safeguard shareholders' investments and the Group's assets;
- ensure that proper accounting records are maintained; and
- ensure that the financial information used within the business and for publication is reliable.

The internal control system is also designed to provide reasonable assurance of the effective operations of the Group. The internal control system also takes into consideration compliance with applicable laws and regulations. It is recognised, however, that any system of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's system of internal control. The Board is of the view that there were no significant breakdown or weakness in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2010. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

Offshore crane, Malaysia, Cakerawala Gas Field

Financial Statements

Directors' Report
for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

Principal activities

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

Results

	Group RM'000	Company RM'000
Profit for the year	28,608	9,794
	=====	====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 4.00 sen per ordinary share totalling RM7,073,841 in respect of the year ended 31 December 2009 on 28 July 2010.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the year ended 31 December 2010 is 5.00 sen per ordinary share totalling RM8,856,301.

Directors of the Company

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

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

Directors' interests

The interests and deemed interest in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Interests in the Company				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	2,845,671	-	-	2,845,671
- Spouse and Child	106,500	-	-	106,500
Tan Sri A. Razak bin Ramli				
- Own	300,000	-	-	300,000
- Child	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Mac Ngan Boon @ Mac Yin Boon				
- Own	7,392,913	800,000	-	8,192,913
- Spouse and Child	1,677,800	-	-	1,677,800
Mac Chung Hui	1,412,000	600,000	-	2,012,000
Lee Poh Kwee	185,000	900,000	-	1,085,000
Mazlan bin Abdul Hamid	1,415,000	700,000	-	2,115,000
Lim Teik Hin	100,000	-	-	100,000

	Number of ordinary shares of RM0.50 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	98,000,000	-	-	98,000,000

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

Directors' Report
for the year ended 31 December 2010 (cont'd)

Directors' interests (cont'd)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Interests in the ultimate holding company				
- Muhibbah Engineering (M) Bhd.				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	7,543,392	-	-	7,543,392
- Spouse and Children	96,250	-	-	96,250
Mac Ngan Boon @ Mac Yin Boon				
- Own	68,808,916	-	-	68,808,916
- Spouse and Children	18,782,500	70,000	-	18,852,500
Mac Chung Hui	5,155,000	-	-	5,155,000
Lee Poh Kwee	3,196,272	-	-	3,196,272
Mazlan bin Abdul Hamid	110,000	-	-	110,000
Lim Teik Hin				
- Spouse	50,000	-	-	50,000

The options granted to eligible Directors over unissued ordinary shares in the Company and the ultimate holding company pursuant to the Company's and the ultimate holding company's Employees' Share Option Schemes ("ESOS") are set out below:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2010	Granted	Exercised	At 31.12.2010
Company				
Mac Ngan Boon @ Mac Yin Boon	800,000	-	(800,000)	-
Mac Chung Hui	600,000	-	(600,000)	-
Lee Poh Kwee	900,000	-	(900,000)	-
Mazlan bin Abdul Hamid	700,000	-	(700,000)	-

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2010	Granted	Exercised	At 31.12.2010
Ultimate holding company				
- Muhibbah Engineering (M) Bhd.				
Mac Ngan Boon @ Mac Yin Boon	1,832,500	-	-	1,832,500
Mac Chung Hui	250,000	-	-	250,000
Lee Poh Kwee	2,000,000	-	-	2,000,000
Mazlan bin Abdul Hamid	250,000	-	-	250,000

Directors' interests (cont'd)

By virtue of their interests in the shares of the Company, the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Favelle Favco Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Issue of shares

During the financial year, the Company issued 4,738,000, 13,000 and 36,000 new ordinary shares of RM0.50 each at par for cash arising from the exercise of employees' share options at the exercise price of RM0.55, RM0.86 and RM0.75 per ordinary share respectively.

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an Extraordinary General Meeting held on 19 May 2006, the ultimate holding company, Muhibbah Engineering (M) Bhd. approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company, to eligible Directors and employees of the Group.

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

Directors' Report
for the year ended 31 December 2010 (cont'd)

Options granted over unissued shares (cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who were granted options to subscribe for not less than 10,000 shares during the financial year under the ESOS scheme. This information has been separately filed with the Companies Commission of Malaysia.

The names of option holders granted options to subscribe for 10,000 or more ordinary shares of RM0.50 each during the financial year, other than the Directors of the Company which have been discussed above, are as follows:-

	Number of options over ordinary shares of RM0.50 each			
	Granted	Exercised	Forfeited	At 31.12.2010
Adi Safwan Bin Halim	12,000	-	(12,000)	-
Ahmad Rizal Bin Kamarudin	12,000	-	(12,000)	-
Chia Kar Poo	12,000	(12,000)	-	-
Mohammad Sazale Bin Ab Rahman	12,000	-	(12,000)	-
Mohd Asyraf Bin Othman	12,000	-	(12,000)	-
Nurul Insyirah Bte Manan Ralzaman	12,000	-	-	12,000
Ruzita Bte Joraimi	12,000	-	-	12,000
Wan Meng Sen	12,000	-	-	12,000
Rajiv Gerard Lopes	12,000	-	(12,000)	-

Other statutory information

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

i) all known bad debts have been written off and adequate impairment losses made on receivables, and

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

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

i) that would render the amount written off for bad debts, or the amount of the impairment loss on receivables, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Other statutory information (cont'd)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss on the investment in a subsidiary as disclosed in the Company financial statements the financial performance of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

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

……………………………………………………………

Mac Ngan Boon @ Mac Yin Boon

……………………………………………………………

Lee Poh Kwee

Klang,

Date: 5 April 2011

Statements of Financial Position
as at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Assets					
Property, plant and equipment	3	98,214	99,845	-	497
Intangible assets	4	8,652	11,185	-	-
Investment property	5	-	-	-	1,344
Investments in subsidiaries	6	-	-	33,530	43,230
Investments in associates	7	6,316	84	6,538	22
Deferred tax assets	8	2,627	1,560	-	-
Receivables	9	-	-	13,881	15,084
Total non-current assets		115,809	112,674	53,949	60,177
Receivables, deposits and prepayments	9	163,943	191,616	48,945	50,226
Contract work-in-progress	10	78,344	100,312	-	-
Inventories	11	139,025	153,228	-	-
Current tax assets		1,077	574	175	175
Derivative assets	12	9,620	1,009	-	-
Cash and cash equivalents	13	84,430	126,509	11,359	5,661
Total current assets		476,439	573,248	60,479	56,062
Total assets		592,248	685,922	114,428	116,239
Equity and liabilities					
Equity					
Share capital		88,568	86,175	88,568	86,175
Reserves		22,144	28,959	3,581	3,194
Retained earnings		84,896	74,745	11,695	14,123
Total equity	14	195,608	189,879	103,844	103,492

Statements of Financial Position
as at 31 December 2010 (cont'd)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Liabilities					
Loans and borrowings	15	8,450	11,189	-	-
Deferred tax liabilities	8	4,420	4,080	-	-
Total non-current liabilities		12,870	15,269	-	-
Provision for warranties	16	5,521	8,454	-	-
Payables and accruals	17	190,783	202,688	1,312	2,437
Amount due to contract customers	10	140,547	125,202	-	-
Loans and borrowings	15	43,553	133,769	9,272	10,310
Current tax liabilities		3,366	10,661	-	-
Total current liabilities		383,770	480,774	10,584	12,747
Total liabilities		396,640	496,043	10,584	12,747
Total equity and liabilities		592,248	685,922	114,428	116,239

The notes set on pages 48 to 103 are an integral part of these financial statements.

Statements of Comprehensive Income
for the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	19	385,468	534,747	22,220	25,712
Cost of sales		(311,234)	(442,231)	-	-
Gross profit		74,234	92,516	22,220	25,712
Other income		4,590	1,919	(539)	2,165
Distribution expenses		(8,912)	(11,388)	-	-
Administrative expenses		(36,952)	(42,407)	(974)	(1,249)
Other expenses		-	(1,005)	(9,700)	(18,000)
Results from operating activities		32,960	39,635	11,007	8,628
Interest income		3,686	447	206	55
Finance costs		(2,199)	(5,028)	(419)	(391)
Operating profit	20	34,447	35,054	10,794	8,292
Share of (loss)/profit after tax of equity accounted associates		(284)	48	-	-
Profit before tax		34,163	35,102	10,794	8,292
Tax expense	22	(5,555)	(7,319)	(1,000)	(250)
Profit after tax		28,608	27,783	9,794	8,042
Other comprehensive income for the year, net of tax					
Foreign currency translation differences on foreign operations		(7,202)	8,004	-	-
Revaluation of property, plant and equipment		-	(3,780)	-	-
Other comprehensive income for the year, net of tax		(7,202)	(4,224)	-	-
Total comprehensive income for the year attributable to Owners of the Company		21,406	32,007	9,794	8,042
Earnings per ordinary share (sen)					
- Basic	24	16.36	16.20		
- Diluted	24	16.27	16.02		

The notes set on pages 48 to 103 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2010

		Attributable to equity holders of the Company							
		Non-distributable				Distributable		Distributable	
Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2009		85,514	1,142	6,436	15,105	1,686	(21)	51,265	161,127
Profit for the year		-	-	-	-	-	-	27,783	27,783
Other comprehensive income		-	-	8,004	(3,780)	-	-	-	4,224
Total comprehensive income for the year		-	-	8,004	(3,780)	-	-	27,783	32,007
Share options exercised	18	661	66	-	-	-	-	-	727
Transfer to share premium for share options exercised		-	251	-	-	(251)	-	-	-
Share-based payments	18	-	-	-	-	321	-	-	321
Dividends to shareholders	23	-	-	-	-	-	-	(4,303)	(4,303)
At 31 December 2009/1 January 2010		86,175	1,459	14,440	11,325	1,756	(21)	74,745	189,879
Effect of adopting FRS 139		-	-	-	-	-	-	(11,383)	(11,383)
At 1 January 2010, restated		86,175	1,459	14,440	11,325	1,756	(21)	63,362	178,496
Profit for the year		-	-	-	-	-	-	28,608	28,608
Other comprehensive income		-	-	(7,202)	-	-	-	-	(7,202)
Total comprehensive income for the year		-	-	(7,202)	-	-	-	28,608	21,406
Share options exercised	18	2,393	251	-	-	-	-	-	2,644
Transfer to share premium for share options exercised		-	915	-	-	(915)	-	-	-
Share-based payments	18	-	-	-	-	136	-	-	136
Dividends to shareholders	23	-	-	-	-	-	-	(7,074)	(7,074)
At 31 December 2010		88,568	2,625	7,238	11,325	977	(21)	84,896	195,608
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7	

Statements of Changes in Equity
for the year ended 31 December 2010 (cont'd)

Company	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		← Non-distributable		*Distributable →*		*Distributable*	
At 1 January 2009		85,514	1,142	1,686	(21)	10,384	98,705
Profit for the year		-	-	-	-	8,042	8,042
Share options exercised	18	661	66	-	-	-	727
Transfer to share premium for share options exercised		-	251	(251)	-	-	-
Share-based payments	18	-	-	321	-	-	321
Dividends to shareholders	23	-	-	-	-	(4,303)	(4,303)
At 31 December 2009/ 1 January 2010		86,175	1,459	1,756	(21)	14,123	103,492
Effect of adopting FRS 139		-	-	-	-	(5,148)	(5,148)
At 1 January 2010, restated		86,175	1,459	1,756	(21)	8,975	98,344
Profit for the year		-	-	-	-	9,794	9,794
Share options exercised	18	2,393	251	-	-	-	2,644
Transfer to share premium for share options exercised		-	915	(915)	-	-	-
Share-based payments	18	-	-	136	-	-	136
Dividends to shareholders	23	-	-	-	-	(7,074)	(7,074)
At 31 December 2010		88,568	2,625	977	(21)	11,695	103,844
		Note 14.1	Note 14.2	Note 14.5	Note 14.6	Note 14.7	

The notes set on pages 48 to 103 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities					
Profit before tax		34,163	35,102	10,794	8,292
Adjustments for:					
Impairment loss on receivables		1,899	6,941	-	-
Impairment loss on receivables written back		(2,132)	(765)	-	-
Allowance for slow moving inventories		1,852	2,882	-	-
Amortisation of intangible assets		1,928	2,757	-	-
Depreciation of property, plant and equipment		10,217	8,598	-	99
Depreciation of investment property		-	-	-	30
Dividend income from subsidiaries (unquoted)		-	-	(22,220)	(25,712)
Loss/(Gain) on disposal of property, plant and equipment		11	(70)	-	-
Goodwill written off		-	572	-	-
Impairment loss on intangible assets		-	327	-	-
Impairment loss on investment in subsidiary		-	-	9,700	18,000
Intangible assets written off		-	210	-	-
Finance costs		2,199	5,028	419	391
Provision for warranties		2,002	3,174	-	-
Interest income		(3,686)	(447)	(206)	(55)
Property, plant and equipment written off		3	89	-	-
Unrealised (gain)/loss on foreign exchange		(3,591)	3,105	(643)	(1,748)
Share-based payments		136	321	136	321
Share of loss/(profit) of equity accounted associates		284	(48)	-	-
Reversal of provision for warranties		(4,195)	(2,129)	-	-
Operating profit/(loss) before changes in working capital changes		41,090	65,647	(2,020)	(382)
Changes in working capital:					
Development costs		(92)	-	-	-
Inventories		13,277	(20,591)	-	-
Payables and accruals		(77,646)	35,113	(426)	2,791
Receivables, deposits and prepayments		36,352	23,437	14,265	6,170
Cash generated from operations		12,981	103,606	11,819	8,579

Statements of Cash Flows
for the year ended 31 December 2010 (cont'd)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash generated from operations (cont'd)		12,981	103,606	11,819	8,579
Dividends received		-	-	3,000	750
Interest received		712	447	206	55
Interest paid		(1,646)	(3,961)	-	-
Provisions paid		(255)	(133)	-	-
Taxes paid		(12,726)	(5,138)	-	-
Net cash (used in)/generated from operating activities		(934)	94,821	15,025	9,384
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(16,815)	(27,408)	-	-
Acquisition of an associate		(6,517)	-	(6,517)	-
Proceeds from disposal of property, plant and equipment		2,887	382	1,841	-
Net cash used in investing activities		(20,445)	(27,026)	(4,676)	-
Cash flows from financing activities					
Dividend paid to shareholders of the Company		(7,074)	(4,303)	(7,074)	(4,303)
Interest paid		(552)	(1,067)	(221)	(269)
Proceeds from issue of shares under ESOS scheme		2,644	727	2,644	727
Net proceeds from/(repayment of) revolving credit		(15,038)	8,871	-	-
Payment of finance lease liabilities		(872)	(474)	-	-
Repayment of term loans		(594)	(1,332)	-	-
Net cash (used in)/from financing activities		(21,486)	2,422	(4,651)	(3,845)

Statements of Cash Flows
for the year ended 31 December 2010 (cont'd)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Exchange difference on translation of the financial statements of foreign operations		4,625	6,701	-	-
Net (decrease)/ increase in cash and cash equivalents		(38,240)	76,918	5,698	5,539
Effect of exchange rate fluctuations on cash held		(8,473)	595	-	-
Cash and cash equivalents at 1 January	(i)	126,404	48,891	5,661	122
Cash and cash equivalents at 31 December	(i)	79,691	126,404	11,359	5,661

(i) Cash and cash equivalents

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

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash and bank balances	13	66,795	122,665	3,721	2,585
Deposits with licensed banks	13	17,635	3,844	7,638	3,076
Bank overdrafts repayable on demand	15	(4,739)	(105)	-	-
		79,691	126,404	11,359	5,661

(ii) Acquisition of property, plant and equipment

During the year of 2009, the Group acquired property, plant and equipment with an aggregate cost of RM27,541,000, of which RM133,000 was acquired by means of hire purchases plans.

The notes set on pages 48 to 103 are an integral part of these financial statements.

Notes to the Financial Statements

Favelle Favco Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office/Principal place of business
Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

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

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

The financial statements were approved by the Board of Directors on 5 April 2011.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations	***Effective date***
• FRS 1, *First-time Adoption of Financial Reporting Standards*	1 July 2010
• FRS 3 (revised), *Business Combinations*	1 July 2010
• FRS 127 (revised), *Consolidated and Separate Financial Statements*	1 July 2010
• Amendments to FRS 5, *Plan to Sell the Controlling Interest in a Subsidiary*	1 July 2010
• Amendments to FRS 2, *Scope of FRS2 and FRS3 (revised)*	1 July 2010
• Amendments to FRS 138, *Consequential Amendments Arising from FRS 3 (revised)*	1 July 2010
• Amendments to FRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*	1 January 2011
• Amendments to FRS 1 (revised), *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First- time Adopters*	1 January 2011
• Amendments to FRS 7, *Improving Disclosures about Financial Instruments*	1 January 2011
• FRS 124 (revised), *Related Party Disclosures*	1 January 2012
• Amendments to IC Interpretation 9, *Scope of IC Interpretation 9 and FRS 3 (revised)*	1 July 2010
• IC Interpretation 12, *Service Concession Arrangements*	1 July 2010
• IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
• IC Interpretation 17, *Distributions of Non-cash Assets to Owners*	1 July 2010
• IC Interpretation 18, *Transfers of Assets from Customers*	1 January 2011

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs, Interpretations	***Effective date***
• IC Interpretation 4, *Determining Whether An Arrangement Contains a Lease*	1 January 2011
• Amendments to IC Interpretation 14, *Prepayments of Minimum Funding Requirement*	1 July 2011
• IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011
• IC Interpretation 15, *Agreements for the Construction of Real Estate*	1 January 2012

The Group and the Company plan to apply the abovementioned FRSs / Interpretations in the respective annual period base on their effective dates and applicability.

The initial application of the above standards, (and its consequential amendments) and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company other than expected changes in accounting policies as discussed below:

(i) FRS 3 (revised), *Business Combinations*

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes there in recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit and loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

(ii) FRS 127 (revised), *Consolidated and Separate Financial Statements*

FRS 127 (revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

(b) Basis of measurement

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

(c) Functional and presentation currencies

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

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

- Note 2 (c) – financial instruments
- Note 2 (e) – leased assets
- Note 2 (g) – investment properties
- Note 2 (s) – interest income and borrowing costs
- Note 2 (v) –segment reporting

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

(iii) Affiliated company

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

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transaction with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (cont'd)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of transactions except for those measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statements of comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant indices at the end of the reporting period.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated statements of comprehensive income as part of the gain or loss on sale.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A finance instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(b)*Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

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

Financial liabilities

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

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

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

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

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On the derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit and loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” or “other expenses” respectively in the statements of comprehensive income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete and reclassified as investment property.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iv) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

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

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

The Group has adopted the amendment made to FRS117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(ii) Operating lease

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

Payments made under operating leases are recognised in the statements of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the statements of comprehensive income.

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

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statements of comprehensive income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Other development expenditure which does not meet the criteria is recognised in the statements of comprehensive income as an expense as incurred. Capitalised development expenditure which meets the criteria is stated at cost less any accumulated amortisation and any accumulated impairment losses.

2. Significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(iii) Intellectual property

Intellectual property consists of rights to trade name, know how and industrial property rights and is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

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

(v) Amortisation

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the statements of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

(g) Investment property

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any impairment losses, consistent with the accounting policy for property, plant and equipment as stated in the accounting policy Note 2(d).

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determined, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Depreciation is charged to the statements of comprehensive income on a straight-line basis over the estimated life of the building.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of crane components comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. Cost of work-in-progress and assembled cranes consists of crane components, direct labour and an appropriate proportion of fixed and variable production overheads. Crane components are determined on a first-in, first-out basis. Cost of work-in-progress and assembled cranes is determined on a specific identification basis.

2. Significant accounting policies (cont'd)

(h) Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for impairment loss on receivables.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c)(ii).

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

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Contract work-in-progress is presented as part of total current assets in the statements of financial position . Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the statements of financial position.

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

The carrying amounts of financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

2. Significant accounting policies (cont'd)

(l) Impairment (cont'd)

(i) Financial assets (cont'd)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for deferred tax asset, inventories and assets arising from construction contract, assets arising from employee benefits, investment property that is measured in fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, impairment is measured by comparing the carrying amount of the assets with their recoverable amounts. Recoverable amounts are the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised as an expense in profit or loss immediately, unless the assets are carried at a revalued amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised, unless it is credited directly to revaluation surplus.

2. Significant accounting policies (cont'd)

(m) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

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

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statements of comprehensive income over the period of the loans and borrowings using the effective interest method.

(o) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the statutory pension funds are charged to the statements of comprehensive income in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

2. Significant accounting policies (cont'd)

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

(q) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

Following the adoption of FRS 139, payables are measured at amortised cost in accordance with Note 2(c)(ii).

(r) Revenue recognition

(i) Contracts

As soon as the outcome of a contract from the manufacture of cranes can be estimated reliably, contract revenue and expenses are recognised in the statements of comprehensive income in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

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

2. Significant accounting policies (cont'd)

(r) Revenue recognition (cont'd)

(ii) Goods sold and services rendered

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

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

(iii) Rental income

Rental income from cranes is recognised in the statements of comprehensive income as it accrues.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(s) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using effective interest method in the period in which they are incurred.

Following the adoption of FRS 123, Borrowing Costs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (cont'd)

(t) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the statements of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a division of the Group that operating results are reviewed regularly by the Group Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2009	24,332	40,762	48,085	50,874	891	164,944
Additions	-	994	22,386	3,538	623	27,541
Change in fair value	(662)	-	-	-	-	(662)
Reclassification	-	-	-	891	(891)	-
Disposals	-	-	(2,939)	(1,020)	-	(3,959)
Written off	-	-	-	(89)	-	(89)
Effect of movements in exchange rates	90	118	309	2,524	-	3,041
At 31 December 2009/ 1 January 2010	23,760	41,874	67,841	56,718	623	190,816
Additions	280	1,649	9,575	5,192	119	16,815
Disposals	-	(3,487)	(6,859)	(3,626)	-	(13,972)
Written off	-	-	-	(3)	-	(3)
Effect of movements in exchange rates	(2,241)	(3,222)	(8,097)	(1,693)	-	(15,253)
At 31 December 2010	21,799	36,814	62,460	56,588	742	178,403
Representing items at:						
Cost	9,508	36,814	62,460	56,588	742	166,112
Valuation - 2008	12,291	-	-	-	-	12,291
	21,799	36,814	62,460	56,588	742	178,403

3. Property, plant and equipment (cont'd)

Group	Freehold land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss						
At 1 January 2009	-	17,720	34,622	31,579	-	83,921
Depreciation for the year	-	485	3,426	4,687	-	8,598
Disposals	-	-	(2,548)	(1,099)	-	(3,647)
Effect of movements in exchange rates	-	96	235	1,768	-	2,099
At 31 December 2009						
Accumulated depreciation	-	16,807	35,199	35,942	-	87,948
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2009/ 1 January 2010	-	18,301	35,735	36,935	-	90,971
Depreciation for the year	-	881	4,581	4,755	-	10,217
Disposals	-	(2,143)	(5,981)	(2,950)	-	(11,074)
Effect of movements in exchange rates	-	(2,508)	(6,061)	(1,356)	-	(9,925)
Accumulated depreciation	-	13,037	27,738	36,391	-	77,166
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2010	-	14,531	28,274	37,384	-	80,189
Carrying amounts						
At 1 January 2009	24,332	23,042	13,463	19,295	891	81,023
At 31 December 2009/ 1 January 2010	23,760	23,573	32,106	19,783	623	99,845
At 31 December 2010	21,799	22,283	34,186	19,204	742	98,214

3. Property, plant and equipment (cont'd)

Company	Plant, equipment and motor vehicles RM'000	Total RM'000
Cost		
At 1 January 2009/ 31 December 2009/ 1 January 2010	1,984	1,984
Disposals	(1,984)	(1,984)
At 31 December 2010	-	-
Depreciation and impairment loss		
At 1 January 2009		
Accumulated depreciation	395	395
Accumulated impairment loss	993	993
	1,388	1,388
Depreciation for the year	99	99
At 31 December 2009/1 January 2010		
Accumulated depreciation	494	494
Accumulated impairment loss	993	993
	1,487	1,487
Disposals	(1,487)	(1,487)
At 31 December 2010		
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
	-	-
Carrying amounts		
At 1 January 2009	596	596
At 31 December 2009/1 January 2010	497	497
At 31 December 2010	-	-

3.1 Assets under hire purchase arrangements

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with a net book value of RM850,000 (2009 - RM1,451,000).

3. Property, plant and equipment (cont'd)

3.2 Security

The freehold land and buildings of a subsidiary with total net book value of RM43,730,000 (2009 - RM47,951,000) have been pledged to certain licensed bank as security for bank loan facilities granted to the subsidiary (See Note 15).

3.3 Property, plant and equipment under the revaluation model

The Group's freehold land were revalued by independent professional qualified valuers using an open market value method in 2008. The cost of a piece of the Group`s freehold land was written down by RM662,000 during the year ended 31 December 2009 as management was of the view that the fair value had differed materially from its carrying value. Had the freehold land been carried under the cost model, their carrying amounts would have been RM9,221,000 (2009 - RM9,221,000).

4. Intangible assets

Group	Development costs RM'000	Intellectual property RM'000	Goodwill on consolidation RM'000	Total RM'000
Cost				
At 1 January 2009	19,921	2,519	572	23,012
Written off	(210)	-	(572)	(782)
Effect of movements in exchange rates	1,900	-	-	1,900
At 31 December 2009/1 January 2010	21,611	2,519	-	24,130
Additions	92	-	-	92
Effect of movements in exchange rates	(671)	-	-	(671)
At 31 December 2010	21,032	2,519	-	23,551
Amortisation and impairment loss				
At 1 January 2009	6,351	2,519	-	8,870
Amortisation for the year	2,757	-	-	2,757
Impairment loss	327	-	-	327
Effect of movements in exchange rates	991	-	-	991
At 31 December 2009/1 January 2010				
Accumulated amortisation	10,099	2,490	-	12,589
Accumulated impairment loss	327	29	-	356
	10,426	2,519	-	12,945

4. Intangible assets (cont'd)

Group	Development costs RM'000	Intellectual property RM'000	Goodwill on consolidation RM'000	Total RM'000
Amortisation and impairment loss (cont'd)				
At 31 December 2009/1 January 2010	10,426	2,519		12,945
Amortisation for the year	1,928	-	-	1,928
Effect of movements in exchange rates	26	-	-	26
At 31 December 2010				
Accumulated amortisation	12,053	2,490	-	14,543
Accumulated impairment loss	327	29	-	356
	12,380	2,519	-	14,899
Carrying amounts				
At 1 January 2009	13,570	-	572	14,142
At 31 December 2009/1 January 2010	11,185	-	-	11,185
At 31 December 2010	8,652	-	-	8,652

Company	Intellectual property 2010 RM'000	Intellectual property 2009 RM'000
Cost		
At 1 January/31 December	1,098	1,098
Amortisation		
At 1 January/31 December	1,098	1,098
Carrying amounts		
At 1 January/31 December	-	-

4.1 Development costs

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved major crane projects. It is reasonably anticipated that the cost will be recovered through future commercial activity. The remaining amortisation period ranges from 1 year to 3 years (2009 - 1 year to 4 years).

4. Intangible assets (cont'd)

4.2 Intellectual property

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

4.3 Goodwill on consolidation

The goodwill arising from the acquisition of a subsidiary in cranes segment was fully written off during the year.

4.4 Amortisation and impairment charge

The amortisation and impairment charge are recognised as administrative expenses.

5. Investment property

	Company	
	2010 RM'000	2009 RM'000
Building		
Cost		
At 1 January	2,989	2,989
Disposals	(2,989)	-
At 31 December	-	2,989

5. Investment property (cont'd)

	Company	
	2010 RM'000	2009 RM'000
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	151	121
Accumulated impairment loss	1,494	1,494
	1,645	1,615
Depreciation for the year	-	30
Disposals	(1,645)	-
At 31 December		
Accumulated depreciation	-	151
Accumulated impairment loss	-	1,494
	-	1,645
Carrying amounts		
At 31 December	-	1,344
The carrying amount comprises:		
Building	-	1,344
Fair value		
At 1 January	1,344	1,374
At 31 December	-	1,344

The investment property is located on a piece of land leased from the Port of Harlingen Authority at the Port of Harlingen, Texas, USA, and is occupied by a subsidiary at no charge. The land rental expenses are borne by the subsidiary. The Directors estimated the fair value of the investment property without involvement of independent valuers.

6. Investments in subsidiaries

	Company 2010 RM'000	2009 RM'000
Unquoted shares - at cost	113,673	113,673
Less: Impairment loss	(80,143)	(70,443)
	33,530	42,230
	=======	=======

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2010 %	2009 %
Favelle Favco Cranes (M) Sdn. Bhd.	Designing, manufacturing, supply, servicing, trading and renting of cranes	Malaysia	100	100
Favelle Favco Cranes Pte. Ltd. #	Supplying, servicing, trading and renting of cranes and sales of spare parts and services	Singapore	100	100
Favelle Favco Cranes (USA), Inc. #	Designing, manufacturing, supplying, servicing, trading and renting of cranes	United States of America	100	100
Favelle Favco Cranes Pty. Limited # and its subsidiaries	Design, manufacture, supply, renting and servicing of industrial cranes	Australia	100	100
FF Management Pty. Limited #	Management services	Australia	100	100
Milperra Blasting and Coating Pty. Limited #	Dormant	Australia	100	100
Kroll Cranes A/S #	Designing, manufacturing, servicing, trading and renting of cranes	Denmark	100	100
Favelle Favco Cranes International Ltd.	Dormant	Malaysia	100	100
Favelle Favco Equipment Services Sdn. Bhd.	Supply of spare parts for cranes, provision of crane maintenance services and renting of cranes	Malaysia	100	100

Not audited by Crowe Horwath

7. Investments in associates

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost	6,772	256	6,772	256
Share of post-acquisition reserves	(456)	(172)	-	-
Less: Impairment loss	-	-	(234)	(234)
	6,316	84	6,538	22

Summarised financial information on associates:

	Country of incorporation	Effective ownership interest	Revenues (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2010						
FO*	Malaysia	30%	2,484	61	926	589
FFME**	Abu Dhabi, United Arab Emirates	49%	6,387	(60)	2,573	3,762
FE***	China	50%	259	(1,223)	13,010	643
			9,130	(1,222)	16,509	4,994
2009						
FO*	Malaysia	30%	1,408	159	561	283
FFME**	Abu Dhabi, United Arab Emirates	49%	4,667	(55)	2,471	3,727
			6,075	104	3,032	4,010

* Favco Offshores Sdn. Bhd.
** Favelle Favco Machinery and Equipment LLC
*** Favco Equipment (Shanghai) Co., Ltd

The Group has not recognised losses relating to FFME totalling RM582,000 (2009 – RM615,000) as the Group`s share of losses had exceeded its interest in the associate and the Group has no obligation in respect of these losses.

8. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

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

Group	Assets 2010 RM'000	Assets 2009 RM'000	Liabilities 2010 RM'000	Liabilities 2009 RM'000	Net 2010 RM'000	Net 2009 RM'000
Property, plant and equipment	-	-	3,776	6,843	3,776	6,843
(Deductible)/taxable temporary differences	(3,885)	(6,300)	1,902	1,977	(1,983)	(4,323)
Tax (assets)/ liabilities	(3,885)	(6,300)	5,678	8,820	1,793	2,520
Set off	1,258	4,740	(1,258)	(4,740)	-	-
Net tax (assets)/ liabilities	(2,627)	(1,560)	4,420	4,080	1,793	2,520

Unrecognised deferred tax assets

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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Plant and equipment	(2,990)	(3,962)	-	-
Deductible temporary differences	18,630	17,974	-	-
Tax losses carry-forwards	60,563	67,203	-	-
	76,203	81,215	-	-

8. Deferred tax (assets) and liabilities (cont'd)

Unrecognised deferred tax assets (cont'd)

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carried forward amounting to RM60,563,000 (2009 - RM67,203,000) shown above which can only be carried forward for 20 years from the year the losses were incurred. These tax losses will begin to expire from 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the year

Group	At 1.1.2009 RM'000	Recognised in statement of comprehensive income (Note 22) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2009 RM'000	Recognised in statement of comprehensive income (Note 22) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2010 RM'000
Property, plant and equipment	3,230	4495	3,118	6,843	-	(539)	6,304
Tax losses carry-forward	(733)	733	-	-	-	-	-
Other items	(309)	(4,014)	-	(4,323)	(188)	-	(4511)
	2,188	(2,786)	3,118	2,520	(188)	(539)	1,793

9. Receivables, deposits and prepayments

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-current					
Non-trade					
Advances to a subsidiary	9.2	-	-	13,881	15,084
		======	======	=====	=====
Current					
Trade					
Trade receivables		151,826	189,397	-	-
Less: Allowance for impairment losses		(7,038)	(7,889)	-	-
		144,788	181,508	-	-
Amounts due from subsidiaries	9.4	-	-	607	682
Amounts due from related companies	9.5	300	207	-	-
Amounts due from associates	9.6	2,501	1,887	-	-
		2,801	2,094	607	682
Non-trade					
Amount due from ultimate holding company	9.3	1,663	3,177	2	2
Amounts due from subsidiaries	9.4	-	-	48,249	49,456
Amounts due from related companies	9.5	42	36	-	-
Other receivables	9.7	10,521	1,306	87	86
Deposits		414	406	-	-
Prepayments		3,714	3,089	-	-
		16,354	8,014	48,338	49,544
		163,943	191,616	48,945	50,226
		======	======	=====	=====

Group

9.1 Analysis of foreign currency exposure for significant receivables

Significant trade receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	Group 2010 RM'000	Group 2009 RM'000
RM	USD	24,835	42,261
RM	SGD	327	138
RM	AUD	17,062	4,602
RM	HKD	774	864
RM	EURO	28,949	3,821
RM	RMB	6,324	6,315
AUD	USD	927	798
USD	SGD	13,373	13,976
		=====	=====

9. Receivables, deposits and prepayments (cont'd)

Group (cont'd)

9.2 Advances to a subsidiary

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

9.3 Amount due from ultimate holding company

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

9.4 Amounts due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal trade terms.

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

9.5 Amounts due from related companies

The trade receivables due from related companies are subject to the normal trade terms.

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

9.6 Amounts due from associates

The trade receivables from associates are subject to the normal trade terms.

Included in the amount due from associates is an allowance for impairment losses amounting to RM767,688 (2009 – RM767,688).

9.7 Other receivables

Other receivables mainly comprise insurance claim of RM5,358,000 (2009 – RMNil), advance to supplier amounting RM3,400,000 (2009 – RMNil) and an allowance for impairment losses amounting to RM387,628 (2009 – RM387,628).

Notes to the Financial Statements (cont'd)

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

	Group 2010 RM'000	Group 2009 RM'000
Aggregate costs incurred to date	821,822	814,031
Add: Attributable profits less foreseeable losses	164,100	153,829
	985,922	967,860
Less: Progress billings	(1,048,125)	(992,750)
	(62,203)	(24,890)
Amount due to contract customers	140,547	125,202
	78,344	100,312
Contract work-in-progress	78,344	100,312
Amount due to contract customers	140,547	125,202

11. Inventories

	Group 2010 RM'000	Group 2009 RM'000
At cost:		
Cranes	4,058	4,512
Crane components	67,737	80,458
Work-in-progress	37,981	36,923
	109,776	121,893
At net realisable value:		
Cranes	20,695	19,338
Crane components	8,554	11,997
	139,025	153,228

12. Derivative assets

	Group Contract/Notional amount 2010 RM'000	Group Assets 2009 RM'000
Forward foreign currency contracts	235,934	9,620

Forward foreign exchange contracts are used as a hedging tool to minimise the Group's and Company's exposure to exchanges in fair value of its commitment, conducted in the ordinary course of business, as a result of fluctuation in exchange rate. There is minimal credit and market risk because the contracts are hedged with reputable banks.

13. Cash and cash equivalents

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash and bank balances	66,795	122,665	3,721	2,585
Deposits placed with licensed banks	17,635	3,844	7,638	3,076
	84,430	126,509	11,359	5,661

14. Share capital and reserves

14.1 Share capital

	Group and Company			
	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
Issued and fully paid				
At 1 January	86,175	172,349	85,514	171,028
Issued under ESOS scheme	2,393	4,787	661	1,321
At 31 December	88,568	177,136	86,175	172,349

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

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

14.2 Share premium

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

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

14.3 Translation reserve

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

14.4 Revaluation reserve

The revaluation reserve relates to the revaluation of freehold land. Deferred tax liabilities arising upon revaluation of freehold land are recognised directly in equity.

14. Share capital and reserves (cont'd)

14.5 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

14.6 Treasury shares

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

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

14.7 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2010 if paid out as dividends.

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

15. Loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 26.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current				
Secured term loan	7,907	10,019	-	-
Finance lease liabilities	543	1,170	-	-
	8,450	11,189	-	-
Current				
Secured term loan	2,112	2,112	-	-
Bank overdraft - unsecured	4,739	105	-	-
Unsecured revolving credits	9,272	24,310	9,272	10,310
Unsecured insurance premium finance	3,152	1,633	-	-
Bills payable	24,039	105,125	-	-
Finance lease liabilities	239	484	-	-
	43,553	133,769	9,272	10,310
	52,003	144,958	9,272	10,310

15.1 Security

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

The unsecured bank overdrafts of certain subsidiaries are supported by the corporate guarantee from the Company.

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

The revolving credits of certain subsidiaries are supported by the corporate guarantee from the Company.

15. Loans and borrowings (cont'd)

15.2 Terms and debt repayment schedule

		2010					2009				
	Year of maturity RM'000	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000	Carrying amount RM'000	Under 1 years RM'000	1 - 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
Group											
Secured term loan											
- RM	2015	10,019	2,112	2,112	5,795	-	12,131	2,112	2,112	6,336	1,571
Unsecured bank overdrafts											
- RM	2011	4,739	4,739	-	-	-	105	105	-	-	-
Unsecured revolving credits											
- USD	2011	9,272	9,272	-	-	-	24,310	24,310	-	-	-
Unsecured insurance premium finance - AUD	2011	3,152	3,152	-	-	-	1,633	1,633	-	-	-
Bills payable	2011	24,039	24,039	-	-	-	105,125	105,125	-	-	-
Finance lease liabilities											
- RM	2011 -2014	-	-	-	-	-	458	211	146	101	-
- DKK	2011	782	239	543	-	-	1,196	273	923	-	-
		52,003	43,553	2,655	5,795	-	144,958	133,769	3,181	6,437	1,571
Company											
Unsecured revolving credits											
- USD	2011	9,272	9,272	-	-	-	10,310	10,310	-	-	-
		9,272	9,272	-	-	-	10,310	10,310	-	-	-

15. Loans and borrowings (cont'd)

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2010 RM'000	Interest 2010 RM'000	Principal 2010 RM'000	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000
Less than one year	274	(35)	239	514	(30)	484
Between one and five years	570	(27)	543	1,210	(40)	1,170
	844	(62)	782	1,724	(70)	1,654

16. Provision for warranties

Group	2010 RM'000	2009 RM'000
At 1 January	8,454	7,256
Provision made during the year	2,002	3,174
Provision used during the year	(255)	(133)
Provision reversed during the year	(4,195)	(2,129)
Effect of movements in exchange rates	(485)	286
At 31 December	5,521	8,454

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

17. Payables and accruals

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade payables	17.1	150,202	149,879	-	-
Amount due to ultimate holding company	17.2	622	2,761	-	-
Amounts due to related companies	17.3	3,466	5,891	-	-
Amount due to associate	17.4	268	341	-	-
		154,558	158,872	-	-
Non-trade					
Amount due to ultimate holding company	17.2	238	1,287	-	-
Amount due to subsidiary	17.5	-	-	1,242	2,397
Amounts due to related companies	17.3	1,754	1,076	-	-
Other payables		6,970	17,286	-	-
Accrued expenses		27,263	24,167	70	40
		36,225	43,816	1,312	2,437
		190,783	202,688	1,312	2,437

17.1 Analysis of foreign currency exposure for significant payables

Significant trade payables that are not in the functional currencies of the Group are as follows:

Functional Currency	Foreign Currency	Group 2010 RM'000	Group 2009 RM'000
RM	AUD	11,603	17,429
RM	SGD	717	579
RM	EUR	3,119	4,835
RM	USD	5,324	5,022
RM	RMB	9,151	8,637
RM	GBP	120	87
USD	SGD	6,679	151
AUD	GBP	16	68
AUD	USD	908	703
AUD	EUR	340	632

17. Payables and accruals (cont'd)

17.2 Amount due to ultimate holding company

The trade payables due to the ultimate holding company are subject to the normal trade terms.

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

17.3 Amounts due to related companies

The trade payables due to related companies are subject to the normal trade terms.

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

17.4 Amount due to associate

The trade payable due to an associate is subject to the normal trade terms.

17.5 Amount due to subsidiary

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

18. Employee benefits

18.1 Share-based payments

An employees' share option scheme ("ESOS scheme") of the Company was established and approved by the shareholders of the ultimate holding company at an Extraordinary General Meeting ("EGM") held on 19 May 2006.

The main features of the ESOS scheme, details of share option offered and exercised during the financial year are as follows:

i) The maximum number of approved unissued new ordinary shares of RM0.50 each available for allotment under the ESOS scheme shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of Company at any point in time during the duration of the ESOS scheme;

ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least one (1) year;

18. Employee benefits (cont'd)

18.1 Share-based payments (cont'd)

iii) A grantee shall be allowed to exercise the options granted subject to the following percentage limits based on entitlement granted:

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

iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the offer date subject to a discount of not more than ten per cent (10%) or at the par value of the shares of the Company, whichever is higher.

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

Grant date	Exercise price	At 1.1.2010 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2010 '000	Expiry date
30.6.2006	RM0.55	6,521	-	(4,738)	(16)	1,767	29.6.2011
30.6.2007	RM1.90	274	-	-	(35)	239	29.6.2011
30.6.2008	RM1.09	374	-	-	(147)	227	29.6.2011
30.6.2009	RM0.86	568	-	(13)	(152)	403	29.6.2011
30.6.2010	RM0.75	-	227	(36)	(84)	107	29.6.2011
		7,737	227	(4,787)	(434)	2,743	

Grant date	Exercise price	At 1.1.2009 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2009 '000	Expiry date
30.6.2006	RM0.55	7,850	-	(1,321)	(8)	6,521	29.6.2011
30.6.2007	RM1.90	310	-	-	(36)	274	29.6.2011
30.6.2008	RM1.09	476	-	-	(102)	374	29.6.2011
30.6.2009	RM0.86	-	667	-	(99)	568	29.6.2011
		8,636	667	(1,321)	(245)	7,737	

18. Employee benefits (cont'd)

18.1 Share-based payments (cont'd)

The options outstanding at 31 December 2010 have an exercise price in the range of RM0.55 to RM1.90 and remaining contractual life of 1/2 year.

During the year, 4,738,000, 13,000 and 36,000 (2009- 1,321,000) share options of RM0.55, RM0.86 and RM0.75 each respectively under the ESOS scheme of the Company were exercised. The weighted average share price of the Company for the year was RM0.86 (2009 – RM0.83).

Details relating to options exercised during the year

	Group and Company	
	2010 RM'000	2009 RM'000
Ordinary share capital at par	2,393	661
Share premium	251	66
Proceeds received on exercise of share options	2,644	727

	Group and Company	
	2010 RM	2009 RM
Fair value of shares issued (based on average exercise price)	0.86	0.83

Value of employee services received for issue of share options

The value of employee services received for issue of share options is as follows:

	Group and Company	
	2010 RM'000	2009 RM'000
Share options granted in 2006	-	102
Share options granted in 2007	7	60
Share options granted in 2008	11	82
Share options granted in 2009	77	77
Share options granted in 2010	41	-
Total expense recognised as share-based payments	136	321

18. Employee benefits (cont'd)

18.1 Share-based payments (cont'd)

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes Model with the following inputs:

	Group and Company	
	2010	2009
Fair value at grant date (RM)		
- Granted in Year 2006	RM0.17 - RM0.22	RM0.17 - RM0.22
- Granted in Year 2007	RM0.76 - RM1.03	RM0.76 - RM1.03
- Granted in Year 2008	RM0.30 - RM0.37	RM0.30 - RM0.37
- Granted in Year 2009	RM0.32	RM0.32
- Granted in Year 2010	RM0.25	-
Weighted average share price (RM)		
- Granted in Year 2006	RM0.55	RM0.55
- Granted in Year 2007	RM2.04	RM2.04
- Granted in Year 2008	RM1.18	RM1.18
- Granted in Year 2009	RM0.98	RM0.98
- Granted in Year 2010	RM0.84	-
	==============	==============
Exercise price		
- Granted in Year 2006	RM0.55	RM0.55
- Granted in Year 2007	RM1.90	RM1.90
- Granted in Year 2008	RM1.09	RM1.09
- Granted in Year 2009	RM0.86	RM0.86
- Granted in Year 2010	RM0.75	-
Expected volatility (weighted average volatility)	31.99% - 59.24%	33.67% - 59.24%
Option life	1 year	2 years
Risk-free interest rate (based on Malaysian Government bonds)		
- Granted in Year 2006	4.48% - 4.57%	4.48% - 4.57%
- Granted in Year 2007	3.30% - 3.35%	3.30% - 3.35%
- Granted in Year 2008	4.04% - 4.12%	4.04% - 4.12%
- Granted in Year 2009	2.56%	2.56%
- Granted in Year 2010	2.79%	-
Expected staff turnover	5%-15%	5%-15%
	==============	==============

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur.

19. Revenue

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Contract revenue	310,523	456,566	-	-
Sales of goods	48,654	57,993	-	-
Services rendered	26,291	20,188	-	-
Dividends	-	-	22,220	25,712
	385,468	534,747	22,220	25,712

20. Operating profit

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating profit is arrived at after crediting:					
Allowance for impairment losses written back		2,132	765	-	-
Dividend income from subsidiaries (unquoted)		-	-	22,220	25,712
Realised foreign exchange gain		2,182	6	-	417
Unrealised foreign exchange gain		7,266	-	643	1,748
Gain/(loss) on disposal of property, plant and equipment		(11)	70	-	-
Interest income arising on financial assets/ liabilities measured at amortised cost		2,974	-	-	
Rental income on:					
- premises		618	726	-	-
- cranes		6,354	9,067	-	-
Reversal of provision for warranties	16	4,195	2,129	-	-
and after charging:					
Allowance for impairment losses		1,899	6,941	-	-
Allowance for slow moving inventories		1,852	2,882	-	-
Auditors' remuneration:					
- holding company's auditors		131	180	35	35
- other auditors		315	453	-	-
Other services					
- holding company's auditors		10	10	10	10
Amortisation of intangible assets	4	1,928	2,757	-	-
Contract costs		273,266	349,878	-	-
Depreciation of property, plant and equipment	3	10,217	8,598	-	99
Depreciation of investment property	5	-	-	-	30
Goodwill written off	4	-	572	-	-

20. Operating profit (cont'd)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
and after charging (continued):					
Impairment loss on intangible assets	4	-	327	-	-
Impairment loss on investment in subsidiary		-	-	9,700	18,000
Intangible assets written off	4	-	210	-	-
Realised foreign exchange loss		30	3,056	1,183	-
Unrealised foreign exchange loss		3,675	3,105	-	-
Property, plant and equipment written off	3	3	89	-	-
Provision for warranties	16	2,002	3,174	-	-
Rental expense on:					
- cranes		5,932	5,481	-	-
- premises		1,149	1,137	-	-
- equipment		885	973	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		4,481	4,551	128	127
- Share-based payments	18	136	321	136	321
- Wages, salaries and others		52,667	51,995	790	761

21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Directors				
- Fees	426	426	396	396
- Remuneration	972	944	969	942
	1,398	1,370	1,365	1,338

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

22. Tax expense

Recognised in the income statements

Major components of tax expense include:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current tax expense				
Malaysia - current	2,194	656	1,000	250
- prior year	123	(20)	-	-
	2,317	636	1,000	250
Overseas - current	3,453	10,681	-	-
- prior year	(27)	(1,212)	-	-
	3,426	9,469	-	-
Total tax expense	5,743	10,105	1,000	250
Deferred tax expense				
Origination of temporary differences	(1,393)	(2,505)	-	-
Overprovision in prior years	1,205	(281)	-	-
Total deferred tax	(188)	(2,786)	-	-
Total tax expense	5,555	7,319	1,000	250
Reconciliation of tax expense				
Profit for the year	28,608	27,783	9,794	8,042
Total tax expense	5,555	7,319	1,000	250
Profit excluding tax	34,163	35,102	10,794	8,292
Tax at Malaysian tax rate of 25% (2009 - 25%)	8,540	8,776	2,698	2,073
Effect of different tax rates in foreign jurisdictions	(705)	649	-	-
Effect of change in tax rates	-	(95)	-	-
Non-deductible expenses	3,132	2,017	2,857	4,355
Tax exempt income	(7,478)	(5,786)	(4,555)	(6,178)
Tax incentives	(1,792)	(1,549)	-	-
Effect of utilisation of deferred tax assets previously not recognised	(1,472)	(160)	-	-
Effect of non-recognition of deferred tax benefits	4,029	4,980	-	-
Under/(Over)provision in prior years	1,301	(1,513)	-	-
Tax expense	5,555	7,319	1,000	250

22. Tax expense (cont'd)

Reconciliation of tax expense (cont')

The corporate tax rates are 26% for the year of assessment 2008, 25% for year of assessment 2009 and subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

A subsidiary which is principally engaged in the designing, manufacturing, supply, servicing, trading and renting of cranes was granted tax exemption of 100% on cranes sales under Section 127, Income Tax Act, 1967 for a period of 10 years with effect from 1 June 2002.

23. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2010			
First and final 2009 ordinary	4.00	7,074 ====	28 July 2010
2009			
First and final 2008 ordinary	2.50	4,303 ====	17 September 2009

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

	Sen per share (tax exempt)	Total amount RM'000
First and final ordinary	5.00 ===	8,856 ====

Dividends per ordinary share

The calculation of dividends per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2010 of RM8,856,301 (2009 – RM6,893,561) on the issued and paid-up share capital (excluding treasury shares) of 177,126,020 ordinary shares of RM0.50 each (2009 – 172,339,020 ordinary shares of RM0.50 each) as at 31 December 2010.

24. Earnings per ordinary share

Basic earnings per ordinary share

	Group	
	2010	**2009**
	RM'000	**RM'000**
Profit for the year attributable to ordinary shareholders	28,608	27,783

Weighted average number of ordinary shares

	Group	
	2010	**2009**
	'000	**'000**
Number of ordinary shares in issue at 1 January	172,349	171,028
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under ESOS	2,534	497
Total weighted average number of ordinary shares in issue (unit)	174,873	171,515

	Group	
	2010	**2009**
	Sen	**Sen**
Basic earnings per ordinary share	16.36	16.20

	Group	
	2010	**2009**
	RM'000	**RM'000**
Profit for the year attributable to ordinary shareholders	28,608	27,783

Weighted average number of ordinary shares (diluted)

	Group	
	2010	**2009**
	'000	**'000**
Weighted average number of ordinary shares at 31 December	174,873	171,515
Effect of share options in issue	957	1,923
Weighted average number of ordinary shares (diluted) at 31 December	175,830	173,438

24. Earnings per ordinary share (cont'd)

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

	Group	
	2010 Sen	2009 Sen
Diluted earnings per ordinary share	16.27 ====	16.02 ====

25. Segment reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Geographical segments

The Group's business is managed on a worldwide basis with its head office in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

25. Segment reporting (cont'd)

	Inside Malaysia 2010 RM'000	Inside Malaysia 2009 RM'000	Outside Malaysia 2010 RM'000	Outside Malaysia 2009 RM'000	Eliminations 2010 RM'000	Eliminations 2009 RM'000	Consolidated 2010 RM'000	Consolidated 2009 RM'000
Geographical segments								
Revenue from external customers	149,920	202,530	235,548	332,217	-	-	385,468	534,747
Inter-segment revenue	143,996	164,915	58,988	96,432	(202,984)	(261,347)	-	-
Total revenue	293,916	367,445	294,536	428,649	(202,984)	(261,347)	385,468	534,747
Operating profit							32,960	39,635
Interest income							3,686	447
Interest expense							(2,199)	(5,028)
Share of profit/(loss) of associates							(284)	48
Profit before tax							34,163	35,102
Segment assets	519,455	558,733	300,627	400,532	(234,150)	(273,427)	585,932	685,838
Investments in associates	22	22	6,516	-	(222)	62	6,316	84
Total assets	519,477	558,755	307,143	400,532	(234,372)	(273,365)	592,248	685,922
Segment liabilities	341,773	398,797	219,389	311,889	(164,522)	(214,643)	396,640	496,043
Capital expenditure								
- Property, plant and equipment	9,708	20,998	7,107	6,543	-	-	16,815	27,541
Depreciation and amortisation	4,921	4,402	7,224	6,953	-	-	12,145	11,355

26. Financial instruments

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

Credit risk

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

At the end of the reporting period, there were no significant concentrations of credit risk other than trade receivables owing from one (2009 – two) major customers of RM28,899,000 (2009 – RM61,200,000). The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset in the statements of financial position.

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

	Group	
	2010 RM'000	2009 RM'000
Asia	81,356	132,634
Europe	34,313	4,829
America	29,119	44,045
	144,788	181,508

The Group's trade receivables as at 31 December 2010 which is past due but not impaired amounted to RM 100,837,000 (2009 – RM 103,683,000). Trade receivables which are past due and impaired as at 31 December 2010 amounted to RM 7,038,000 (2009 – RM 7,889,000). For those trade receivables which are past due but not impaired, the Group is satisfied that these debtors are recoverable.

Liquidity risk

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

26. Financial instruments (cont'd)

Liquidity risk (cont'd)

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

Group 2010	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Secured term loan	5.07	10,019	11,208	2,559	8,649	-
Unsecured bank overdrafts	7.48	4,739	4,752	4,752	-	-
Unsecured revolving credit	2.26	9,272	9,288	9,288	-	-
Unsecured insurance premium finance	7.82	3,152	3,229	3,229	-	-
Bill payable	3.07	24,039	24,039	24,039	-	-
Finance lease liabilities	5.00	782	844	274	570	-
Unsecured payables and accruals	-	190,783	190,783	190,783	-	-
		242,786	244,143	234,924	9,219	-

Company 2010	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Unsecured revolving credit	2.26	9,272	9,288	9,288	-	-
Unsecured payables and accruals	-	1,372	1,372	1,372	-	-
		10,644	10,660	10,660	-	-

Interest rate risk

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

26. Financial instruments (cont'd)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest bearing financial liabilities, the following table indicates their average effective interest rate at the end of the reporting period and the period in which they mature, or if earlier, reprice.

Group 2010	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Over 5 years RM'000
Fixed rate instruments								
Deposit placed with licensed banks	4.07 – 5.60	17,635	17,635	-	-	-	-	-
		======	======	=====	=====	=====	=====	=====
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	782	239	543	-	-	-	-
Unsecured insurance premium finance - AUD	7.82	3,152	3,152	-	-	-	-	-
Floating rate instruments								
Secured term loan - RM	5.07	10,019	2,112	2,112	2,112	2,112	1,571	-
Unsecured revolving credits - USD	2.26	9,272	9,272	-	-	-	-	-
Unsecured bank overdrafts - RM	7.48	4,739	4,739	-	-	-	-	-
Bills payable	3.07	24,039	24,039	-	-	-	-	-
		52,003	43,553	2,655	2,112	2,112	1,571	-
		======	======	=====	=====	=====	=====	=====

26. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

Group 2009	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Over 5 years RM'000
Fixed rate instruments								
Finance lease liabilities								
- RM	2.93	458	211	146	101	-	-	-
- DKK	5.00	1,196	273	923	-	-	-	-
Unsecured insurance premium finance								
- AUD	3.06	1,633	1,633	-	-	-	-	-
Floating rate instruments								
Secured term loans - RM	2.93	12,131	2,112	2,112	2,112	2,112	2,112	1,571
Unsecured revolving credits - USD	2.55	10,310	10,310	-	-	-	-	-
- RM	4.36	14,000	14,000	-	-	-	-	-
Unsecured bank overdrafts - RM	6.30	105	105	-	-	-	-	-
Bills payable	2.54	105,125	105,125	-	-	-	-	-
		144,958	133,769	3,181	2,213	2,112	2,112	1,571

Company	2010 Effective interest rate %	2010 Total RM'000	2010 Less than 1 year RM'000	2009 Effective interest rate %	2009 Total RM'000	2009 Less than 1 year RM'000
Fixed rate instruments						
Deposits placed with licensed banks	4.07	7,638	7,638	-	-	-
Floating rate instruments						
Unsecured revolving credits	2.26	9,272	9,272	2.55	10,310	10,310

Interest rate risk sensitivity analysis

If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group's profit after taxation would have decreased by RM530,000. A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

26. Financial instruments (cont'd)

Foreign currency

The Group and the Company are exposed to currency risk as a result of transactions entered into by subsidiaries in currencies other than Ringgit Malaysia.

The Group uses forward exchange contracts to hedge its foreign currency risk although the Group does not have a fixed policy to hedge its sales and purchases in forward contracts. The exposure to foreign currency risk of the Group is monitored by the management from time to time. The Group does not hold forward exchange contracts for trading purposes. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

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

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. They are entered into with high credit quality financial institutions and monitoring procedures. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

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

Group **2010**	**USD** **RM'000**	**AUD** **RM'000**	**SGD** **RM'000**
Financial assets	94,076	65,895	21,807
Financial liabilities	(49,736)	(68,099)	(9,745)
Net financial assets/(liabilities)	44,340	(2,204)	12,062
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(45,537)	27,907	-
Less: Forward foreign currency contracts (contracted notional principal)	(139,803)	-	(72,152)
Net currency exposure	(141,000)	25,703	(60,090)
Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:			
Effects on profit after taxation			
- strengthened by 5%	(5,288)	964	(2,253)
- weakened by 5%	5,288	(964)	2,253

26. Financial instruments (cont'd)

Fair values

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

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

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

Group	2010 Carrying amount RM'000	2010 Fair value RM'000	2009 Carrying amount RM'000	2009 Fair value RM'000
Financial liabilities				
Secured term loans	10,019	10,019	12,131	12,131
Finance lease liabilities	782	782	1,654	1,654
	=====	=====	=====	=====

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

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

27. Contingencies

Contingent liabilities – unsecured

	Group	
	2010 RM'000	2009 RM'000
Corporate guarantee for credit facilities granted to subsidiaries	76,489	162,771
	======	======

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

27. Contingencies (cont'd)

Contingent liabilities - litigation

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

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

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

The Suit remains ongoing and the Directors are of the opinion that it is premature to assess the outcome of the actions at this point in time.

Kroll Cranes A/S ("Kroll")

Toronto Crane Services Inc ("TCS") purchased a crane from Kroll in September 2003. The crane was subsequently sold by TCS to Abriaco Investments Ltd ("AIL"). In April 2007, an accident happened involving the crane. AIL is pursuing a claim for the alleged loss suffered estimated to be USD500,000 / RM1.7 million against Kroll and has instituted proceedings before the Canadian courts against Kroll.

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

28. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its ultimate holding company, subsidiaries (see Note 6), related companies, associates (see Note 7) and Directors (see Note 21).

28. Related parties (cont'd)

Significant transactions with related parties:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ultimate holding company				
Purchase of property, plant and equipment	-	5,129	-	-
Rental expense payable	2,151	2,395	-	-
Rental income receivable	(2)	-	-	-
Sale of goods and services	(460)	(609)	-	-
Subcontract cost payable	730	911	-	-
	=====	=====	=====	=====
Subsidiaries				
Dividend income receivable	-	-	(22,220)	(25,712)
Interest expense payable	-	-	198	122
	=====	=====	=====	=====
Related companies				
Purchase of property, plant and equipment	-	9,251	-	-
Sale of goods	-	(928)	-	-
Rental expense payable	1,805	734	-	-
Subcontract cost payable	1,854	2,756	-	-
	=====	=====	=====	=====
Associates				
Sale of goods and services	(9,953)	(5,135)	-	-
Purchase of goods and services	111	296	-	-
	=====	=====	=====	=====

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

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

There are no allowances for impairment losses on receivables as at 31 December 2010 in respect of the above related party balances.

29. Realised and unrealised profits/losses

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

	2010 RM'000	2009 RM'000
Total retained profits / (accumulated losses) of Favelle Favco Berhad and its subsidiaries:		
- Realised	40,983	
- Unrealised	(4,191)	
	36,792	
Total retained profits / (accumulated losses) from associated companies:		Note: Comparative figures are not required in the first financial year of complying.
- Realised	(473)	
- Unrealised	(2)	
	36,317	
Less: Consolidation adjustments	48,579	
Total Group retained profits	84,896	

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

In the opinion of the Directors, the financial statements set out on pages 40 to 103 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

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

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

……………………………………………………………
Lee Poh Kwee

Klang,

Date: 5 April 2011

Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Poh Kwee**, the Director primarily responsible for the financial management of Favelle Favco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 103 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang on 5 April 2011.

…………………..
Lee Poh Kwee

Before me:

Tee Hsiao Mei
Pesuruhjaya Sumpah Malaysia
(No. B272)

Independent Auditors' Report to the Members of Favelle Favco Berhad

Report on the Financial Statements

We have audited the financial statements of Favelle Favco Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 103.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report to the Members of Favelle Favco Berhad (cont'd)

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The supplementary information set out on page 104 in Note 29 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath
Firm Number: AF 1018
Chartered Accountants

Onn Kien Hoe
1772/11/12 (J/PH)
Chartered Accountant

Kuala Lumpur

Date: 5 April 2011

Group Properties
As At 31 December 2010

No.	Location	Description/ Existing Use	Year of Valuation/ Acquisition	Tenure/ Expiry Date	Land Area	Age of Building	Carrying Value RM'000
1.	4 Mile East, FM 106, Port of Harlingen, Harlingen, Texas, 78551-3049 USA.	Office building cum manufacturing plant	1997	Leasehold expiry 2031	17.826 acres	13 years	1,307
2.	Lot Nos. 31792 & 31814, Town of Senawang, District of Seremban.	Factory building with office block	2008#	Freehold	68,846 sq.m.	6 years	28,595
3.	7AL, Nordkranvej, 2 3540, Lynge DK Denmark.	Factory building with office block	2009#	Freehold	59,525 sq.m.	41 years	13,900
4.	PN4072 Lot 3683 Mukim of Teluk Kalung, District of Kemaman, Terengganu Darul Iman.	Vacant land	2010	Leasehold expiry 2057	2,185 sq.m.	NA	153
5.	PN4073 Lot 3684 Mukim of Teluk Kalung, District of Kemaman, Terengganu Darul Iman.	Vacant land	2010	Leasehold expiry 2057	1,822 sq.m.	NA	127
					Total properties		44,082

Note: # Year of Valuation

Analysis of Shareholdings
as at 29 April 2011

Share Capital

Authorised share capital	: RM500 million
Issued and fully paid-up capital	: RM88,709,010
Class of shares	: Ordinary shares of RM0.50 each
Voting rights	: One vote per ordinary share

Distribution of shareholdings of ordinary shares

Size of Holdings	No of holders*2	% of holders*2	No. of shares held*2	% of issued capital*2
Less than 100	36	1.115	900	*1
100 to 1,000	863	26.718	730,040	0.412
1,001 to 10,000	1,764	54.613	8,267,209	4.660
10,001 to 100,000	489	15.139	14,171,760	7.988
100,001 to 8,870,400*2	76	2.353	44,851,911	25.282
8,870,401*2 and above	2	0.062	109,386,200	61.658
TOTAL	**3,230**	**100.000**	**177,408,020**	**100.000**

Notes:
*1 Less than 0.001%.
*2 Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2011.

Directors' shareholdings as per the Register of Directors' Shareholdings

Name of Directors	Direct interests (no. of shares)	% of issued capital[8]	Deemed interest (no. of shares)	% of issued capital[8]
1. Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.604	106,500[1]	0.060
2. Tan Sri A. Razak bin Ramli	300,000	0.169	800[1]	-[2]
3. Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000[3]	0.169	-	-
4. Mac Ngan Boon @ Mac Yin Boon	8,192,913[4]	4.618	101,689,800[5]	57.320
5. Mac Chung Hui	2,012,000[6]	1.134	-	-
6. Lee Poh Kwee	1,085,000[7]	0.612	-	-
7. Mazlan bin Abdul Hamid	2,115,000	1.192	-	-
8. Lim Teik Hin	100,000	0.056	-	-

Notes:
1. Deemed interest pursuant to Section 134 of the Companies Act, 1965 ("Act"), held through his spouse and children.
2. Less than 0.001%.
3. 300,000 shares held through AllianceGroup Nominees (Tempatan) Sdn Bhd.
4. 5,264,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd.
   600,000 shares held through EB Nominees (Tempatan) Sendirian Berhad.
5. 98,000,000 deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in MEB.
   3,689,800 deemed interest pursuant to Section 134 of the Act, held through his spouse and children.
6. 400,000 shares held through Mayban Securities Nominees (Tempatan) Sdn Bhd.
7. 1,015,000 shares held through HLB Nominees (Tempatan) Sdn Bhd.
   70,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd.
8. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2011.

Analysis of Shareholdings
as at 29 April 2011 (cont'd)

Shares in related corporation

There is no change in the deemed interest of directors in related corporation as disclosed in the Directors' Report for the year ended 31 December 2010 on pages 35 and 36 of this Annual Report.

Options in the Company

There is no change in the employee share options held by the Directors in the Company as disclosed in the Directors' Report for the year ended 31 December 2010 on page 35 and 36 of this Annual Report.

Substantial Shareholdings as per the Register of Substantial Shareholders

Name	Direct interests (no. of shares)	% of issued capital[3]	Deemed interest (no. of shares)	% of issued capital[3]
1. Muhibbah Engineering (M) Bhd	98,000,000	55.240	-	-
2. Mac Ngan Boon @ Mac Yin Boon	8,192,913[1]	4.618	98,000,000[2]	55.240
3. Lembaga Tabung Haji	11,386,200	6.418	-	-

Notes:
1. 5,264,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd.
   600,000 shares held through EB Nominees (Tempatan) Sendirian Berhad.
2. 98,000,000 deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in MEB.
3. Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2011.

List of thirty (30) largest shareholders

No.	Name of Shareholders	No. of Shares held	% of issued capital*
1	Muhibbah Engineering (M) Bhd	98,000,000	55.240
2	Lembaga Tabung Haji	11,386,200	6.418
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	5,264,000	2.967
4	Nik Ibrahim Kamil Bin Nik Ahmad Kamil	2,873,722	1.620
5	Mohamed Taib Bin Ibrahim	2,330,200	1.314
6	Mac Ngan Boon @ Mac Yin Boon	2,328,913	1.313
7	Baharuddin Bin Ali	2,102,700	1.185
8	Mazlan Bin Abdul Hamid	2,101,000	1.184
9	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Pheim)	1,866,400	1.052
10	Mac Chung Hui	1,612,000	0.909
11	Ooi Sen Eng	1,326,000	0.747
12	Mayban Nominees (Tempatan) Sdn Bhd Liu Suon Laong @ Lau Suon Laong	1,181,000	0.666
13	Noriyati Binti Hassan	1,178,423	0.664

Analysis of Shareholdings
as at 29 April 2011 (cont'd)

List of thirty (30) largest shareholders (cont'd)

No.	Name of Shareholders	No. of Shares held	% of issued capital*
14	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	1,015,000	0.572
15	OREC Engineering Holdings Pty Ltd	900,000	0.507
16	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noriyati Binti Hassan	900,000	0.507
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For MAAKL Progress Fund	880,000	0.496
18	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chew Keng Siew	800,000	0.451
19	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For MAAKL Al-Faid	717,400	0.404
20	HSBC Nominees (Asing) Sdn Bhd Exempt An For UBS AG	669,400	0.377
21	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	600,000	0.338
22	Lim Swee Pheng	594,346	0.335
23	HSBC Nominees (Asing) Sdn Bhd Exempt An For The Hongkong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	532,300	0.300
24	Mohamed Taib Bin Ibrahim	515,471	0.291
25	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hung Yew Loong	490,000	0.276
26	Yap Eng Jin	479,000	0.270
27	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For MAAKL Growth Fund	421,500	0.238
28	Ng Yune Ming	410,000	0.231
29	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Raja Ahmad Zainuddin Bin Raja Haji Omar	400,000	0.226
30	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Chung Hui	400,000	0.226
		144,274,975	81.324

Note:

* Excluding a total of 10,000 shares purchased by the Company and retained as treasury shares as at 29 April 2011.

PROXY FORM

Number of Shares Held	

*I/*We____NRIC No. (New)_________________(old) ________________
(Full Name)

of____
(Address)

being a member/members of **FAVELLE FAVCO BERHAD**, hereby appoint the Chairman of the Meeting or Mr/Ms__________________

____NRIC No. (New)_________________(old) ________________
(Full Name)

of____
(Address)

or failing whom,_______________________________________NRIC No. (New)_________________(old) ________________
(Full Name)

of____
(Address)

as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Nineteenth Annual General Meeting of the Company to be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Peransang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 June 2011 at 2.00 p.m. and at any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below :-

Resolution No.	Ordinary Business	For	Against
1.	To receive the Audited Financial Statements and the Reports of the Directors and Auditors thereon.		
2.	To approve a payment of the First and Final Tax-Exempt Dividend of 5.00 sen per ordinary share.		
3.	To re-elect Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor as Director.		
4.	To re-elect Mazlan bin Abdul Hamid as Director.		
5.	To re-appoint Tuan Haji Mohamed Taib bin Ibrahim as Director.		
Resolution No.	**Special Business**	**For**	**Against**
6.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	To approve the Proposed Renewal of Share Buy-Back Authority.		
8.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		
9.	To approve the Proposed Amendments to the Articles of Association of the Company.		

[* Delete if not applicable]

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this _______ day of ______________ , 2011

....
[Signature/Common Seal of Shareholder(s)]

NOTES:

1. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy or more than one proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The instrument appointing a proxy shall be in writing under the hands of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of its officer or its duly authorised attorney.
3. When a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Company's registered office at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the Meeting or at any adjournment thereof.

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AFFIX STAMP

REGISTERED OFFICE

FAVELLE FAVCO BERHAD (249243-W)
Lot 586, 2nd Mile, Jalan Batu Tiga Lama,
41300 Klang, Selangor Darul Ehsan,
Malaysia

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