THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

FAVELLE FAVCO BERHAD

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED ACQUISITION BY FAVELLE FAVCO BERHAD ("FFB" OR "COMPANY") OF A CRANE FABRICATION YARD COMPRISING FREEHOLD INDUSTRIAL LAND, BUILDINGS AND IMPROVEMENTS, LOCATED AT NO. 28 YARRUNGA STREET, PRESTONS, NEW SOUTH WALES, 2170 AUSTRALIA WITH A TOTAL LAND AREA MEASURING APPROXIMATELY 11.6 ACRES FROM MUHIBBAH ENGINEERING (M) BHD FOR A TOTAL PURCHASE CONSIDERATION OF AUD15,000,000 (EQUIVALENT TO RM48,091,500), TO BE SATISFIED VIA THE ISSUANCE OF 31,678,743 NEW ORDINARY SHARES OF RM0.50 EACH IN FFB ("FFB SHARES") AT AN ISSUE PRICE OF RM1.5181 PER FFB SHARE ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM KAF INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF FFB IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

Maybank Investment Bank

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

Independent Adviser

INVESTMENT BANK BERHAD (20657-W)

The Notice of the Extraordinary General Meeting ("**EGM**") of FFB to consider the Proposed Acquisition to be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday, 5 November 2012 at 2.00 p.m. together with the Form of Proxy are enclosed herewith. The Form of Proxy must be lodged at the office of Tricor Investor Services Sdn Bhd, the Company's Share Registrar, at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not later than 48 hours before the time set for the holding of the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Saturday, 3 November 2012 at 2.00 p.m.
Date and time of the EGM	:	Monday, 5 November 2012 at 2.00 p.m.

This Circular is dated 17 October 2012

DEFINITIONS

For the purpose of this Circular and the accompanying appendices, except where the context otherwise requires, the following words and abbreviations shall have the following meanings:

ABS	:	Australian Bureau of Statistics
Act	:	Companies Act, 1965 and includes any amendments from time to time
Announcement	:	Announcement dated 25 June 2012 by Maybank IB, on behalf of the Board, in relation to the Proposed Acquisition
Board	:	Board of Directors of FFB
Bursa Securities	:	Bursa Malaysia Securities Berhad *(635998-W)*
Circular	:	This circular to the shareholders of FFB dated 17 October 2012 in relation to the Proposed Acquisition
Consideration Shares	:	31,678,743 new FFB Shares to be issued at an issue price of RM1.5181 per FFB Share as consideration for the Proposed Acquisition
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
FFB or Company	:	Favelle Favco Berhad *(249243-W)*
FFB Group	:	FFB and its subsidiaries, collectively
FFB Shares	:	Ordinary shares of RM0.50 each in FFB
FYE	:	Financial year ended
GDP	:	Gross domestic product
IAL	:	Independent advice letter
Interested Directors	:	Mac Ngan Boon @ Mac Yin Boon, Tuan Haji Mohamed Taib bin Ibrahim, Mac Chung Hui and Mazlan bin Abdul Hamid, collectively
Joint Independent Valuers	:	Messrs. Irhamy & Co Chartered Surveyors and Anderson Group Valuers, collectively
KAF	:	KAF Investment Bank Berhad *(20657-W)*
Listing Requirements	:	Main Market Listing Requirements issued by Bursa Securities and includes any amendments from time to time
LNG	:	Liquefied natural gas
LPD	:	20 September 2012, being the latest practicable date prior to the printing of this Circular
Maybank IB	:	Maybank Investment Bank Berhad *(15938-H)*
MEB or Vendor	:	Muhibbah Engineering (M) Bhd *(12737-K)*

MEB Shares	:	Ordinary shares of RM0.50 each in MEB
NA	:	Net assets
NBV	:	Net book value
NSW	:	New South Wales
Property	:	Crane fabrication yard comprising freehold industrial land, buildings and improvements, located at No. 28 Yarrunga Street, Prestons, NSW, 2170 Australia with a total land area measuring approximately 11.6 acres
Proposed Acquisition	:	Proposed acquisition by FFB of the Property from MEB for the Purchase Consideration, to be fully satisfied via the allotment and issuance of the Consideration Shares
Purchase Consideration	:	AUD15,000,000 (equivalent to RM48,091,500), being the total purchase consideration for the Proposed Acquisition
SPA	:	Sale and Purchase Agreement dated 25 June 2012 between FFB and MEB in relation to the Proposed Acquisition
Tricor	:	Tricor Investor Services Sdn Bhd *(118401-V)*
Valuation Report	:	Valuation report dated 15 June 2012 on the Property prepared by the Joint Independent Valuers

CURRENCIES

AUD	:	Australian Dollar
RM and sen	:	Ringgit Malaysia and sen

All references to "you" in this Circular are to the shareholders of the Company.

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

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

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

In this Circular, conversion of AUD amount into RM amount has been made according to the five (5)-day average exchange rate up to and including 22 June 2012, being the last business day prior to the date of the signing of the SPA *(Source: Reserve Bank of Australia)*, unless otherwise indicated. The said five (5)-day average exchange rate is as follows:

AUD1.00 : RM3.2061

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

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APPENDICES

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PART A

LETTER TO THE SHAREHOLDERS OF FFB IN RELATION TO THE PROPOSED ACQUISITION

Favelle Favco Berhad
(Company No.: 249243-W)
(Incorporated in Malaysia under the Act)

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

17 October 2012

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)*

To: The shareholders of FFB

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 25 June 2012, Maybank IB, on behalf of the Board, announced that FFB had on even date entered into the SPA with MEB for the proposed acquisition of the Property from MEB for a total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500), to be fully satisfied via the allotment and issuance of the Consideration Shares. The Consideration Shares are not subject to any adjustments or changes due to the fluctuations in foreign exchange rate between AUD against RM.

On 19 September 2012, Maybank IB, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 14 September 2012, approved the listing and quotation of the Consideration Shares as the Purchase Consideration pursuant to the Proposed Acquisition.

On 16 October 2012, Maybank IB, on behalf of the Board, announced that the Company and MEB had, on even date, mutually agreed in writing for an extension of one (1) month from 31 October 2012 to 30 November 2012 for the Company and MEB to fulfill the conditions precedent pursuant to the SPA.

In view of the interests of the major shareholders and the Interested Directors of FFB as set out in Section 10 of Part A of this Circular, the Proposed Acquisition is deemed to be a related party transaction. Accordingly, pursuant to the requirements of Paragraph 10.08(2) of the Listing Requirements, the Board had, on 26 April 2012, appointed KAF as the independent adviser to, *inter-alia,* advise the non-interested shareholders of FFB in respect of the Proposed Acquisition. The IAL from KAF to the non-interested shareholders of FFB in relation to the Proposed Acquisition is set out in Part B of this Circular.

The purpose of this Circular is to provide you with the details of the Proposed Acquisition together with the recommendation of the Board and to seek your approval for the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. The Notice of EGM together with the Form of Proxy are enclosed in this Circular.

You are advised to read and consider carefully the contents of this Circular and the IAL from KAF before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

Pursuant to the SPA, the Vendor has agreed to sell and FFB has agreed to purchase the Property for a total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500) upon the terms stipulated in the SPA.

2.1 Salient terms and conditions of the SPA

The salient terms of the SPA are as follows:

(a) The purchase consideration of the Property is AUD15,000,000 (equivalent to RM48,091,500) only and shall be satisfied via the allotment and issuance of the Consideration Shares to the Vendor. FFB shall allot and issue the Consideration Shares credited as fully paid-up to the Vendor within thirty (30) business days after satisfaction of the conditions precedent as stated in the SPA or as otherwise agreed by FFB and MEB.

(b) FFB will pay MEB a deposit amounting to AUD100 upon the execution of the SPA. In accordance with the SPA, the Vendor will return the deposit of AUD100 in cash to FFB upon the allotment and issuance of the Consideration Shares to the Vendor.

(c) Completion of the SPA is conditional upon and subject to the fulfillment of the following conditions precedent by 31 October 2012 which has been mutually extended to 30 November 2012, or any other date agreed in writing between FFB and MEB:

- By MEB:

  (i) approval of the board of directors of MEB;

  (ii) approval of the shareholders of MEB;

  (iii) approval/consent from the banks and financial institutions who have extended credit facilities to or in favour of the Property (if any); and

  (iv) approval of any relevant authorities (if required).

- By FFB:

  (i) approval of the Board;

  (ii) approval of the shareholders of FFB, which is the subject of this Circular;

  (iii) approval-in-principle from Bursa Securities for the listing of and quotation for the Consideration Shares to be issued on the Main Market of Bursa Securities in favour of MEB;

  (iv) a satisfactory due diligence conducted by FFB in respect of the Property; and

  (v) approval of any relevant authorities (if required).

(d) Completion of the SPA will take place upon the allotment and issuance of the Consideration Shares to MEB.

(e) If FFB does not comply with the SPA in an essential respect, MEB can terminate by serving a notice.

For avoidance of doubt, the essential respect relates to the concept of "time of the essence". If a party does not comply with the terms and conditions of the agreement within the stipulated time period, then the other party must issue a notice to the defaulting party which the defaulting party needs to comply within a certain time period and only if the defaulting party has not complied, then the other party can issue the notice to terminate. No time frame for termination is specifically provided in this provision. It is however provided under the SPA that if the time for something to be done or to happen is not stated in the SPA, the time frame shall be a matter of what is "reasonable", which would depend on the particular circumstances.

After the termination, MEB can:

(i) keep or recover the deposit amounting to AUD100.

For clarification purposes, if the deposit hypothetically has not been paid or is held by a third party, then MEB can recover it from FFB or the third party;

(ii) hold any other money paid by FFB (if any) under the SPA as security for anything recoverable under the termination provision for twelve (12) months after the termination or, if MEB commences proceedings within twelve (12) months, until those proceedings are concluded.

For avoidance of doubt, under the applicable laws of NSW, a contract must include "consideration". Hence, FFB paid a cash consideration amounting to AUD100 as a deposit (as referred to in Section 2.1(b) above) in return for MEB entering into the SPA. Save for the AUD100 stated above, FFB has not paid any other monies to MEB under the SPA. If FFB defaults and as a consequence, MEB terminates the SPA, MEB can retain the deposit, resell the property and, if MEB suffers a shortfall on resale, that shortfall is recoverable against FFB less the AUD100 already forfeited to MEB.

For clarification purposes, the reference to "as security for anything recoverable" would be applicable in the hypothetical event there are any monies (other than the deposit) paid to MEB pursuant to the SPA; and

(iii) sue FFB either where MEB has resold the Property under a contract made within twelve (12) months after the termination to recover the deficiency on resale (with credit for any of the deposit kept or recovered and after allowance for any capital gains tax or goods and services tax payable on anything recovered) and the reasonable costs and expenses arising out of FFB's non-compliance with the SPA or the notice and of resale and any attempted resale or to recover damages for breach of contract.

(f) FFB can (but only before completion) claim compensation for an error or misdescription in the SPA (as to the Property, the title or anything else and whether substantial or not), even if FFB did not take notice of or rely on anything in the SPA containing or giving rise to the error or misdescription. However, this will not apply to the extent FFB knows the true position.

For example, if the SPA provided that if the land to be transferred on completion of the sale had particular dimensions and as a result of enquiries before completion it was determined that the dimensions were incorrect, then FFB could make a claim for compensation based on the detriment, the misdescription in dimensions would have caused FFB.

(g) The SPA is governed by the laws of NSW, Australia.

For clarification purposes, the SPA does not specifically identify in what circumstances FFB may have a right to terminate the SPA. Under the laws of NSW, there are certain implied warranties and terms in a contract for sale of land the breach of which would enable a purchaser to rescind. Such a right might arise, for example, if there was a third party entitled to resume the property and details of that resumption were not included in the contract. In these circumstances, FFB may be entitled to terminate the SPA and get back its deposit.

For avoidance of doubt, if the vendor is in breach of its obligations under the contract (for example to obtain the appropriate approvals), the purchaser could issue a notice requiring the vendor to satisfy that condition of the contract and if the condition was not satisfied by the end of the period in the notice, the purchaser could rescind the contract and its deposit will be refunded. Barring unforeseen circumstances, provided the deposit is refunded to FFB, there would not be further costs payable by MEB, subject to the specific circumstances of the situation that have given rise to the rescission.

2.2 Basis and justification for arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the Property of AUD15,000,000 (equivalent to RM48,091,500) as appraised by the Joint Independent Valuers vide the Valuation Report.

Based on the Valuation Report, valuation for the Property had been carried out by using the Summation Method which comprises the Comparison Method and the Depreciated Replacement Cost Method as follows:

Property	Method of valuation	Market value (AUD)
Land	Comparison method	13,115,200

Property	Method of valuation	Market value
Buildings and improvements:	Depreciated Replacement Cost Method	
- Main fabrication/ manufacturing building (original built-up)		1,288,988
- Main fabrication/ manufacturing building (extension)		481,600
- Four (4) units of test pedestals		83,500
- Ancillary improvements		50,000
Total		**15,019,288**
Market value of the Property (as appraised by the Joint Independent Valuers) *(rounded)*		**15,000,000**

The Joint Independent Valuers are of the opinion that these methods of valuation are suitable and appropriate for the land and improvements of the Property due to the rather specialised nature of the facilities of a crane fabrication yard that has been in operation for over thirty (30) years *(Source: Valuation Report).*

The estimated market value of the land is derived by using the Comparison Method whereby analysis was made on recent transactions of industrial lands in the locality. Adjustments were made to reflect the differences of the Property against the comparables.

The values of buildings and improvements were calculated using the Depreciated Replacement Cost Method whereby their values were taken to equal the cost of replacing the items in their existing conditions and state of repairs. This is determined by taking into consideration the present replacement cost of the relevant items as new and allowing for depreciation for physical condition, economic obsolescence and other relevant factors.

The Property is to be acquired by FFB free from, without limitation, encumbrances, liens, caveats and other restraints and subject to the existing tenancy granted to Favelle Favco Cranes Pty Ltd, a wholly-owned subsidiary of FFB. The existing tenancy agreement expires on 31 December 2012 and the FFB Group is not subject to any fine for early termination of the tenancy agreement.

According to the Valuation Report, based on the development application letter dated 20 May 1968, only the main fabrication/manufacturing building has been granted with permission to develop by The City Council of Liverpool. The main fabrication/manufacturing building has been extended to accommodate a larger fabrication/manufacturing capacity on 16 February 1981 and 6 March 1990, which have been filed with the council on the respective dates. Hence, the main fabrication/manufacturing building and the said extensions have been taken into consideration in the valuation of the Property by the Joint Independent Valuers.

However, the consent letters from the council for the rest of the improvements erected on site have not been sighted by the Joint Independent Valuers. As such these improvements are excluded from the market value of the Property by the Joint Independent Valuers.

Further details of the improvements which are excluded from the valuation of the Property by the Joint Independent Valuers are as follows:

Excluded improvements	**Built-up area**	**% of total area**
	(square metres)	**(%)**
Secondary factory area (lean to)	1,276	2.72
Administrative and office building	914	1.95
Storage and service shed	285	0.61
Two (2) units of igloo sheds	800	1.71
Riggers storage area	40	0.09
Electrical building	60	0.13
Flammable storage shed	45	0.10
Total	**3,420**	**7.31**

2.3 Basis and justification of arriving at the issue price of the Consideration Shares

The Consideration Shares will be issued at RM1.5181 per FFB Share, which is the five (5)-day volume weighted average market price ("**VWAMP**") of FFB Shares up to and including 22 June 2012, being the last trading day prior to the signing of the SPA. The issue price of RM1.5181 per FFB Share is not subject to any adjustments or changes. The five (5)-day VWAMP reflects the current average trading price of FFB Shares prior to the signing of the SPA and the Announcement.

2.4 Ranking of the Consideration Shares

The Consideration Shares to be issued pursuant to the Proposed Acquisition shall, upon allotment and issuance, rank equally in all respects with the existing FFB Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions unless the allotment and issuance of the new FFB Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

2.5 Source of funding

The Proposed Acquisition will be funded fully by the issuance of the Consideration Shares.

The issuance of the Consideration Shares will increase FFB's capital base and hence, improve its gearing ratio.

2.6 Proposed listing and quotation

FFB has obtained the approval from Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities on 14 September 2012.

2.7 Liabilities to be assumed by FFB

FFB will not be assuming any liabilities, including contingent liabilities and guarantees pursuant to the Proposed Acquisition.

2.8 Latest audited NBV and original cost and date of investment

The original cost and date of investment, and the latest audited NBV of the Property based on the latest audited consolidated accounts of the Vendor for the FYE 31 December 2011 are as follows:

Property	Audited NBV as at 31 December 2011	Original cost of investment	Date of investment
	(RM'000)	(RM'000)	
Land	12,783[1]	17,260	1 April 2004
Improvements	2,599	6,736	1 April 2004
Total	**15,382**	**23,996**	

Note:

(1) After taking into consideration revaluations of the land in 2005 and 2008

3. INFORMATION ON THE PROPERTY

3.1 Key features of the Property

The Property comprises a large industrial factory used by the FFB Group for crane fabricating/manufacturing on a large type of approximately 4.684 hectares (11.6 acres) industrial land parcel. The Property consists of a main fabrication/manufacturing building, test pedestals while the other improvements comprise road, car park, perimeter security fencing, underground diesel tank with bowser, liquid petroleum gas above ground tank, liquid oxygen above ground tank and effluent holding tanks. The main fabrication/manufacturing building was built in 1968 with further extensions in 1981 and 1990. The main fabrication/manufacturing building is considered to be in average to poor condition. Although the building is structurally sound, some parts of walls, floorings and roofing have not been upgraded to modern materials.

The FFB Group has been renting from MEB and utilising the Property as its fabrication yard for its crane manufacturing business since 2004. The Property is used to assemble and construct tower cranes in the construction sector to build high rise buildings and offshore cranes for the resources sector in particular for oil and gas exploration and production activities which cater to the FFB Group's Asian and Australian crane demands.

The Property is premised at No. 28 Yarrunga Street, Prestons, NSW, 2170 Australia. It is located on the northern side of Yarrunga Street, approximately 400 metres west from the intersection with Bernera Road.

Prestons is a suburb of Sydney in the state of NSW, Australia. It is located 37 kilometres south-west of the Sydney central business district, in the local government area of the City of Liverpool.

The registered owner of the Property is MEB and the land title of the Property is free from any legal restriction.

Further details of the Property are set out below:

Tenure	: Freehold
Land area (approximately)	: 4.684 hectares (11.6 acres or 46,840 square metres)
Age of the main fabrication/manufacturing building	: Approximately 43 years
Market value[(1)]	: AUD15.0 million (equivalent to RM48,091,500)
Purchase consideration	: AUD15.0 million (equivalent to RM48,091,500)
Net book value as at 31 December 2011 (audited)	: RM15.382 million
Chargee	: None
Encumbrances	: None

Note:

(1) The market value of the Property is based on the valuation performed by the Joint Independent Valuers, as at 15 June 2012, being the valuation date

3.2 Future plans for the Property

Since 2004 until the LPD, the FFB Group has been using the Property for the designing, manufacturing, supplying, renting and servicing of its industrial cranes business in Australia. FFB intends to maintain the Property for its existing use and will not incur any additional financial commitment to put the Property on-stream.

Nevertheless, it is the intention of FFB to gradually improve and expand the manufacturing capacity and facilities of the Property in order to allow the FFB Group to undertake more crane manufacturing activities. As approximately 1.8736 hectares of land area, which represents 40% of the total land area of the Property, is vacant (i.e. with no building currently erected thereon) as stated in the Valuation Report, the Board is of the view that such improvement/expansion would benefit FFB in the long run, both in terms of enlarging the operations of FFB as well as the enhancement of the Property's value. As at the LPD, FFB plans to commit capital expenditure in the range of RM3 million to RM5 million over the next three (3) years for the purposes of upgrading the administrative and office building of the Property, including but not limited to, the roofing, flooring, water system, wiring system, office partition and other related miscellaneous expenses.

4. INFORMATION ON THE VENDOR

MEB was incorporated in Malaysia under the Act on 4 September 1972 as a private limited company. It was subsequently converted to a public limited company on 14 June 1993 and was listed on the then Main Board (now known as the Main Market) of Bursa Securities on 25 February 1994.

MEB is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries of MEB are mainly involved in design, manufacture, commission, repair, maintenance and customisation of offshore pedestal cranes, offshore supply vessels and anchor handling tugboats for global oil and gas industry. The associates of MEB are mainly involved in international airports concessions in Cambodia and road maintenance concessions in Malaysia.

MEB is the immediate holding company of FFB and as at the LPD, MEB owns approximately 55.57% equity interest in FFB.

The major shareholder and Directors of MEB and their respective shareholdings as at the LPD are as follows:

	Direct		Indirect	
	No. of MEB Shares	[1]%	No. of MEB Shares	[1]%
Major shareholder and Director				
Mac Ngan Boon @ Mac Yin Boon	70,691,416	17.39	[2]24,822,500	6.11
Directors				
Tuan Haji Mohamed Taib bin Ibrahim	7,543,392	1.86	[2]153,750	0.04
Datuk Zakaria bin Abdul Hamid	16,000	*	-	-
Ooi Sen Eng	13,045,066	3.21	-	-
Low Ping Lin	3,050,500	0.75	-	-
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	-	-	-	-
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	-	-	-	-
Lim Teik Hin	-	-	[3]50,000	0.01
Abd Hamid bin Ibrahim	-	-	-	-
Mac Chung Jin *(Alternate Director)*	5,160,000	1.27	[3]50,000	0.01

Notes:

[1] *Based on MEB's issued and paid-up capital of 408,213,250 MEB Shares and less treasury shares of 1,783,000 MEB Shares as at the LPD*

[2] *Deemed interest pursuant to Section 134 of the Act, held through his spouse and children*

[3] *Deemed interest pursuant to Section 134 of the Act, held through his spouse*

* *Negligible*

5. RATIONALE FOR THE PROPOSED ACQUISITION

The FFB Group has been renting from MEB and utilising the Property as its fabrication yard for its crane manufacturing business since 2004.

The Proposed Acquisition provides an opportunity for FFB to acquire the Property without any cash outlay at the market value of the Property. The Property is integral to FFB's Australian operations whereby the activities carried out by the FFB Group on the land include designing, manufacturing, supplying, renting and servicing of offshore, wharf and construction cranes. The FFB Group's Australian sales and distribution office is also located at this Property which is crucial to strengthen the agent networking of FFB in Australia.

The Proposed Acquisition also provides the assurance for FFB that the Property would not be disposed of to any third party by the Vendor who may not renew the tenancy of the Property with the FFB Group, thus preventing disruptive links in the FFB Group's operations in Australia. The Proposed Acquisition will also enable FFB to have better control over the administrative matters in relation to the Property. According to the Valuation Report, the Property is underdeveloped as approximately 1.8736 hectares of land area, which represents 40% of the total land area of the Property are open vacant land (i.e. with no building currently erected thereon). With the Proposed

Acquisition, FFB can develop the vacant land of the Property to increase its capacity without seeking the consent of MEB. As at the LPD, FFB has no plan to develop the said vacant land. However, FFB will review its business from time to time and may seek to pursue such development in the future.

The Proposed Acquisition forms part of the assets rationalisation plan of FFB. With the Proposed Acquisition, FFB can recognise the Property as an asset in its book and capitalise all the future capital expenditure to be incurred by FFB for the expansion of the Property. FFB can also benefit from future capital appreciation of the Property as it is located at Prestons in Australia, which is slowly being transformed into an industrial hub. The Proposed Acquisition is also part of the efforts of FFB to minimise its recurrent related party transactions to avoid recurring rental payments.

The Proposed Acquisition provides immediate rental savings to the FFB Group of AUD61,250 (approximately RM196,374) per month, which is equivalent to AUD735,000 (approximately RM2.356 million) per annum. It may also reduce FFB's administrative costs as a result of the reduction in the number of recurrent related party transactions between FFB and the Vendor.

With the benefits highlighted above, the Proposed Acquisition is expected to enhance the future financial performance of the FFB Group.

After evaluating various alternatives to fund the Purchase Consideration, FFB is of the view that the issuance of the Consideration Shares for the Proposed Acquisition would be most appropriate as it allows FFB to conserve cash and debt capacity for its business and operations.

6. PROSPECTS OF THE PROPERTY

6.1 Global Economy

After suffering a major setback during 2011, global prospects are gradually strengthening again, but downside risks remain elevated. Improved activity in the United States during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Accordingly, weak recovery will likely resume in the major advanced economies, and activity is expected to remain relatively solid in most emerging and developing economies. However, the recent improvements are very fragile. Policymakers need to continue to implement the fundamental changes required to achieve healthy growth over the medium term. With large output gaps in advanced economies, they must also calibrate policies with a view to supporting still-weak growth over the near term.

Policy has played an important role in lowering systemic risk, but there can be no pause. The European Central Bank's three-year longer-term refinancing operations (LTROs), a stronger European firewall, ambitious fiscal adjustment programs, and the launch of major product and labor market reforms helped stabilize conditions in the euro area, relieving pressure on banks and sovereigns, but concerns linger. Furthermore, the recent extension of U.S. payroll tax relief and unemployment benefits has forestalled abrupt fiscal tightening that would have harmed the U.S. economy. More generally, many advanced economies have made good progress in designing and implementing strong medium term fiscal consolidation programs. At the same time, emerging and developing economies continue to benefit from past policy improvements.

(Source: World Economic Outlook April 2012, International Monetary Fund)

6.2 Australian Economy

The Australian economy is forecast to grow around trend in 2012-13 and 2013-14, outperforming most of the developed world. While global financial market tensions eased in the early months of 2012 following the acute bout of instability in late 2011, global conditions remain weak, particularly in the major advanced economies, and financial markets are fragile.

Against this backdrop, the global economy is undergoing dramatic structural change as the weight of economic activity shifts towards Asia and this has significant implications for Australia. Strong demand from Asia is expected to continue to support historically high commodity prices, drive record levels of investment in resources and resources-related projects in Australia and underpin solid growth in export volumes.

Nonetheless, conditions in some parts of the economy are likely to remain challenging, with unsettled global conditions, the high Australian dollar, ongoing consumer caution and changes in expenditure patterns all expected to weigh heavily on some sectors.

Despite this, Australia's economic outlook remains positive, with economic growth expected to be solid, the unemployment rate expected to remain low and inflation likely to be well contained.

(Source: Budget Strategy and Outlook 2012-13, Treasury of the Commonwealth of Australia)

6.3 Prospect of the Property

In tandem with the Australia's strong growth in commodity exports over past few years, the property market has been on the upswing too. The tightened lending policy by financial institutions seen during the United States of America sub-prime and global financial crisis slowly eased off and coupled with foreign investors' interests in Australian properties, the property market in general has been enjoying growth over last 3 years.

As a result of the increased demand more lands have been opened up for development and this is seen in Prestons in particular, the opening of the M7 Motorway and re-zoning of the rural area to industrial. These two factors have significantly changed the neighbourhood in that Prestons is becoming a recognized hub for large industrial warehousing shown by the presence of German's Aldi Supermarket Chain and Primo Meats. These two multi-nationals have established distribution centres to facilitate supplies to their respective end users.

However, unlike smaller-sized holdings where more transactions would take place, the allotments in this neighbourhood of Prestons are generally 5-acre lots. In addition to the land size factor, the newly built M7 Motorway has increased accessibility to more lands resulting a steady to flattish demand for such large-sized industrial lands.

Colliers International first half 2012 research & forecast report has been noted. The report mentions "Sydney's industrial land market has continued to see moderate demand levels from owner occupiers looking to buy serviced lots, in order to develop a purpose built asset which suits their needs and cannot be found in the tightening sales or leasing market."

Despite the fact that the supply of lands has increased we firmly believe that with improved connectivity and the presence of multi-nationals in the neighbourhood, Prestons in general will remain attractive for more relocations and property acquisition as the economy grows further in the coming years.

(Source: Valuation Report)

6.4 Industry Outlook

The Property is used to assemble and construct tower cranes in the construction sector to build high rise buildings and offshore cranes for the resources sector in particular for oil and gas exploration and production activities, which cater to the FFB Group's Asian and Australian crane demands.

(Source: Management of FFB)

There are dramatic structural changes underway in the global economy, with economic activity shifting towards Asia. This uneven pattern of global growth is expected to see emerging economies, particularly China and India, account for around three-quarters of global growth over the next two years. China is forecast to grow at an average annual rate of over 8 per cent over the next two years and India around 7 per cent.

Robust demand in Asia should continue to underpin the strong outlook for the resources sector, where investment has reached unprecedented levels. Businesses expect to invest a record $120 billion in the resources sector in 2012-13, around 150 per cent higher than its level just two years before, and 13 times the level of investment before the first phase of the boom. The resources investment pipeline is currently over $450 billion, with more than half of these projects already committed or under construction. Over the forecast period, new business investment as a proportion of GDP is expected to reach its highest level on record.

Strong growth in the resources sector is expected to continue to spill over into other sectors, including parts of the construction sector, parts of manufacturing and parts of the services sector. Together, the resources and the resources-related sectors of the economy are expected to account for 15 to 20 per cent of total GDP over the forecast horizon and grow by an average of nearly 9 per cent per year.

(Source: Budget Strategy and Outlook 2012-13, Treasury of the Commonwealth of Australia)

Mining investment is expected to peak, however, over the next few years. Investment continues to be underpinned by construction on a number of very large liquefied natural gas (LNG) projects, valued at around $180 billion in total, including the second liquefaction train at the Australia Pacific LNG project in Gladstone, which was recently approved. Investment in mines and infrastructure for other commodities, such as iron ore and coal, also continues to grow rapidly. Given the import-intensive nature of mining investment, particularly for LNG projects that often involve large modular production plants built offshore, capital imports have also increased very strongly over recent years.

The peak in resource investment is anticipated to occur during the forecast period, at about the same level that was expected in the *May Statement*. However, based on the latest available data and information from liaison regarding the progress of liquefied natural gas (LNG) projects, that peak is expected to occur somewhat earlier than previously thought. Some resource companies have adopted a more cautious approach to investment opportunities currently under consideration (but to which they are not yet committed) given the more uncertain global outlook. However, final investment decisions have been confirmed on a number of major resource investment projects over the past few months, including the approval of the second liquefaction train for the Australia Pacific LNG project.

(Source: Statement on Monetary Policy – August 2012, Reserve Bank of Australia)

In light of the factors above, in particular the continuing growth and demand for tower cranes and offshore cranes for the construction, and resources sectors, as well as the strength of market demand for industrial properties in Prestons, Sydney, coupled with the strategic location of the Property, the Board is optimistic of the positive prospects of the Property.

7. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risks arising from the Proposed Acquisition given that the FFB Group has been using the Property for the designing, manufacturing, supplying, renting and servicing of its industrial cranes business in Australia. However, there may be additional risks arising from the Proposed Acquisition which may include, among others, the following:

7.1 Non-completion of the Proposed Acquisition

In the event the conditions precedent of the SPA is not fulfilled, the Proposed Acquisition cannot be completed. However, the conditions precedents are customary to the SPA and the Board is not aware of circumstances or facts within its control that may cause the non-completion of the Proposed Acquisition.

7.2 Compulsory acquisition of the Property by the Council of NSW, Australia

Under the laws of NSW, the NSW State Government has the power under legislation to resume or compulsorily acquire any land in NSW based on the market value of the property, to achieve its role and responsibilities as its community's needs change.

Before the completion of the Proposed Acquisition, FFB is protected against the compulsory acquisition by the NSW State Government as the SPA and NSW legislation, pursuant to the Conveyancing Act and the Regulations to that Act, give an implied warranty from MEB that MEB is not aware of any proposal by the NSW State Government department to resume or compulsorily acquire all or part of the Property. If a proposal exists, FFB has remedies under the SPA, including but not limited to, a right to compensation.

However, after the Proposed Acquisition, there can be no assurance that the Property will not be compulsorily acquired by the Australia Government in the future. If the Property is compulsorily acquired by the NSW State Government at such point in time in future when the market value of the Property then is lower than the Purchase Consideration (as the case may be), the compulsory acquisition could adversely affect the financial results of FFB.

8. EFFECTS OF THE PROPOSED ACQUISITION

8.1 Issued and paid-up share capital

The proforma effects of the Proposed Acquisition on FFB's issued and paid-up share capital are as follows:

	No. of FFB Shares	Issued and paid-up share capital
	('000)	(RM'000)
As at the LPD	179,167	89,584
Consideration Shares to be issued pursuant to the Proposed Acquisition	31,679	15,839
Enlarged issued and paid-up share capital	**210,846**	**105,423**

8.2 Shareholdings of the substantial and public shareholders

Based on FFB's Register of Shareholders as at the LPD, the proforma effects of the Proposed Acquisition on FFB's substantial and public shareholders' shareholdings are as follows:

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of FFB Shares	[1]%	No. of FFB Shares	[1]%	No. of FFB Shares	[2]%	No. of FFB Shares	[2]%
	'000		'000		'000		'000	
MEB	99,562	55.57	-	-	131,241	62.25	-	-
Mac Ngan Boon @ Mac Yin Boon	8,193	4.57	[3]99,562	55.57	8,193	3.89	[3]131,241	62.25
Lembaga Tabung Haji	10,244	5.72	-	-	10,244	4.86	-	-
Public shareholders	58,419	32.61	-	-	58,419	27.71	-	-

Notes:

(1) *Based on FFB's issued and paid-up capital of 179,167,020 FFB Shares and less treasury shares of 10,000 FFB Shares as at the LPD*

(2) *Based on FFB's enlarged issued and paid-up capital of 210,845,763 FFB Shares and less treasury shares of 10,000 FFB Shares after the Proposed Acquisition*

(3) *Deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in MEB*

8.3 NA, NA per share and gearing

For illustration purposes only, the proforma effect of the Proposed Acquisition on the consolidated NA, NA per share and gearing of FFB based on the latest audited financial statements of FFB as at 31 December 2011 on the assumption that the Proposed Acquisition have been effected on that date are as follows:

	Audited as at 31 December 2011	After the Proposed Acquisition
	RM'000	**RM'000**
Share capital	89,584	105,423
Reserves	23,325	(1)55,577
Retained earnings	124,073	(2)123,578
Shareholders' Equity / NA	**236,982**	**284,578**
No. of FFB Shares in issue(3) ('000)	179,157	210,836
NA per FFB Share (RM)	1.32	1.35
Total borrowings	51,246	51,246
Gearings (times)	0.22	0.18

Notes:

(1) *After taking into consideration the proforma increase in share premium by RM32.25 million pursuant to the issuance of the Consideration Shares at an issue price of RM1.5181 which is higher than the par value of FFB Shares*

(2) *After netting off estimated expenses of approximately RM495,000 in relation to the Proposed Acquisition*

(3) *Excluding treasury shares of 10,000 FFB Shares as at the LPD*

8.4 Earnings and EPS

Based on the audited consolidated financial statements of FFB for the FYE 31 December 2011, assuming that the earnings for the FYE 31 December 2012 is the same as the previous year with the exception of the rental for the Property and assuming the Proposed Acquisition is completed by the end of November 2012, the proforma effects of the Proposed Acquisition on the assumed consolidated earnings and EPS of FFB for the FYE 31 December 2012 are as follows:

	Audited as at 31 December 2011	After Proposed Acquisition
Profit attributable to owners of the Company (RM'000)	47,606	(1) 46,131
Weighted average no. of FFB Shares in issue ('000)	178,378	(2)181,927
EPS (sen)	**26.69**	**25.36**

Notes:

(1) *After adjusting for last year rental expenses of AUD216,000 (approximately RM692,518) per annum and taking into consideration the current rental expenses of AUD61,250 (approximately RM196,374) per month up to November 2012, resulting in a net difference of approximately RM1.468 million, and an estimated depreciation expenses of the Property of approximately RM7,000 per month from end November 2012 to 31 December 2012*

(2) *Weighted average number of FFB Shares in issue has taken into account the issuance of 31,678,743 Consideration Shares assumed to be issued by the end of November 2012*

8.5 Convertible Securities

FFB does not have any convertible securities in issue.

9. APPROVALS REQUIRED

The Proposed Acquisition is subject to and conditional upon approvals being obtained from the following:

(i) approvals of the Board and the board of directors of MEB (which were obtained on 25 June 2012);

(ii) approval of the shareholders of FFB and MEB at their respective EGMs to be convened;

(iii) approval from Bursa Securities for the listing of and quotation for the Consideration Shares to be issued on the Main Market of Bursa Securities in favour of MEB (which was obtained on 14 September 2012);

(iv) a satisfactory due diligence conducted by FFB in respect of the Property (which was completed on 15 June 2012);

(v) approval/consent from the banks and financial institutions who have extended credit facilities to or in favour of the Property (if any); and

(vi) any other relevant authorities, if required.

The Proposed Acquisition is not conditional upon any corporate exercise undertaken or to be undertaken by FFB.

10. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

MEB is a major shareholder and the holding company of FFB. It is also the Vendor for the Proposed Acquisition.

Mac Ngan Boon @ Mac Yin Boon is the Managing Director and a major shareholder of FFB. He is also the Managing Director and a major shareholder of MEB.

Tuan Haji Mohamed Taib bin Ibrahim is the Chairman and a shareholder of FFB. He is also the Chairman and a shareholder of MEB.

Mac Chung Hui (who is the son of Mac Ngan Boon @ Mac Yin Boon) is the Deputy Managing Director/Chief Executive Officer and a shareholder of FFB. He is also a person connected with MEB pursuant to Section 122A of the Act.

Mac Chung Jin (who is the son of Mac Ngan Boon @ Mac Yin Boon) is a shareholder of FFB. He is also an Alternate Director and a shareholder of MEB.

Mazlan bin Abdul Hamid is the Executive Director and a shareholder of FFB and a Director and shareholder of Favco Offshores Sdn Bhd (an associated company of FFB). He is also a shareholder of MEB.

Chew Keng Siew (who is the spouse of Mac Ngan Boon @ Mac Yin Boon) is a shareholder of both MEB and FFB.

Mac Chung Lynn (who is the daughter of Mac Ngan Boon @ Mac Yin Boon) is a shareholder of both MEB and FFB.

Fatimah bte Ismail (who is the spouse of Tuan Haji Mohamed Taib bin Ibrahim) is a shareholder of both MEB and FFB.

Hamidah binti Mohd Taib and Aminah binti Mohd Taib (who are the daughters of Tuan Haji Mohamed Taib bin Ibrahim) are shareholders of both MEB and FFB.

Mohamed Ezani bin Md Taib (who is the son of Tuan Haji Mohamed Taib bin Ibrahim) is a shareholder of both MEB and FFB.

Accordingly, MEB, Mac Ngan Boon @ Mac Yin Boon, Tuan Haji Mohamed Taib bin Ibrahim, Mac Chung Hui, Mac Chung Jin, Mazlan bin Abdul Hamid, Chew Keng Siew, Mac Chung Lynn, Fatimah bte Ismail, Hamidah binti Mohd Taib, Aminah binti Mohd Taib and Mohamed Ezani bin Md Taib are deemed interested in the Proposed Acquisition.

As the above major shareholders and Interested Directors are deemed interested in the Proposed Acquisition, they will abstain and have also undertaken to ensure that persons connected with them will also abstain from voting in respect of their respective direct and/or indirect shareholdings in FFB, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

In addition, all the Interested Directors have abstained and will continue to abstain from any deliberations or decisions or voting made on the Proposed Acquisition at the relevant Board meetings.

The shareholdings of the interested major shareholders, Interested Directors and persons connected to them in FFB as at the LPD are as follows:

	Direct		Indirect	
	No. of FFB Shares ('000)	[1]%	No. of FFB Shares ('000)	[1]%
Interested major shareholders				
MEB	99,562	55.57	-	-
Mac Ngan Boon @ Mac Yin Boon	8,193	4.57	[2]99,562	55.57
Interested Directors				
Mac Ngan Boon @ Mac Yin Boon	8,193	4.57	[3]103,183	57.59
Tuan Haji Mohamed Taib bin Ibrahim	2,846	1.59	[4]107	0.06
Mac Chung Hui	1,712	0.96	-	-
Mazlan bin Abdul Hamid	2,115	1.18	-	-
Interested persons connected				
Mac Chung Jin	697	0.39	-	-
Mac Chung Lynn	400	0.22	-	-
Chew Keng Siew	812	0.45	-	-
Fatimah bte Ismail	13	0.01	-	-
Hamidah binti Mohd Taib	32	0.02	-	-
Aminah binti Mohd Taib	32	0.02	-	-
Mohamed Ezani bin Md Taib	30	0.02	-	-

Notes:

(1) *Based on FFB's issued and paid-up capital of 179,167,020 FFB Shares and less treasury shares of 10,000 FFB Shares as at the LPD*

(2) *Deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in MEB*

(3) *Deemed interest pursuant to Section 6A of the Act by virtue of his substantial interests in MEB and Section 134 of the Act, held through his spouse and children*

(4) *Deemed interest pursuant to Section 134 of the Act, held through his spouse and children*

Save as disclosed above, none of the other Directors or major shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

11. INDEPENDENT ADVISER

The Proposed Acquisition is a related party transaction pursuant to the Listing Requirements in view of the interests of the major shareholders and Interested Directors as set out in Section 10 of Part A of this Circular. Accordingly, KAF has been appointed to act as the independent adviser to undertake the following in relation to the Proposed Acquisition:

(a) comment as to:

 (i) whether the Proposed Acquisition is fair and reasonable so far as the shareholders of FFB are concerned; and

 (ii) whether the Proposed Acquisition is to the detriment of the non-interested shareholders of FFB,

 and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) advise the non-interested shareholders of FFB whether they should vote in favour of the Proposed Acquisition; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (a) and (b) above.

12. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors), having considered the rationale, benefits, effects, risk factors and terms of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company and its subsidiaries. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. STATEMENT BY AUDIT COMMITTEE

The audit committee of FFB (save for Tuan Haji Mohamed Taib bin Ibrahim who is one of the Interested Directors), after having considered all aspects of the Proposed Acquisition, including but not limited to the rationale for the Proposed Acquisition, the basis and justification for the Purchase Consideration, salient terms of the SPA, the prospects of the Property and the advice of the Independent Adviser, namely KAF, is of the view that:

(i) the Proposed Acquisition is fair, reasonable and on normal commercial terms;

(ii) the Proposed Acquisition is in the best interest of FFB; and

(iii) the Proposed Acquisition is not detrimental to the interests of the non-interested shareholders of FFB.

14. TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSED ACQUISITION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Acquisition is expected to be completed by the fourth quarter of 2012.

The tentative timetable in relation to the Proposed Acquisition is as follows:

Event	Timing
EGM	5 November 2012
Fulfillment of all conditions precedent in the SPA	Early November 2012
Completion of the Proposed Acquisition	End of November 2012

15. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposed Acquisition, FFB has not announced any corporate exercise/scheme which has yet to be completed as at the LPD.

16. TRANSACTIONS WITH THE VENDOR

Save for the recurrent related party transactions entered into within the ordinary course of business, FFB did not enter into any other transactions with MEB for the twelve (12) months preceding the LPD.

17. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday, 5 November 2012 at 2.00 p.m. or any adjournment thereof for the purpose of considering, and if thought fit, passing the resolution pertaining to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible so as to arrive at the office of Tricor, the Company's Share Registrar at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia so as to arrive not later than 48 hours before the time set for holding the EGM or any adjournment thereof. The completion and lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

18. FURTHER INFORMATION

You are advised to refer to the enclosed appendices for further information.

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

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

PART B

INDEPENDENT ADVICE LETTER FROM KAF TO THE NON-INTERESTED SHAREHOLDERS OF FFB IN RELATION TO THE PROPOSED ACQUISITION

INVESTMENT BANK BERHAD (20657-W)

Registered Office:

14th floor, Chulan Tower
No. 3 Jalan Conlay
50450 Kuala Lumpur
Malaysia

17 October 2012

To: The Non-Interested Shareholders of Favelle Favco Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF FAVELLE FAVCO BERHAD IN RELATION TO THE PROPOSED ACQUISITION

1. INTRODUCTION

1.1 This IAL is prepared for inclusion in the circular to shareholders of FFB dated 17 October 2012 relating to the Proposed Acquisition. Definitions or defined terms used in this IAL shall have the same meanings as the definitions used in Part A of the Circular, except where the context otherwise requires or where otherwise defined herein.

1.2 On 25 June 2012, Maybank IB had, on behalf of your Board announced that FFB had on even date, entered into the SPA with MEB for the proposed acquisition of the Property from MEB for a total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500), to be fully satisfied via the allotment and issuance of 31,678,743 new FFB Shares at an issue price of RM1.5181 per FFB Share ("Issue Price").

1.3 In view of the interests of certain Directors and major shareholders of FFB as specified in Section 10 of Part A of the Circular, the Proposed Acquisition is deemed to be a related party transaction. Accordingly, pursuant to the requirements of Paragraph 10.08(2) of the Listing Requirements, your Board had on 26 April 2012 appointed KAF as the Independent Adviser to advise the non-interested shareholders of FFB in respect of the Proposed Acquisition ("Non-Interested Shareholders").

1.4 The purpose of this IAL is to provide the Non-Interested Shareholders with an independent evaluation on the fairness and reasonableness of the terms of the Proposed Acquisition and whether such terms are to the detriment of the Non-Interested Shareholders together with our recommendations, subject to the limitations of our role and evaluation as specified herein.

1.5 This IAL is prepared solely for the use of the Non-Interested Shareholders for the purpose of considering the Proposed Acquisition, and should be not used or relied upon by any other party for any other purposes whatsoever.

NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ AND FULLY UNDERSTAND THIS IAL AND THE LETTER FROM THE BOARD OF DIRECTORS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The full details of the Proposed Acquisition are set out in Part A of the Circular and should be read and fully understood in their entirety by the Non-Interested Shareholders.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

We note from Section 10 of Part A of the Circular that:

(a) MEB is a major shareholder and the holding company of FFB. It is also the Vendor for the Proposed Acquisition;
(b) Mac Ngan Boon @ Mac Yin Boon is the Managing Director and a major shareholder of FFB. He is also the Managing Director and a major shareholder of MEB;
(c) Tuan Haji Mohamed Taib bin Ibrahim is the Chairman and a shareholder of FFB. He is also the Chairman and a shareholder of MEB;
(d) Mac Chung Hui (who is the son of Mac Ngan Boon @ Mac Yin Boon) is the Deputy Managing Director/Chief Executive Officer and a shareholder of FFB. He is also a person connected with MEB pursuant to Section 122A of the Act;
(e) Mac Chung Jin (who is the son of Mac Ngan Boon @ Mac Yin Boon) is a shareholder of FFB. He is also an Alternate Director and a shareholder of MEB;
(f) Mazlan bin Abdul Hamid is the Executive Director and a shareholder of FFB and a Director and shareholder of Favco Offshores Sdn Bhd (an associated company of FFB). He is also a shareholder of MEB;
(g) Chew Keng Siew (who is the spouse of Mac Ngan Boon @ Mac Yin Boon) is a shareholder of both MEB and FFB;
(h) Mac Chung Lynn (who is the daughter of Mac Ngan Boon @ Mac Yin Boon) is a shareholder of both MEB and FFB;
(i) Fatimah bte Ismail (who is the spouse of Tuan Haji Mohamed Taib bin Ibrahim) is a shareholder of both MEB and FFB;
(j) Hamidah binti Mohd Taib and Aminah binti Mohd Taib (who are the daughters of Tuan Haji Mohamed Taib bin Ibrahim) are shareholders of both MEB and FFB; and
(k) Mohamed Ezani bin Md Taib (who is the son of Tuan Haji Mohamed Taib bin Ibrahim) is a shareholder of both MEB and FFB.

Accordingly, MEB, Mac Ngan Boon @ Mac Yin Boon, Tuan Haji Mohamed Taib bin Ibrahim, Mac Chung Hui, Mac Chung Jin, Mazlan bin Abdul Hamid, Chew Keng Siew, Mac Chung Lynn, Fatimah bte Ismail, Hamidah binti Mohd Taib, Aminah binti Mohd Taib and Mohamed Ezani bin Md Taib are deemed interested in the Proposed Acquisition.

As the above major shareholders and Interested Directors are deemed interested in the Proposed Acquisition, they will abstain and have also undertaken to ensure that persons connected with them will also abstain from voting in respect of their respective direct and/or indirect shareholdings in FFB, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

In addition, all the Interested Directors have abstained and will continue to abstain from any deliberations or decisions or voting made on the Proposed Acquisition at the relevant Board meetings.

Save as disclosed above, none of the other Directors or major shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

4. SCOPE AND LIMITATIONS OF OUR EVALUATION

KAF has not been involved in any negotiation on the terms and conditions of the Proposed Acquisition. KAF's scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the terms of the Proposed Acquisition, based on and reliance upon information, documents and representations provided or made available to us (for which the Board or other advisers of FFB are solely responsible), including but not limited to the following:

(a) Valuation Report;

(b) the SPA;

(c) the Circular and the accompanying appendices in relation to the Proposed Acquisition;

(d) information provided by FFB, as well as representations/confirmations obtained in or derived from discussions with management of FFB;

(e) audited consolidated financial statements of FFB for the FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011; and

(f) other publicly available information which we deem relevant.

In view that the Company has appointed the Joint Independent Valuers to independently assess the market value of the Property, we have no intention of soliciting any alternative appraisals on the Property.

In line with our role and scope of work, notwithstanding that KAF may make reasonable enquiries in the course of preparing this IAL, KAF is not responsible or liable in any manner to independently verify the accuracy, validity or completeness of any of the above-mentioned information, documents and representations used, referred to and/or relied upon by KAF for the purpose of this IAL. KAF is not responsible in any manner for the accuracy, validity or completeness of any such information, documents and representations, expressed or implied. Accordingly, KAF shall not be under any responsibility or liability whatsoever to any party for any inaccuracies, misstatements of facts or omissions therein.

We have also obtained written confirmation from the Board that the Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in the IAL (save and except for opinions expressed by KAF which do not contain factual information provided by FFB and information procured or developed by KAF independently of FFB) and confirm that after making all reasonable enquiries, to the best of their knowledge and belief, there are no material facts, the omission of which would make any statement herein misleading. The Board has also provided written confirmation that all material facts and information in respect of the Company and the Property relevant to KAF's evaluation of the Proposed Acquisition have been disclosed to KAF, and that there are no facts or information, the omission of which would make any written information supplied to us misleading in any material respect.

KAF, as Independent Adviser, has evaluated the Proposed Acquisition. We have taken into consideration pertinent matters which are made known to us and which we believe are of general importance to an assessment of the financial implications of the Proposed Acquisition and would be of significant relevance and general concern to the shareholders of FFB as a whole in arriving at our advice.

The scope of KAF's responsibility with regards to its evaluation and opinion contained herein is confined to the financial terms and implications arising from the Proposed Acquisition. Where our comments or points of consideration are included on certain pertinent matters which may be qualitative or commercial in nature, these are incidental to our overall financial evaluation and concern matters which we may deem material for disclosure and/or which may have possible financial implications on the FFB Group.

KAF's opinion contained in this IAL is provided to the Non-Interested Shareholders at large and not to any shareholder individually. Hence, we have not given regard to the specific investment or financial objectives, financial situation and/or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or specific group of shareholders who require specific advice within the context of their individual objectives, financial situation and particular needs should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers at their own costs.

5. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have considered the following factors:

(a) Rationale for the Proposed Acquisition;
(b) Basis and justification of arriving at the Purchase Consideration;
(c) Basis and justification of determining the Issue Price for the Consideration Shares;
(d) Salient terms of the SPA;
(e) Prospects and outlooks;
(f) Risk factors associated with the Proposed Acquisition; and
(g) Financial effects of the Proposed Acquisition.

5.1 Rationale for the Proposed Acquisition

We take note of the following as extracted from Section 5 of Part A of the Circular:

"The FFB Group has been renting from MEB and utilising the Property as its fabrication yard for its crane manufacturing business since 2004.

The Proposed Acquisition provides an opportunity for FFB to acquire the Property without any cash outlay at the market value of the Property. The Property is integral to FFB's Australian operations whereby the activities carried out by the FFB Group on the land include designing, manufacturing, supplying, renting and servicing of offshore, wharf and construction cranes. The FFB Group's Australian sales and distribution office is also located at this Property which is crucial to strengthen the agent networking of FFB in Australia.

The Proposed Acquisition also provides the assurance for FFB that the Property would not be disposed of to any third party by the Vendor who may not renew the tenancy of the Property with the FFB Group, thus preventing disruptive links in the FFB Group's operations in Australia. The Proposed Acquisition will also enable FFB to have better control over the administrative matters in relation to the Property. According to the Valuation Report, the Property is underdeveloped as approximately 1.8736 hectares of land area, which represents 40% of the total land area of the Property are open vacant land (i.e. with no building currently erected thereon). With the Proposed Acquisition, FFB can develop the vacant land of the Property to increase its capacity without seeking the consent of MEB. As at the LPD, FFB has no plan to develop the said vacant land. However, FFB will review its business from time to time and may seek to pursue such development in the future.

The Proposed Acquisition forms part of the assets rationalisation plan of FFB. With the Proposed Acquisition, FFB can recognise the Property as an asset in its book and capitalise all the future capital expenditure to be incurred by FFB for the expansion of the Property. FFB can also benefit from future capital appreciation of the Property as it is located at Prestons in Australia which is slowly being transformed into an industrial hub. The Proposed Acquisition is also part of the efforts of FFB to minimise its recurrent related party transactions to avoid recurring rental payments.

The Proposed Acquisition provides immediate rental savings to the FFB Group of AUD61,250 (approximately RM196,374) per month, which is equivalent to AUD735,000 (approximately RM2.356 million) per annum. It may also reduce FFB's administrative costs as a result of the reduction in the number of recurrent related party transactions between FFB and the Vendor.

With the benefits highlighted above, the Proposed Acquisition is expected to enhance the future financial performance of the FFB Group.

After evaluating various alternatives to fund the Purchase Consideration, FFB is of the view that the issuance of the Consideration Shares for the Proposed Acquisition would be most appropriate as it allows FFB to conserve cash and debt capacity for its business and operations."

Our observations are as follows:-

(a) Allow FFB to own a permanent principal place of business in Australia

We note that the Property is paramount to FFB's Australian operations as it is the principal and only office for its crane manufacturing business in Australia. The Proposed Acquisition enables FFB to migrate from leasing to owning its existing and crucial business premise in Australia. Such ownership will eliminate any risk associated with leasing a business premise including among others, non-renewal of lease and change of ownership to other unknown third party which may cause material disruption and additional cost to the FFB Group's operations.

(b) Vacant area on the land of the Property ("Land") for future expansion

As stated in the Valuation Report, we note that 40% of the Land area, which is equivalent to approximately 1.8736 hectares, is open vacant land partly used as scrap or product storage. The vacant land will provide FFB the opportunity to expand its operation on the Property and increase its manufacturing capacity in the future as the Group's prospect remains positive.

(c) Expected favourable future financial impact of the Proposed Acquisition

The Proposed Acquisition will, upon completion, result in rental savings of AUD735,000 (approximately RM2.356 million) per annum. In addition, the Proposed Acquisition will also enable FFB to capitalise expenditures relating to expansion of the Property including any renovation costs and upgrading of facilities instead of having to expense out such costs. We note from Section 3.2 of Part A of the Circular that FFB plans to commit capital expenditure in the range of RM3 million to RM5 million for the purposes of upgrading the administrative and office building of the Property, including but not limited to, the roofing, flooring, water system, wiring system, office partition and other related miscellaneous expenses over the next three (3) years.

(d) Optimal mode of settlement consideration

As disclosed in Section 2.5 of Part A of the Circular, the Purchase Consideration will be satisfied via the allotment and issuance of the Consideration Shares. Such mode of settlement is arguably more optimal than cash settlement as it conserves the cash resources of FFB for other future uses. As at 31 December 2011, the cash and cash equivalents of FFB Group stood at RM114.896 million while its loans and borrowings amounted to RM51.246 million. We also note from Section 3.2 of Part A of the Circular that the Group is planning an upgrade of the Property which requires capital commitment of RM3 million to RM5 million. Settlement in the form of FFB Shares will allow the FFB Group to conserve cash and debt capacity for its business operations and any future expansion.

(e) To eliminate future potential of renting other property at a higher rental rate

The Proposed Acquisition will eliminate the risk of FFB renting other property at a higher rental rate, in the event FFB's tenancy is, for any reason, terminated. Based on Colliers International Research and Forecast Report on Sydney Industrial for the First Half of 2012, we note that the average rental yield within the same location at the South West area of Sydney ranges between 8% to 11% while the yield of the Property is merely 4.9% based on the current rental and the Purchase Consideration. The higher market yield signifies that FFB is currently enjoying relatively lower rental for the Property and it will be more costly for FFB to rent similar properties from other third parties.

(f) To reduce recurrent related party transactions

The Proposed Acquisition will minimise recurrent related party transactions of FFB due to the cease of recurring rental payments by FFB to MEB on the Property. Such cease may also marginally reduce FFB's administrative costs as a result of reduction in the number of recurrent related party transactions by FFB.

KAF's comments:-

Premised on the above, we are of the opinion that the rationale for the Proposed Acquisition is reasonable.

5.2 Basis and justification of arriving at the Purchase Consideration

As stated in Section 2.2 of Part A of the Circular that *"The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the Property of AUD15,000,000 (equivalent to RM48,091,500) as appraised by the Joint Independent Valuers vide the Valuation Report"*.

Our observations are as follows:

We note that the Joint Independent Valuers have adopted the Summation Approach which comprises the following:

Description	Method of Valuation
Land	Comparison Method
Building and improvements comprising: - Main fabrication/manufacturing building (original built-up) - Main fabrication/manufacturing building (extension) - Four (4) units of test pedestals - Ancillary improvements (Collectively referred to as "Buildings and Improvements")	Depreciated Replacement Cost Method

(Source: Valuation Report)

Based on the Joint Independent Valuers' opinion, the above-mentioned methods of valuation are suitable and appropriate for each component of the Property due to the rather specialised nature of the facilities of a crane fabrication yard that has been in operation for over 30 years.

(a) Land

The Joint Independent Valuers have valued the Land using the Comparison Method. Comparison Method is derived based on recent transactions of industrial lands in the locality and adjustments were made to reflect the differences of the Land against precedent comparable sales.

The following table summarises the sales evidence used in the valuation to determine the market value of the Land:

Evidence reference	Sale A	Sale B	Sale C	Sale D
Address	115 Jedda Road Prestons	402 Hoxton, Park Road Prestons	38 Berena Road Prestons	10 Burando Street Prestons
Tenure	Torrens Title	Torrens Title	Torrens Title	Torrens Title
Date of transaction	14.04.2011	18.11.2010	21.04.2008	14.11.2006
Consideration (AUD)	16,223,327	11,770,000	13,100,000	34,000,000
Improvement value (AUD) Land value (AUD)	6,176,100 10,047,227	- 11,770,000	- 13,100,000	- 34,000,000
Land Area (square metre)	53,300	44,300	50,400	118,000
Type of property	Industrial building	Vacant land	Vacant land	Vacant land
Zoning	IN3 Heavy Industrial	ING 2 Light Industrial	IN3 Heavy Industrial	IN3 Heavy Industrial
Overhead Power Lines	Yes – severe	No	No	No
Flood Affected	Yes-Medium	Yes-Minor	Yes-very minor	Yes-Medium
Rate per square metre Land (AUD)	188.50	265.69	259.92	288.14

Evidence reference	Sale A	Sale B	Sale C	Sale D
Adjustments				
Time	0%	0%	0%	0%
Location	0%	0%	0%	0%
Flood	4%	3%	2%	4%
Transmission Line	30%	0%	0%	0%
Zoning	0%	10%	0%	0%
Total Adjustments	34%	13%	2%	4%
Adjusted Value per square metre (AUD)	**252.59**	**300.23**	**265.12**	**299.66**
Note: Adopted average sale B,C and D form the basis for valuation AUD280 per square metre Valuation of Land= total Land area 46,840 square metre @ 280 per square metre = AUD13,115,200				

(Source: Valuation Report)

We note that the Joint Independent Valuers adopted average sales of Sales B, C and D to form the basis for valuation at AUD280 per square metre due to their similarities, i.e.vacant land.

Apart from relying on the Valuation Report in justifying the value of the Land, we also refer to the First half 2012 Research and Forecast Report Sydney Industrial done by Colliers International.

SYDNEY INDUSTRIAL MARKET INDICATORS

Region	Grade	Average Net Face Rents ($/m² pa) LOW	Average Net Face Rents ($/m² pa) HIGH	Average Incentives LOW	Average Incentives HIGH	Average Capital Value ($/m²) LOW	Average Capital Value ($/m²) HIGH	Average Market Yield* LOW	Average Market Yield* HIGH	Average Land Values ($/m²) LOW	Average Land Values ($/m²) HIGH
NORTH	Prime	$160	$185	12%	15%	$1,900	$2,300	8.00%	8.75%	$400	$900
	Secondary	$110	$150	15%	18%	$1,250	$1,700	9.50%	11.00%		
NORTH WEST	Prime	$110	$115	8%	10%	$1,300	$1,700	8.00%	8.50%	$240	$350
	Secondary	$90	$105	8%	10%	$800	$1,100	9.00%	10.00%		
SOUTH	Prime	$130	$160	8%	10%	$2,000	$2,600	7.75%	8.25%	$600	$1,200
	Secondary	$100	$120	8%	10%	$1,500	$2,000	8.50%	10.00%		
SOUTH WEST	Prime	$95	$110	8%	10%	$1,100	$1,600	8.00%	8.75%	$150	$350
	Secondary	$70	$80	10%	13%	$800	$1,100	9.00%	11.00%		
INNER WEST	Prime	$115	$135	8%	10%	$1,600	$1,850	7.75%	8.25%	$300	$500
	Secondary	$95	$115	10%	12%	$1,200	$1,500	9.00%	10.00%		
CENTRAL WEST	Prime	$105	$115	8%	10%	$1,100	$1,400	7.75%	8.50%	$250	$350
	Secondary	$85	$100	8%	10%	$800	$1,100	8.75%	10.50%		
OUTER WEST	Prime	$100	$110	8%	10%	$1,100	$1,400	8.25%	8.75%	$175	$250
	Secondary	$75	$90	10%	12%	$800	$1,100	9.25%	11.00%		

* Equivalent Reversionary Yield

Data correct as of Q1 2012

Source: Colliers International Research

(Source: First half 2012 Research and Forecast Report Sydney Industrial done by Colliers International)

Based on the above table extracted from the report, land values in the south west region of Sydney have remained stable during the past six (6) months with vacant industrial land selling from AUD150 to AUD350 per square metre, depending on size and location. Hence, the valuation of the Land at AUD280 per square metre is within the range of the market indicators. We note that the Property is located approximately only 1 kilometre from the access to the M7 motorway. The opening of the M7 motorway and re-zoning of the rural area to industrial in Prestons will likely increase the value of the Land in the future.

(b) Building and Improvements

The Joint Independent Valuers have valued the Building and Improvements using Depreciated Replacement Cost Method. Depreciated Replacement Cost Method is a method whereby their values are taken to equal the cost of replacing the items in their existing conditions and state of repairs. It is determined by taking into consideration the present replacement cost of the buildings and improvements as new and allowing for depreciation for physical condition, economic obsolescence and other relevant factors.

The Joint Independent Valuers had adopted the cost of new construction taken from Rawlinson's Australian Construction handbook Edition 29, Year 2011, by adjusting for age, usage and state of repairs of the buildings.

Improvements	Built up (square metre)	Cost new (AUD)	Total (AUD)	Depreciation	Depreciated value (AUD)	Condition
Administrative and office building	914	-	-	0%	-	-
Storage and service shed	285	-	-	0%	-	-
Two units of Igloo sheds	800	-	-	0%	-	-
Main Fabrication/ Manufacturing building Extension	5,156	1,000	5,155,950	75%	1,288,988	Average to poor condition
	1,204	1,000	1,204,000	60%	481,600	Average condition-extension
Rigger storage area	40	-	-	0%	-	-
Electrical building	60	-	-	0%	-	-
Flammable storage shed	45	-	-	0%	-	-
Test pedestal's	288	-	167,000	50%	83,500	Functional working order
Ancillary improvements	-	-	-	-	50,000	Fencing, infrastructure, etc
				Total:	1,904,088	

(Source: Valuation Report)

We note that the improvements have been valued taking into consideration their age and condition. The Joint Independent Valuers have estimated the value of older improvements at a 50% to 75% discount on the replacement cost and only improvements which have a consent letter were included in the valuation by the Joint Independent Valuers.

(c) Market value of the Property

The Joint Independent Valuers have concluded the summary of the two (2) methods as follow:

Description	Method	Market value (AUD)
Land	Comparison	13,115,200
Buildings and Improvements	Depreciated Replacement Cost	1,904,088
	Total	15,019,288
	Rounding down to	**15,000,000**

(Source: Valuation Report)

Based on the above, the Joint Independent Valuers had adopted a value of AUD15,000,000 as the market value of the Property.

KAF's comments:-

Premised on the above, we are of the opinion that the basis of arriving at the Purchase Consideration is considered fair and reasonable.

5.3 Basis and justification of determining the Issue Price of the Consideration Shares

(a) Historical Price

As stated in Section 2.3 of Part A of the Circular that "*The Consideration Shares will be issued at RM1.5181 per FFB Share, which is the five (5)-day volume weighted average market price ("VWAMP") of FFB Shares up to and including 22 June 2012, being the last trading day prior to the signing of the SPA. The issue price of RM1.5181 per FFB Share is not subject to any adjustments or changes. The five (5)-day VWAMP reflects the current average trading price of FFB Shares prior to the signing of the SPA and the Announcement*".

In order to evaluate the reasonableness of the Issue Price, we have taken into consideration the historical share prices of FFB Shares.

The monthly historical prices of FFB Shares for the past twelve (12) months are set out below:

Historical price	**High (RM)**	**Low (RM)**
2012		
September	1.800	1.510
August	1.850	1.450
July	1.540	1.300
June	1.640	1.350
May	1.540	1.320
April	1.590	1.360
March	1.500	1.350
February	1.440	1.240
January	1.320	1.200
2011		
December	1.260	1.170
November	1.320	1.000
October	1.140	0.910

(Source: Bloomberg)

As tabulated above, we note that the issue price of RM1.5181 falls within the range of monthly high and low prices of FFB Shares for the past twelve (12) months up to September 2012, which ranges from RM0.910 to RM1.850. Further, we note that the share prices of FFB have not reached the heights of the Issue Price for six (6) months period from October 2011 up to March 2012.

We also compared the Issue Price against the historical prices of FFB Shares as follows:

	Market Price/ VWAMP (RM)	**Premium / (Discount) of the Issue Price over Market Price/VWAMP**	
		(RM)	**(%)**
As at the LPD:-			
Closing market price as at the LPD	1.8000	(0.2819)	(15.66)
Up to the date of the prior to the signing of the SPA:-			
Last transacted price as at 22 June 2012*	1.5800	(0.0619)	(3.92)
Five (5)-day VWAMP of FFB Shares up to and including 22 June 2012*	1.5181	-	-
One (1)-month VWAMP of FFB Shares up to and including 22 June 2012*	1.4559	0.0622	4.27
Three (3)-month VWAMP of FFB Shares up to and including 22 June 2012*	1.4548	0.0633	4.35
Six (6)-month VWAMP of FFB Shares up to and including 22 June 2012*	1.4206	0.0975	6.86
Twelve (12)-month VWAMP of FFB Shares up to and including 22 June 2012*	1.2672	0.2509	19.80

(Source: Bloomberg)

Note:

* *being the last trading day prior to the signing of the SPA.*

Premised on the above, the Issue Price represents a premium of 4.27%, 4.35%, 6.86% and 19.80% to the one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMP of FFB Shares up to and including 22 June 2012 respectively. However, the Issue Price represents a discount of 3.92% to the last transacted price on 22 June 2012.

We note that the closing market price as at the LPD is RM1.80.

(b) Historical Earnings and Net Assets Multiples

(i) Historical earnings multiples

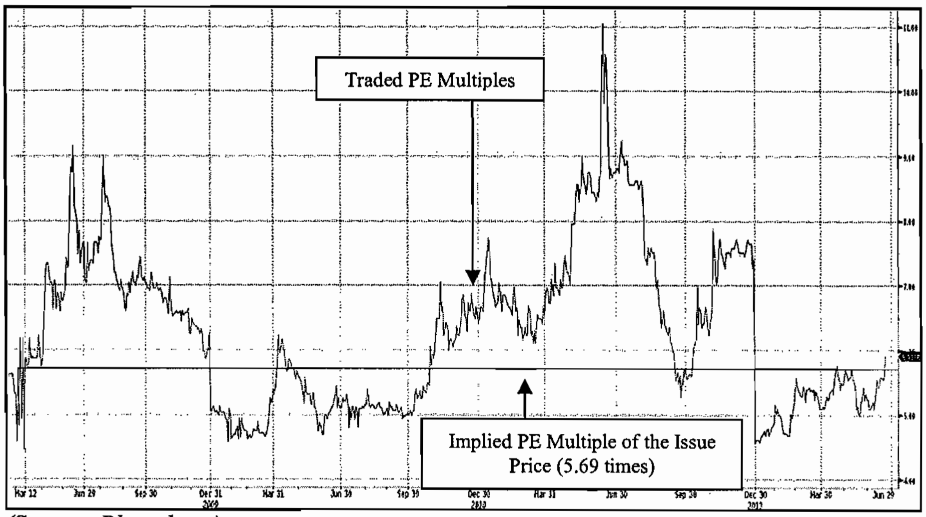
(aa) Price-to-Earnings ("PE") Multiple

PE Multiple is a valuation methodology which compares an entity's share price against its EPS. PE Multiple is sometimes referred to as "price multiples" or "earnings capitalisation" because it represents how much an informed buyer is willing to pay for every RM of an entity's earnings. Essentially and usually since the PE Multiple is larger than one time, for example two (2) times, it translates to a general interpretation that the buyer is willing to pay two (2) times over the entity's historical net earnings for the most recent year (assuming most recent historical net earnings of the said entity is used as a comparison).

The implied PE Multiple of the Issue Price based on the Group's audited consolidated financial statements for the FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

Audited	EPS (sen)	Implied PE Multiple of the Issue Price (times)
FYE 31 December 2009	16.20	9.37
FYE 31 December 2010	16.36	9.28
FYE 31 December 2011	26.69	5.69

The traded PE Multiples of FFB Shares for the past three (3) years up to and including on 22 June 2012 are as shown in the chart below:-



(Source: Bloomberg)

As illustrated above, the implied PE Multiple of 5.69 times based on the Group's audited consolidated financial statements for the FYE 31 December 2011 is within the range of the three (3) years historical traded daily PE Multiples of 4.50 times to 11.00 times but is below the average three (3) years historical traded daily PE Multiple of 6.29 times.

(bb) Enterprise Value ("EV") / Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") Multiple ("EV/EBITDA Multiple")

EV is an economic measure reflecting the market value for the ownership of the whole business or entity, which encompasses the combination of the values of equity and debt of an entity. EV is calculated as market capitalisation plus debt and minority interest, minus total cash and cash equivalents.

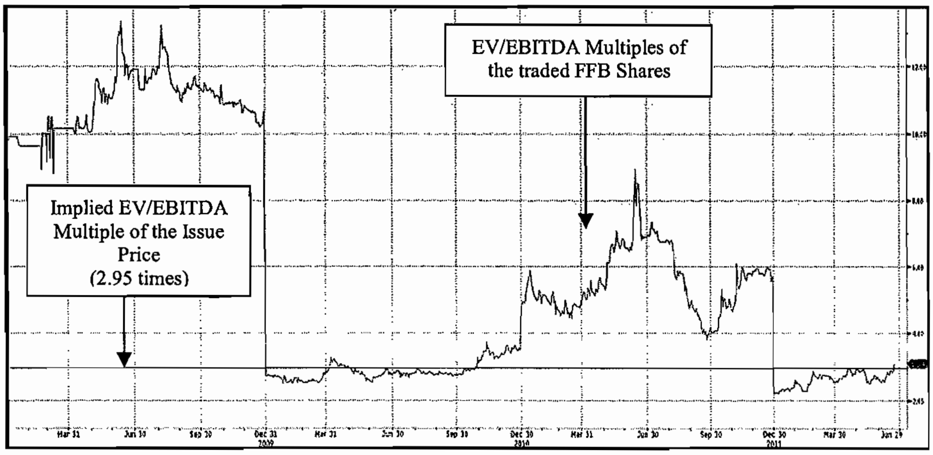
EV/EBITDA Multiple is commonly used in valuation methodology as EBITDA is earnings of the entity not affected by the capital structure, different leverage level and borrowing cost, taxation planning, efficient or otherwise, as well as different depreciation and amortisation policies of the entity which may be influenced by the capital expenditure programme of the entity being valued. Hence, EV/EBITDA Multiple valuation is seen as more reflective of the relative valuation of the entity being valued based on the base earnings generated by the entity against its comparable industry peers.

In evaluating the Issue Price, EV/EBITDA Multiple is considered in addition to PE Multiple analysis to provide a comprehensive assessment on the Issue Price.

The implied EV/EBITDA Multiple of the Issue Price based on the Group's audited consolidated financial statements for the FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

Audited	EV based on the Issue Price (RM'million)	EBITDA (RM'million)	Implied EV/EBITDA Multiple of the Issue Price
FYE 31 December 2009	280.079	58.60	4.78
FYE 31 December 2010	236.334	32.40	7.29
FYE 31 December 2011	211.908	71.79	2.95

The traded EV/EBITDA Multiples of FFB Shares for the past three (3) years up to and including 22 June 2012 are as shown in the chart below:-



(Source: Bloomberg)

As illustrated above, the Implied EV/EBITDA Multiple of the Issue Price of 2.95 times based on the Group's audited consolidated financial statements for the FYE 31 December 2011 is within range of the three (3) years historical traded daily EV/EBITDA Multiples of 2.21 times to 13.34 times but is below the average three (3) years historical traded daily EV/EBITDA Multiple of 5.92 times.

(ii) **Historical NA Multiples**

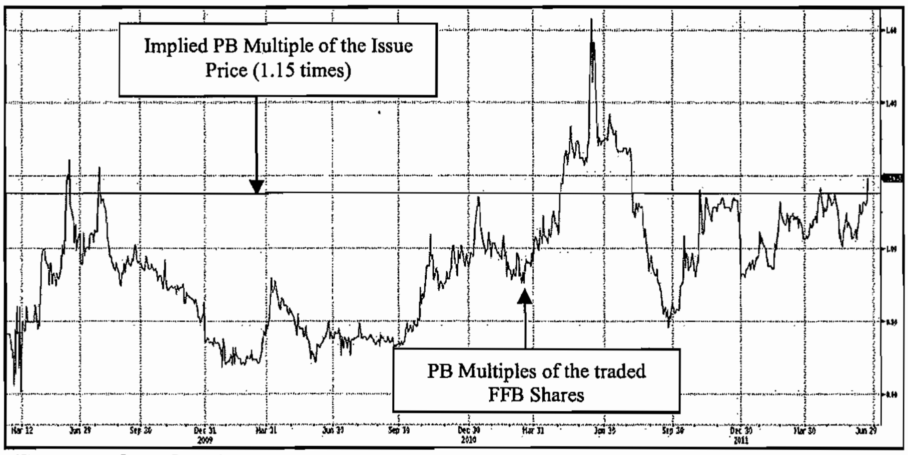
(aa) **PB Multiple**

PB Multiple is a valuation methodology used where the values of the entity being valued is derived by comparing the entity's market prices against its book value.

The implied PB Multiple of the Issue Price based on the Group's audited consolidated financial statements as at 31 December 2011 are as follows:-

Audited	NA per share (sen)	Implied PB Multiple of the Issue Price (times)
FYE 31 December 2009	110.18	1.38
FYE 31 December 2010	110.49	1.37
FYE 31 December 2011	132.27	1.15

The traded PB Multiples of FFB Shares for the past three (3) years up to and including 22 June 2012, is shown in the chart below:-



(Source: Bloomberg)

As illustrated above, the implied PB Multiple of the Issue Price of 1.15 times based on the Group's audited consolidated financial statements for the FYE 31 December 2011 is within the range of the three (3) years historical traded daily PB Multiples of 0.61 times to 1.63 times and above the average three (3) years historical traded daily PB Multiple of 0.95 times.

(c) **Comparable Companies Analysis**

We have also compared the valuation statistics represented by the Issue Price with three (3) other crane manufacturers listed on securities exchange in Asia.

It should be noted that the Comparable Companies used may not be directly comparable to the Group due to various subjective factors, which include, among others, composition of business, scale of operations, shareholders' profile, marketability and liquidity of the shares, size of the business, geographical spread, profit track record, financial strength, accounting and tax policies, differences in political and economic conditions, risk profile, and future prospects. The list of Comparable Companies is by no means exhaustive.

The profiles of the Comparable Companies are set out in the table below:-

No.	Comparable Companies	Country	Latest Financial Year End	Description
1.	Everdigm Corp ("Everdigm")	South Korea	31 December 2011	Everdigm manufactures heavy equipment and machinery for the construction and the related industries. The company's major products include hydraulic attachments, concrete pump truck, tower crane, and used heavy equipment.
2.	Hitachi Construction Machinery Co., Ltd ("Hitachi")	Japan	31 March 2012	Hitachi develops, manufactures, sells, and repairs construction machinery. The company's products include hydraulic excavators, crawler cranes, wheel loaders, shield machines, and bulldozers.
3.	Kato Works Co., Ltd ("Kato")	Japan	31 March 2012	Kato manufactures construction and industrial machinery. The company's products include truck cranes, hydraulic shovels, drilling machines, snow blowers, and road sweepers.

(Source:Bloomberg)

The Comparable Companies' financial statistics are set out against that of FFB's in the table below:-

No.	Comparable Companies	[a] Market Capitalisation (RM'million)	[b] PE Multiple (times)	[b] PB Multiple (times)	[c] EV/EBITDA Multiple (times)
1.	Everdigm	[d] 163.691	4.43	0.69	5.51
2.	Hitachi	[e] 12,603.290	14.09	1.05	7.22
3.	Kato	[e] 939.249	9.16	0.77	9.79
		High	**14.09**	**1.05**	**9.79**
		Low	**4.43**	**0.69**	**5.51**
		Average	**9.22**	**0.84**	**7.51**
FFB (based on Issue Price of RM1.5181)		271.998	5.69	1.15	2.95

(Source: Bloomberg)

Notes:-

[a] *Based on market capitalisation of the respective Comparable Companies as at the 22 June 2012.*

[b] *Based on the latest audited consolidated financial statements of the respective Comparable Companies and closing prices as at 22 June 2012.*

[c] *Based on the latest audited consolidated financial statements of the respective Comparable Companies and market capitalisation as at 22 June 2012.*

[d] *Market capitalisation based on Korea Won:Malaysia Ringgit exchange rate of 100:0.276 as at 22 June 2012.*

[e] *Market capitalisation based on Japan Yen:Malaysia Ringgit exchange rate of 100:3.970 as at 22 June 2012.*

The implied PE Multiple of the Issue Price of 5.69 times based on the Group's audited consolidated financial statements for the FYE 31 December 2011 is within the range of PE Multiples of the Comparable Companies of 4.43 times to 14.09 times but below the average PE Multiples of the Comparable Companies of 9.22 times.

The implied PB Multiple of the Issue Price of 1.15 times based on the Group's audited consolidated financial statements for the FYE 31 December 2011 is above the range of PB Multiples of the Comparable Companies of 0.69 times to 1.05 times and above the average PB Multiples of the Comparable Companies of 0.84 times.

The implied EV/EBITDA Multiple of the Issue Price of 2.95 times based on the Group's audited consolidated financial statements for the FYE 31 December 2011 is below the range of EV/EBITDA Multiples of the Comparable Companies of 5.51 times to 9.79 times and below the average EV/EBITDA Multiples of the Comparable Companies of 7.51 times.

KAF's comments:-

In summary, premised on the above, the Issue Price is considered fair based on the followings:

(a) the Issue Price falls within the range of monthly high and low prices of FFB Shares for the past twelve (12) months up to June 2012;

(b) the Issue Price represents a premium to the one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMP of FFB Shares up to and including 22 June 2012 excepts to the last transacted price on 22 June 2012;

(c) the implied PE Multiple is within the range of the three (3) years historical traded daily PE Multiples, but below the average historical traded daily PE Multiple;

(d) the implied PE Multiple is within the range of PE Multiples of the Comparable Companies, but below the average PE Multiples of the Comparable Companies;

(e) the implied EV/EBITDA Multiple is within the range of the three (3) years historical traded daily EV/EBITDA Multiples, but below the average three (3) years historical traded daily EV/EBITDA Multiple;

(f) the implied PB Multiple is within the range of the three (3) years historical traded daily PB Multiples and above the average historical traded daily PB Multiple; and

(g) the implied PB Multiple is above the range of PB Multiples of the Comparable Companies.

5.4 Salient Terms of the SPA

Our commentaries on the salient terms of the SPA as set out in Section 2.1 Part A of the Circular are as follows:

Salient terms of the SPA	Our Comments
Deposit and Payment Of Purchase Consideration	
The purchase consideration of the Property is AUD15,000,000 (equivalent to RM48,091,500) only and shall be satisfied via the allotment and issuance of the Consideration Shares to the Vendor. FFB shall allot and issue the Consideration Shares credited as fully paid-up to the Vendor within thirty (30) business days after satisfaction of the conditions precedent as stated in the SPA or as otherwise agreed by FFB and MEB. FFB will pay MEB a deposit amounting to AUD100 upon the execution of the SPA. In accordance with the SPA, the Vendor will return the deposit of AUD100 in cash to FFB upon the allotment and issuance of the Consideration Shares to the Vendor.	These are reasonable and common terms for property transaction, where the deposit payment indicates the commitment of FFB towards the transaction and it is returnable upon the allotment and issuance of Consideration Shares. In addition, the thirty (30) business days to allot and issue the Consideration Shares after satisfying all the conditions precedent as stated in the SPA, which is reasonably adequate for FFB to execute the allotment and issuance of Consideration Shares.
Conditions Precedent	
Completion of the SPA is conditional upon and subject to the fulfillment of the following conditions precedent by 31 October 2012 which has been mutually extended to 30 November 2012, or any other date agreed in writing between FFB and MEB:	This is common and reasonable term as it requires both FFB and MEB to procure the relevant requisite approvals and in compliance with the applicable laws and regulatory requirements.

Salient terms of the SPA	Our Comments
By MEB: (i) approval of the board of directors of MEB; (ii) approval of the shareholders of MEB; (iii) approval/consent from the banks and financial institutions who have extended credit facilities to or in favour of the Property (if any); and (iv) approval of any relevant authorities (if required). By FFB: (i) approval of the Board; (ii) approval of the shareholders of FFB, which is the subject of the Circular; (iii) approval-in-principle from Bursa Securities for the listing of and quotation for the Consideration Shares to be issued on the Main Market of Bursa Securities in favour of MEB; (iv) a satisfactory due diligence conducted by FFB in respect of the Property; and (v) approval of any relevant authorities (if required).	
Completion Completion of the SPA will take place upon the allotment and issuance of the Consideration Shares to MEB.	This term is common and reasonable as this is the last event to occur in order to complete the Proposed Acquisition.
Purchaser's Default If FFB does not comply with the SPA in an essential respect, MEB can terminate by serving a notice. For avoidance of doubt, the essential respect relates to the concept of "time of the essence". If a party does not comply with the terms and conditions of the agreement within the stipulated time period, then the other party must issue a notice to the defaulting party which the defaulting party needs to comply within a certain time period and only if the defaulting party has not complied, then the other party can issue the notice to terminate. No time frame for termination is specifically provided in this provision. It is however provided under the SPA that if the time for something to be done or to happen is not stated in the SPA, the time frame shall be a matter of what is "reasonable", which would depend on the particular circumstances. After the termination, MEB can: (i) keep or recover the deposit amounting to AUD100. For clarification purposes, if the deposit hypothetically has not been paid or is held by a third party, then MEB can recover it from FFB or the third party; (ii) hold any other money paid by FFB (if any) under the SPA as security for anything recoverable under the termination provision for twelve (12) months after the termination or, if MEB commences proceedings within twelve (12) months, until those proceedings are concluded. For avoidance of doubt, under the applicable laws of NSW, a contract must include "consideration". Hence, FFB paid a cash consideration amounting to AUD100 as a deposit (as referred to in Section 2.1(b) above) in return for MEB entering into the SPA. Save for the AUD100 stated above, FFB has not paid any other monies to MEB under the SPA. If FFB defaults and as a consequence, MEB terminates the SPA, MEB can retain the deposit, resell the property and, if MEB suffers a shortfall on resale, that shortfall is recoverable against FFB less the AUD100 already forfeited to MEB.	This is considered reasonable due to the following: (i) although the term only provides for termination of the SPA by MEB in the event of default by FFB, it also provides for serving of notice by MEB informing FFB of such default which will enable FFB to rectify such defaults within certain stipulated time; (ii) the forfeitable deposit is minimal. However, we further note that in the event MEB resells the Property, any shortfall then (from the Purchase Consideration) is recoverable against FFB; (iii) if the Vendor is in breach of its obligation, FFB could still issue a notice requiring the Vendor to comply, failing which FFB could rescind the contract and recover its deposit; and (iv) the laws of NSW provides for certain implied warranties and terms in a contract for sale of Land which may entitled FFB to terminate the SPA and recover its deposit.

Salient terms of the SPA	Our Comments
For clarification purposes, the reference to "as security for anything recoverable" would be applicable in the hypothetical event there are any monies (other than the deposit) paid to MEB pursuant to the SPA; and (iii) sue FFB either where MEB has resold the Property under a contract made within twelve (12) months after the termination to recover the deficiency on resale (with credit for any of the deposit kept or recovered and after allowance for any capital gains tax or goods and services tax payable on anything recovered) and the reasonable costs and expenses arising out of FFB's non-compliance with the SPA or the notice and of resale and any attempted resale or to recover damages for breach of contract. FFB can (but only before completion) claim compensation for an error or misdescription in the SPA (as to the Property, the title or anything else and whether substantial or not), even if FFB did not take notice of or rely on anything in the SPA containing or giving rise to the error or misdescription. However, this will not apply to the extent FFB knows the true position. For example, if the SPA provided that if the land to be transferred on completion of the sale had particular dimensions and as a result of enquiries before completion it was determined that the dimensions were incorrect, then FFB could make a claim for compensation based on the detriment, the misdescription in dimensions would have caused FFB. The SPA is governed by the laws of NSW, Australia. For clarification purposes, the SPA does not specifically identify in what circumstances FFB may have a right to terminate the SPA. Under the laws of NSW, there are certain implied warranties and terms in a contract for sale of land the breach of which would enable a purchaser to rescind. Such a right might arise, for example, if there was a third party entitled to resume the property and details of that resumption were not included in the contract. In these circumstances, FFB may be entitled to terminate the SPA and get back its deposit. For avoidance of doubt, if the vendor is in breach of its obligations under the contract (for example to obtain the appropriate approvals), the purchaser could issue a notice requiring the vendor to satisfy that condition of the contract and if the condition was not satisfied by the end of the period in the notice, the purchaser could rescind the contract and its deposit will be refunded. Barring unforeseen circumstances, provided the deposit is refunded to FFB, there would not be further costs payable by MEB, subject to the specific circumstances of the situation that have given rise to the rescission.	

(Source: SPA)

KAF's comments:-

Arising from our evaluation of the terms of the SPA, we are of the view that the salient terms and conditions of the SPA are considered reasonable.

5.5 Prospects and outlooks

(a) The World economy

Overall, global growth is projected to moderate to 3.5 percent in 2012 and 3.9 percent in 2013, some 0.1 and 0.2 percentage point, respectively, lower than forecast in the April 2012 World Economic Outlook ("WEO"). In view of a stronger-than-expected first quarter outcome, weaker global growth in the second half of 2012 will primarily affect annual growth in 2013 through base effects. Growth in advanced economies is projected to expand by 1.4 percent in 2012 and 1.9 percent in 2013, a downward revision of 0.2 percentage point for 2013 relative to the April 2012 WEO. The downward revision mostly reflects weaker activity in the euro area, especially in the periphery economies, where the dampening effects from uncertainty and tighter financial conditions will be strongest. Owing mainly to negative spillovers, including from uncertainty, growth in most other advanced economies will also be slightly weaker, although lower oil prices will likely dampen these adverse effects.

Growth in emerging and developing economies will moderate to 5.6 percent in 2012 before picking up to 5.9 percent in 2013, a downward revision of 0.1 and 0.2 percentage point in 2012 and 2013, respectively, relative to the April 2012 WEO. In the near term, activity in many emerging market economies is expected to be supported by the policy easing that began in late 2011 or early 2012 and, in net fuel importers, by lower oil prices, depending on the extent of the pass-through to domestic retail prices (which is often incomplete). Growth is projected to remain relatively weaker than in 2011 in regions connected more closely with the euro area (Central and Eastern Europe in particular). In contrast with the broad trends, growth in the Middle East and North Africa will be stronger in 2012–13 relative to last year, as key oil exporters continue to boost oil production and domestic demand while activity in Libya is rebounding rapidly after the unrest in 2011. Similarly, growth in sub-Saharan Africa is expected to remain robust in 2012–13, helped by the region's relative insulation from external financial shocks, and revisions to the growth outlook since the April 2012 WEO are modest.

(Source: World Economic Outlook Update, July 2012, International Monetary Fund)

(b) The Australian economy

The Reserve bank of Australia's current assessment is that growth is likely to be at about trend pace in the second half of 2012, as the strong growth in domestic demand moderates. Nonetheless, the firm pace in the first half of the year sees the forecast for GDP growth over 2012 rise to 3½ per cent (from 3 per cent in the May Statement). The economy is then expected to grow at around 3 per cent over 2013 and 2014, little changed from the May Statement. The expected moderation in domestic demand in the near term reflects an easing in consumption growth from its recent pace, as well as the impact of the Australian Government's fiscal consolidation on public demand. Growth in household consumption is estimated as having been well above trend over the first half of 2012, driven in part by heavy discounting by retailers earlier in the year and supported more recently by various government payments to households in the June quarter. It is expected that consumption growth will ease in the second half of the year before gradually picking up over 2013 and 2014. The saving ratio is expected to remain around its current level over the forecast period.

The peak in resource investment is anticipated to occur during the forecast period, at about the same level that was expected in the May Statement. However, based on the latest available data and information from liaison regarding the progress of liquefied natural gas (LNG) projects, that peak is expected to occur somewhat earlier than previously thought. Some resource companies have adopted a more cautious approach to investment opportunities currently under consideration (but to which they are not yet committed) given the more uncertain global outlook. However, final investment decisions have been confirmed on a number of major resource investment projects over the past few months, including the approval of the second liquefaction train for the Australia Pacific LNG project.

The forecasts continue to embody reasonably conservative assessments of the likelihoods that large individual resource projects currently under consideration do proceed. These take into account global demand projections, cost comparisons of projects, and the foreshadowed expansion of global supply. Based on this, it is estimated that the peak in spending on resource investment will be sometime in 2013/14. However, despite the latest information, there remains considerable uncertainty around the timing of the peak and subsequent gradual decline in resource investment. Resource investment – once adjusted for its use of imports – is expected to subtract modestly from GDP growth over 2014 (after accounting for more than half of GDP growth over 2011).

It is expected that, as resource investment declines, growth in resource exports will increase given the ramp-up in productive capacity of the bulk commodities. Non-resource business investment is expected to remain relatively subdued over the next year, in line with survey measures of firms' investment plans, but is likely to strengthen further out in the forecast period. Recent leading indicators of dwelling investment suggest it may have troughed in mid 2012, with a gradual upswing likely in response to lower mortgage rates, rising rental yields and stabilising house prices.

(Source: Statement on Monetary Policy –August 2012, Reserve Bank of Australia)

(c) NSW's economy

NSW's economic output Gross State Product (GSP) growth is expected to strengthen over 2012-13 and 2013-14 as growth gradually improves in the non-mining-related sectors of the economy and mining-related activity continues to expand strongly. The pick-up in growth is expected with dwelling investment resuming its recovery, public demand contributing more to growth and a stronger net export performance. Growth will also be supported by ongoing strong growth in business investment and firm household consumption growth. Employment growth is expected to strengthen over 2012-13 but has been revised down to 1 per cent (from 1½ per cent) – in line with slower than expected economic activity and ongoing structural change in the labour market. Employment growth is then expected to pick up to 1¼ per cent in 2013-14 as economic activity increases and conditions gradually improve in the non-mining sectors. The unemployment rate has edged higher in 2011-12 and is expected to rise slightly to 5½ per cent in 2012-13 and remain there over 2013-14. With global risks still concentrated to the downside, particularly around the outlook for Europe, the degree of uncertainty surrounding the Budget economic forecasts remains higher than normal. The realisation of global downside risks would significantly weaken the outlook for the national and NSW economies, with any further shocks transmitted through trade, confidence and financial market linkages.

(Source: Outlook – 2012-13 and 2013-14, Budget 2012-13, NSW Goverment)

(d) Demand for industrial space in NSW

The medium to longer term outlook for industrial property demand is generally positive. after a short term weakness the NSW economy is forecast to experience an upswing that will last until well into the second half of the decade. The upturn will be accompanied by a recovery in both underlying and actual/realised demand for industrial space: population growth and improving consumer confidence will boost demand for warehouse space, as will a forecast upturn in residential construction and private business investment (outside the resources sector). Population growth and residential construction will also underwrite growth in underlying demand for factory space.

(Source: Sydney Industrial Property, Market Forecasts and Strategies, 2011 – 2021, BIS Shrapnel Pty Limited)

KAF's comments:-

Premised on the above, we are of the view that the prospects and outlook of the World economy, the Australian economy, NSW's economy and demand for industrial space in NSW appear to be positive and encouraging. The management of FFB believes the pipeline of work remain strong. As at 18 May 2012, FFB have an order book of RM752 million. With the positive and encouraging prospects of the economy and industry FFB is operating in, the Proposed Acquisition represents a potential for growth for FFB.

5.6 Risk factors associated with the Proposed Acquisition

In considering the Proposed Acquisition, the Non-Interested Shareholders are advised to give due and careful regard to the various risk factors as mentioned in Section 7 of Part A of the Circular before voting on the Proposed Acquisition at the forthcoming EGM. In addition, the Non-Interested Shareholders should also consider the following risk factors:

(a) Risk of non-approval by shareholders and/or the relevant authorities

In order to complete the Proposed Acquisition, the Company and the Vendor must obtain the approval of its shareholders. The completion of the Proposed Acquisition is also conditional upon obtaining approvals from amongst others, Bursa Securities for the listing of and quotation for the Consideration Shares and shareholders of FFB. Such approval may include term and conditions, which shall be fulfilled prior to implementing the Proposed Acquisition.

Failure to obtain such approvals and/or inability to comply with any conditions imposed will adversely affect the successful completion of the Proposed Acquisition.

(b) Termination risk

Pursuant to the SPA and FFB's announcement dated 16 October 2012 in relation to the extension of time mutually agreed in writing by both parties, the conditions precedent must be fulfilled by 30 November 2012, failing which the SPA shall be automatically terminated unless both parties agreed in writing to extend the due date of the fulfilment of the conditions precedent. Neither party will then have any further obligation under the SPA to the other party.

(c) Risk on the transfer of the Land title

The title to the Land is currently registered in the name of MEB. As such, there may be risk that the title to the Land cannot be transferred from MEB as the registered owner, to FFB as the purchaser. However, the Board is of the view that the risk associated with the transfer of Land titles is minimal.

(d) Risk pertaining to compulsory acquisition of the Property by the Council of New South Wales, Australia

Under the legislation of NSW, the NSW State Government has the power to resume or compulsorily acquire any land in NSW based on the market value of the property, for a variety of public interest purposes.

After the Proposed Acquisition, there can be no assurance that the Property will not be compulsorily acquired by the NSW State Government in the future. If such instance occurs, at any point in time in the future, FFB will be entitled to compensation in accordance with the relevant provisions in the Land Acquisition (Just Terms Compensation) Act 1991 of the NSW Government.

KAF's comments:-

We note that although measures may be taken by the Board to attempt to limit such risks, no assurance can be given that one or a combination of such risk factors will not crystallise, and give rise to material and adverse impact on the financial performance/position or prospects of the FFB Group.

5.7 Financial Effects of the Proposed Acquisition

We note the following from Section 8 of Part A of the Circular:

(i) The issued paid-up share capital of FFB will be enlarged by RM15.839 million from RM89.584 million to RM105.423 million pursuant to the Proposed Acquisition;

(ii) The existing substantial shareholders' percentage of shareholdings in FFB will be diluted , except for MEB which will increase its shareholding in FFB from 55.57% to 62.25% by 6.68% due to the issuance of the Consideration Shares pursuant to the Proposed Acquisition;

(iii) The gearing multiple of the Group will be reduced by 0.04 times and its NA per Share will increase by RM0.03 after the Proposed Acquisition as a result of the increase of FFB's capital base and share premium arising from the issuance of the Consideration Shares; and

(iv) The Proposed Acquisition will not have any immediate effect on the earnings of the Group for the FYE 2011. However, if assuming that the earnings for the FYE 31 December 2012 is the same as the previous year with the exception of the rental for the Property and assuming the Proposed Acquisition is completed by the end of November 2012, the EPS of FFB will decrease by 1.33 sen. We note that the profit attributable to owners of the Company after the Proposed Acquisition is after adjusting for last year rental expenses of AUD216,000 (approximately RM692,518) per annum and taking into consideration the current rental expenses of AUD61,250 (approximately RM196,374) per month up to November 2012, resulting in a net difference of approximately RM1.468 million, and an estimated depreciation expenses of the Property of approximately RM7,000 per month from end November 2012 to 31 December 2012. Nonetheless, the rental saving is expected to have a positive effect on the future earnings of the FFB Group.

KAF's comments:-

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the Non-Interested Shareholders.

6. FURTHER INFORMATION

Non-Interested Shareholders are advised to refer to Part A of the Circular and the appendices thereof for further information.

7. KAF'S OPINION

Before arriving at the decision to vote on the relevant resolution pertaining to the Proposed Acquisition, it is imperative that the Non-Interested Shareholders consider carefully all relevant issues and implications raised in this IAL and those set out by the Board in its letter to the shareholders in Part A of the Circular, as well as the information contained in the various appendices in the Circular.

In our evaluation of the Proposed Acquisition, and in arriving at our opinion, we have taken into consideration various factors which are summarised as follows:

(i) the rationale of the Proposed Acquisition, which, in our opinion, is considered reasonable;

(ii) the basis and justification of arriving at the Purchase Consideration, which, in our opinion, is considered fair and reasonable;

(iii) the basis and justification of determining the Issue Price of the Consideration Shares, which, in our opinion, is considered fair and reasonable;

(iv) the salient terms of the SPA, which, in our opinion, are considered reasonable;

(v) the prospects and outlooks of the World economy, the Australian economy, NSW's economy and demand for industrial space in NSW, which appear to be positive and encouraging;

(vi) the risk factors associated with the Proposed Acquisition; and

(vii) the financial effects of the Proposed Acquisition on the FFB Group, which, in our opinion, are not detrimental to the interest of the Non-Interested Shareholders.

Based on our scope of work and evaluation as set out above in this IAL, we are of the opinion that, taken as a whole, the terms of the Proposed Acquisition are fair and reasonable, and are not detrimental to the interest of the Non-Interested Shareholders.

Accordingly, we recommend that the Non-Interested Shareholders vote in favour of the respective ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully,
For and on behalf of
KAF INVESTMENT BANK BERHAD

ROHAIZAD ISMAIL Head Corporate Finance	**AHMAD FAZLEE AZIZ** Director Corporate Finance

VALUATION CERTIFICATE BY MESSRS. IRHAMY & CO CHARTERED SURVEYORS AND ANDERSON GROUP VALUERS ON THE PROPERTY

IRHAMY & CO
Chartered Surveyors

Anderson Group Valuers
P.O Box 2396 North Parramatta,
NSW 1750
Australia

AVG Ref : 4936
ICCS Ref : VKL160/12/MEB/AUS/SC/IA/NL
Date : 03 JUL 2012

The Board of Directors
Favelle Favco Berhad
Lot 586 & 579, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan

PRIVATE & CONFIDENTIAL

Dear Sir,

VALUATION CERTIFICATE
A CRANE FABRICATION YARD COMPRISING FREEHOLD INDUSTRIAL LAND, BUILDINGS AND IMPROVEMENTS KNOWN AS
LOT 2 IN DEPOSITED PLAN 536915, AT HOXTON PARK, LOCAL GOVERNMENT AREA OF LIVERPOOL, PARISH OF ST LUKE, COUNTY OF CUMBERLAND LOCATED AT
NO. 28, YARRUNGA STREET, PRESTONS, NEW SOUTH WALES 2170, AUSTRALIA (THE "SUBJECT PROPERTY")

Pursuant to the instruction to value the Subject Property, we are pleased to submit our valuation certificate for inclusion in the circular to the shareholders of Favelle Favco Berhad **("FFB")** of the Market Value on an "as is" basis in relation to the proposed acquisition by FFB of a crane fabrication yard comprising freehold industrial land, buildings and improvements from Muhibbah Engineering (M) Bhd **("MEB")** for a total consideration of AUD$15,000,000 (equivalent to RM47,584,500 based on the exchange rate of RM3.1723 to AUD$1.00) **("Proposed Acquisition").** We have also been appointed by MEB to appraise the Market Value of the Subject Property in relation to its proposed disposal of the Subject Property to FFB.

We have inspected the Subject Property and investigated available information and relevant data prior to valuing it. The details of the valuation are set out in our valuation report vide report reference Nos. AVG 4936 & VKL160/12/MEB/AUS/SC/IA/NL dated 15 June 2012.

The valuation report has been prepared based on the "Asset Valuation Guidelines" issued by the Securities Commission Malaysia and the "Best Practice" issued by the Australian Property Institute (API).

We certify that in our opinion the total market value of the Subject Property is **AUD$15,000,000 (equivalent to RM47,584,500),** as described in the continuation pages overleaf.

Yours faithfully,

Patrick Anderson
Certified Practising Valuer (CPV, AAPI)
Real Estate Valuers – Reg No: 3635
for **ANDERSON GROUP VALUERS**

Irhamy Ahmad MRICS MRISM
Chartered Surveyor & Registered Valuer – V457
for **IRHAMY & CO CHARTERED SURVEYORS**

VALUATION CERTIFICATE BY MESSRS. IRHAMY & CO CHARTERED SURVEYORS AND ANDERSON GROUP VALUERS ON THE PROPERTY *(Cont'd)*

1.0 DEFINITION OF MARKET VALUE

This valuation has been prepared on the basis of market value as defined by the Australian Property Institute – "Market value is the estimated amount for which an asset should exchange at the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The International and Malaysian Valuation Standards define market value as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

2.0 IDENTIFICATION OF PROPERTY

The Subject Property is a crane fabrication yard comprising freehold industrial land, buildings and improvements legally held under the following title:

Land	:Lot 2 in Deposited Plan 536915 at Hoxton Park, Local Government Area of Liverpool, Parish of St Luke, County of Cumberland
Registered Proprietor	:Muhibbah Engineering (M) Bhd (as stated under first schedule)
Second Schedule	:1) Reservations and conditions in the crown grant (s) 2) Easement to drain water 3 metre(s) wide appurtenant to the land above described
Unregistered Dealing	: *Nil*
Land Area	: 4.684 Hectares

3.0 DESCRIPTION OF SUBJECT PROPERTY

3.1 GENERAL DESCRIPTION

The Subject Property is a crane fabrication yard comprising freehold industrial land, buildings and improvements which bears a postal address of 28, Yarrunga Street, Prestons, New South Wales 2170, Australia.

3.2 LOCATION

The Subject Property is located on the northern side of Yarrunga Street approximately 400 metres west from the intersection with Bernera Road.

Prestons is a suburb of Sydney in the state of New South Wales, Australia. It is located 37 kilometres south-west of the Sydney central business district, in the local government area of the City of Liverpool.

Prestons is situated at an important road junction where the M5 South Western Motorway from the city meets the Hume Highway heading towards Canberra and Melbourne and the Westlink M7 heading towards Mount Druitt and northern Sydney. All three roads can be accessed from Camden Valley Way, which also connects Prestons to Liverpool and Camden. The M7 can also be accessed from Bernera Road.

3.2 SITE

The Subject Property is a crane fabrication yard comprising freehold industrial land, buildings and improvements with a provisional land area of approximately 4.684 hectares (11.6 acres).

The site is rectangular in shape having a road frontage onto Yarrunga Street. The general terrain of the area is a gentle cross fall from south to north i.e. the southern boundary sits higher than northern boundary. The site has been excavated or "cut" at the front and filled at the rear to provide a large level area to the majority of the site. The very front of the property at the eastern end has a manmade slight embankment. The rear of the property being approximately the last 5 metres also has an embankment which falls down to the rear adjoining allotment.

Access is only via Yarrunga Street which is a tar sealed road in only average to poor condition. There is no curb or guttering. The road is in poor condition but is not well travelled. Yarrunga Street is accessed from Bernera Road which is an off road from the M7 motorway and in good condition by comparison. The property is actually located within approximately 1 kilometre of access to the M7 motorway.

The site has an unimproved area of approximately 1.8736 hectares (40%) which is sited at the northwestern and southeastern corners whilst the rest of approximately 2.8104 hectares (60%) is improved with buildings, fabricating facilities, roads, car park and storage area. The unimproved area is simply open vacant land partly used as scrap or product storage.

3.3 BUILDINGS AND IMPROVEMENTS

Erected on the Subject Property are buildings and improvements as follows:-

Perimeter Security Fencing

The perimeter fencing is typically referred to as "cyclone" fencing. It is a galvanised mesh security fence 2.4 metres high with 3 rows of barb wire at the top. The supports are steel tube. The fencing is somewhat dated and appears to be constructed approximately 10 plus years ago. This fencing is the same at the front and side boundaries. The eastern side has a slight lean to one side at various sections. The rear fence is black powder coated and in the same height and "cyclone" style with 3 rows of barbed wire. The rear boundary fence is approximately 3 years old.

Road

The road through the property is constructed of compacted road base with below ground drainage to channel rain water out.

Underground Diesel Tank with Bowser

The petrol bowser and tank appear in serviceable and good functional order. It is dated by modern standards.

Car Park

There are 123 car spaces on the site. There is ample room for many more on the unused areas of the site. The surface is compacted road base. The car spaces are not marked.

VALUATION CERTIFICATE BY MESSRS. IRHAMY & CO CHARTERED SURVEYORS AND ANDERSON GROUP VALUERS ON THE PROPERTY *(Cont'd)*

Administrative and Office Building

This single storey building was originally built in 1968 with full brick construction and smaller built up area. A larger extension was added at the rear in 1981. The footings are concrete and the piers are brickworks. The walls are of concrete block and bricks. The whole flooring is of suspended timber structure with vinyl coverings. The windows are of timber and aluminium casements and the main entrance is secured with a double leaf aluminium doors.

The internal walls are painted concrete block and part sheetrock and timber panel whilst the partitioned and recessed offices are timber panel and glass partitions. The ceiling is suspended with fibre board panels, fluorescent lighting panels and air conditioning vents.

Accommodation provides a front partially enclosed patio, reception area, hallway, 3 open office areas, 11 partitioned offices (1 larger area, one medium area and a smaller area), 4 recessed offices, conference room, lunch room with kitchenette, photocopy room, store room, filing room, glass portioned board room, covered outdoor barbeque area, male toilets with a urinal - 3 toilets and vanity wash basin, female bathroom with 2 toilets and was basin.

The building has a gross floor area approximately 870 m² and it is in average to poor condition overall but structurally sound.

Storage and Service Shed

The single storey storage and service shed is located at the rear of the office and administration building. It also has access from the rear of the office building. It has a concrete floor with steel beam frame and concrete block and sheet metal walls. There is a rail for an overheard gantry crane. The floor is concrete and uneven and in poor condition. This is an open type of shed which appears to be a former fabrication area. The building appears to be built in 1969. It has a steel truss frame roof with metal sheet covering.

The storage shed has a gross floor area approximately 285 m² and it is in average to poor condition overall but structurally sound.

Two (2) Units Igloo Sheds

There are two industrial sheds on the property referred to as igloos. They were built on the site in 1969. Both have a curved air craft hanger style of construction. The total gross floor area is approximately 800 m². Both are not well maintained with partly leaking roofs and they are in poor condition.

Four (4) Unit Test Pedestals

There are four ground level test pedestals which were purpose built on the site for the testing of cranes. Each corner of the pedestal has a 3-metre x 3-metre x 2-metre deep re-inforced concrete corner pad in place.

The test pedestals are in good functional order. They each have a steel frame testing platform attached to the concrete anchor pads. All pedestals are in good functioning order. (They are used to test cranes before delivery to clients) They are also used to test catastrophic load capacity & further research and development.

Main Fabrication/Manufacturing Building

The single storey with mezzanine floor main fabrication building is the most significant improvement on the site. At its highest point it is 15 metres. It has a gentle pitch down to the side walls which are approximately 10 metres high. The southern side of the building has a "lean to" roof which is approximately 10 metres on the high side and 5 metres on the low side.

The building is constructed of I-beam steel columns and frame roof covered by a pitched corrugated metal sheet roofing. The flooring to the main fabrication area is reinforced concrete whilst the secondary fabrication areas are partly of reinforced concrete, compacted crusher run and earth. The whole building is walled by metal sheets.

The main fabrication/manufacturing building is divided into a 3-bay fabrication area, fitting and assembly areas and a machine shop. The fabrication area is one open elongated area consisting of two assembly rows. Both rows have an overhead gantry rails for the use of overhead gantry and swing cranes.

Originally, this building was built in 1968 with a gross floor area of approximately 5,156 m² and it has been extended in 1981 and in 1990 to accommodate a larger fabrication/manufacturing area. The gross floor area of extension measures approximately 1,204 m². The condition of the main fabrication / manufacturing building overall is considered average to poor.

The secondary factory area is the "lean to" which comprises a steel rack area, light fabrication area, store, receiving depot, amenities area with lunch room, toilets, showers, locker, change room, first aid room and a mezzanine production office which is disused. There is also a secondary mezzanine storage room to which access was not available due to maintenance. The steel rack area and light fabrication area also have an overhead gantry crane railing.

Adjoining the lean to also on the southern side of the building is a paint shop, abrasive blasting bay & compressor room. There is a gas bottle storage area on the western side of the building. The paint shop has a rail and trolley system used for moving and painting larger & heavy parts. The paint shop has a large and small paint booth which are serviced by large motorised ventilators. The abrasive blasting bay has a steel grid floor and agitator type of subfloor machine which appears to be for the recycling or disposal of the blasting material.

The lunch room, shower room and toilets have brick walls and also have concrete flooring. The disused mezzanine production office has a timber floor, with timber and glass partitioned offices.

The mezzanine production office is old, dated and no longer used. Lunch room, toilets, showers, change room are dated but appear in good functional order.

Riggers Storage Area

A basic caged type of storage area with flat roof approximately 2.5 metres in height on a concrete slab. This building was built in 1969 and has been extended in 1980. This single storey building has a gross floor area of approximately 40 m² and it is in a poor state of repair.

Electrical Building

A dated 1969 corrugated iron shed with steel frame on a concrete hardstand and it was approximately 4 metres in height. This single storey building has a gross floor area of approximately 60 m² and it is older type of shed in poor condition.

Flammable Storage Shed

A steel single storey framed secure shed with heavy duty lockable metal door and basic corrugated iron roof. It has a gross floor area of approximately 45 m² and appears to be portable with a steel edge frame to the floor area. This building was built in 1969 and the condition is average.

LP Gas Tank

The liquid petroleum gas storage tank is a metal cylindrical tank on a concrete hardstand of approximately 18 m² in area. The tank appears in good condition.

Liquid Oxygen Tank

The liquid oxygen tank is of steel construction being a vertical steel tank on a concrete hardstand of approximately 10 m² in area. The tank appears in good condition.

Effluent Holding Tank

As there is no town sewer connected to the property except for a local a pump out system. The holding tanks are made of concrete with a concrete base. There are 5 tanks in total which are all partially buried. They were installed in year 2010 and in good condition for their age.

Ancillary Improvements

The ancillary improvements comprise road base roadways and parking areas, basic garden area and cyclone mesh fencing.

Notes

Approvals, Compliance & Breaches

Based on Development Application letter dated 20 May 1968, only Main Fabrication/Manufacturing Building has been granted with permission to developed by The City Council of Liverpool (Consent No: LCC. 519/68) whilst we were unable to gain a consent letters for the rest of the buildings erected on site.

Main Fabrication/Manufacturing Building was extended dated 16 February 1981 and 6 March 1990 to accommodate a larger fabrication/manufacturing (File Nos TP 930-7 and P 4310-270). This section of the Main Fabrication/Manufacturing Building is taken into consideration in the valuation report but the secondary factory area (lean to) is not valued.

We are only valuing the buildings which have a consent letter. Hence, the rest of the buildings' approval letters are not sighted, they are not valued accordingly.

However the whole facilities have been insured by Alliance Australia Insurance Limited (Policy Number: 71-0176238-ISC)

3.5 PLANNING PROVISION

We had extracted from the Liverpool Council online website revealed that the Subject Property was zoned IN3 heavy industrial under Liverpool Local Environmental Plan 2008.

As at the date of inspection, no other planning provisions that would affect the size and orientation of the Subject Property, such as compulsory land acquisition and road alignment, have been lodged.

3.6 OCCUPANCY

The Subject Property is currently being used as a crane manufacturing/fabricating.

4.0 BASIS AND METHOD OF VALUATION

Our valuation reflects the Market Value of the Subject Property that is a crane fabrication yard being a rather specialised property in the way in which it was designed and used for over 30 years. In arriving the Market Value of the Subject Property, we have adopted the Summation approach which comprises:-

Description	Method of Valuation
Land	Comparison Method
Buildings and Improvements	Depreciated Replacement Cost Method

The estimated Market Value of the land is derived by Comparison Method based on the recent transactions of industrial lands in the locality. Adjustments were made to reflect the differences of the Subject Property against the comparable sales.

The values of buildings and improvements are calculated using the Depreciated Replacement Cost Method whereby their values are taken to equal the cost of replacing the items in their existing conditions and state of repairs. This is determined by taking into consideration the present replacement cost of the above items as new and allowing for depreciation for physical condition, economic obsolescence and other relevant factors.

It is our opinion that only these methods of valuation are suitable and appropriate for each component of the Subject Property due to the a rather specialised nature of the facility a crane fabrication yard that has been in operation for over 30 years.

5.0 VALUATION

5.1 DATE OF VALUATION

The date of valuation is 15 June 2012.

5.2 LAND

Our investigations revealed the following transactions of local industrial lands within a reasonable distance from the Subject Property:-

Evidence Refrence	**Sale A**	**Sale B**	**Sale C**	**Sale D**
Address:	115 Jedda Road Prestons	402 Hoxton Park Road, Prestons	38 Berena Road Prestons	10 Burando Street Prestons
Tenure:	Torrens Title	Torrens Title	Torrens Title	Torrens Title
Date of Transaction:	14-Apr-11	18-Nov-10	21-Apr-08	14-Nov-06
Consideration	$16,223,327.00	$11,770,000.00	$13,100,000.00	$34,000,000.00
Improvements Value	$6,176,100.00			
Land Value	$10,047,227.00	$11,770,000.00	$13,100,000.00	$34,000,000.00
Land Area	53,300 sq. m	44,300 sq. m	50,400 sq. m	118,000 sq. m
Type of Property	Industrial Building	Vacant Land	Vacant Land	Vacant Land
Zoning	IN3 Heavy Industrial	IN2 Light Industrial	IN3 Heavy Industrial	IN3 Heavy Industrial
Overhead Power Lines	Yes - Severe	No	No	No
Flood Affected	Yes-Medium	Yes-Minor	Yes-Very Minor	Yes-Medium
Rate Per Sq M (Land)	$188.50	$265.69	$259.92	$288.14
Adjustments				
Time	0%	0%	0%	0%
Location	0%	0%	0%	0%
Flood	4%	3%	2%	4%
Transmission Line	30%	0%	0%	0%
Zoning	0%	10%	0%	0%
Total Adjustments	34%	13%	2%	4%
Adjusted Value Per Sq M (Land)	**$252.59**	**$300.23**	**$265.12**	**$299.66**

Note: Adopted Average Sale B, C & D form the basis for valuation $280 AUD per sq m

Valuation of Subject Property (Land Only)

Total Land Area	46,840 sq m	$280 per sq m	$13,115,200

We have taken AUD $280 per square metre as the fair market value based on the average adjusted values since all the comparables are located in the same locality.

Time: Over the last several months there has been more lands coming onto the market in the surrounding district in areas such as Smeaton Grange & Eastern Creek. These are also newer types of industrial subdivisions with good appeal. There is a strong supply of land and older types of buildings at present. There are no sales of similar property to the Subject Property in Prestons this year. However research indicates the demand is not strong for this type of manufacturing building at present. As such we consider the market is flat.

Flood: Basically all the evidence is located in the same area, some partly in a flood area. The land will have to be raised in some areas to the required height above the flood level which is an additional cost to the owner. The Subject Property is not sited in a flood affected area as per the council mapping. Also it is at a more elevated location. So for this reason the rate should be increased in order to compare. Our view that a 4% adjustment should reflect for the medium flood affected, a 3% for minor affected and a 2% for very minor.

Transmission Line: Sale A clearly has a large and wide transmission line running over the central area of the land and basically splitting the land into two sections. This has a severe effect on the property. Buildings are not to be built below the transmission lines. A 30% reduction its on adjustment was taken due to the severance.

Zoning: Sale B is zoned on IN2 Light Industrial, we have put 10% adjustment to the Subject Property. Evidence B, C, D are vacant land therefore adopted to form the basis of valuation.

Notes*

The estimation of improvements value of Sale A was based on the Rawlinson's Australian Construction Handbook Edition 29, Year 2011 (Sydney rate). The improvements which consist of front & rear warehouses and office cum administrative building were valued between $750 to $ 900 per square metre.

5.3 BUILDINGS & IMPROVEMENTS

In assessing the value of the improvements, we have adopted the cost of new construction taken from Rawlinson's Australian Construction handbook Edition 29, Year 2011, by adjusting for age, usage and state of repairs of the buildings. We are only valuing the buildings which have a consent letter. Hence, the rest of the buildings' approval letters are not sighted, they are not valued accordingly. The calculations are as follows:

No	Improvements	Built Up	Total	Depreciation	Depreciated Value
1	Main Fabrication/Manufacturing Building	5,156 sq. m.	$ 5,156,000	75%	$ 1,289,000
	Extension	1,204 sq. m.	$ 1,204,000	60%	$ 481,600
2	Test Pedestals	288 sq. m.	$ 167,000	50%	$ 83,500
3	Ancillary Improvements	-	-	-	$ 50,000
				Total	$ 1,904,100

The improvements have been valued taking into consideration their age and condition. Typically a building will depreciate at approximately 1% to 3% in value per year. Depreciation claimable is different to the real depreciation in value. Under Australian taxation law a building can be depreciated at 5% a year using a straight line depreciation method (20-year life). This depreciation is usable as a business expense or tax deduction.

Using the 1% to 3% method for the depreciated value of the buildings would indicate the buildings have no value which is not the case. Importantly the main buildings are in functional working order and are being used. The factory is well constructed and fairly well maintained. Depreciation of 75% is adopted due to the main building is "average to poor condition" whilst 60% depreciation is adopted for the extension building with "average condition".

The computation of value is as follows: -

No.	Description	Market Value
1	Land	AUD $ 13,115,200.00
2	Buildings and Improvements	AUD $ 1,904,088.00
	Total	AUD $ 15,019,288.00
	Rounding Down, **SAY**	**AUD $ 15,000,000.00**

6.0 MARKET VALUE

Based on the foregoing and as at the date of the valuation, we have assessed the value of a crane fabrication yard comprising freehold industrial land, buildings and improvements legally known as Lot 2 in Deposited Plan 536915, at Hoxton Park, Local Government Area of Liverpool, Parish of St Luke, County of Cumberland, which bears a postal address of No. 28, Yarrunga Street, Prestons, New South Wales, 2170 Australia, being upon the basis of a "fee simple" with vacant possession, free from any encumbrances, exclusive of GST and stamp duty is **AUD$15,000,000 [equivalent to RM47,584,500 (**based on the exchange rate of RM3.1723 to AUD$1.00 on 15 June 2012 from the Reserve Bank of Australia historical daily rate of the Australian Dollar against the Malaysian Ringgit)].

CERTIFICATION

This valuation was carried out by :-

ANDERSON GROUP VALUERS

PATRICK ANDERSON
Certified Practising Valuer (CPV, API)
Real Estate Valuers Registration Number: 3635

and,

IRHAMY & CO CHARTERED SURVEYORS

Irhamy Ahmad **BSc MRICS MRISM APEPS IRRV MBIFM (UK)**
Chartered Valuation Surveyor & Registered Valuer – V457

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

All information relating to the Vendor and the Property was extracted from information provided by the Vendor. Therefore, the responsibility of the Board is restricted to ensuring that such information is accurately reproduced in this Circular.

2. CONSENT

(i) Maybank IB has given and has not subsequently withdrawn its written consent to the inclusion of its name in the form and context in which it appears in this Circular.

(ii) KAF, being the independent adviser in respect of the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

(iii) Messrs. Irhamy & Co Chartered Surveyors, being one of the Joint Independent Valuers for the Property, has given and has not subsequently withdrawn its written consent to the inclusion of its name, valuation certificates and all references thereto in the form and context in which they appear in this Circular.

(iv) Anderson Group Valuers, being one of the Joint Independent Valuers for the Property, has given and has not subsequently withdrawn its written consent to the inclusion of its name, valuation certificates and all references thereto in the form and context in which they appear in this Circular.

3. CONFLICT OF INTEREST

(i) Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for FFB and/or MEB and/or any of their affiliates, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the FFB Group or MEB group or any other entity or transactions for its own account or the account of its customers in debt or equity securities or senior loans. This is a result of the business of the Maybank Group generally acting independent of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require amongst others, segregation between dealing and advisory activities, and Chinese walls between different business divisions.

As at the LPD, the FFB Group and MEB group have existing credit facilities with the Maybank Group. The said credit facilities have been extended by the Maybank Group in its ordinary course of business. Notwithstanding this, Maybank IB is of the opinion that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as Adviser to FFB for the Proposed Acquisition.

(ii) KAF is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the independent adviser in respect of the Proposed Acquisition.

(iii) Messrs. Irhamy & Co Chartered Surveyors is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as one of the Joint Independent Valuers for the Property.

(iv) Anderson Group Valuers is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as one of the Joint Independent Valuers for the Property.

4. MATERIAL LITIGATION

As at the LPD, save as disclosed below, neither FFB nor any of its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against FFB or its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the FFB Group.

(i) **Litigation against FFB and FFB's subsidiary, Favelle Favco Cranes (USA), Inc. ("FFCUSA"), in the Supreme Court of the State of New York**

This matter consists of a composition of personal injury actions, wrongful death actions, property damage actions, subrogation actions and lien actions (collectively "**the Suit**") relating to the collapse of a Favelle Favco crane on 15 March 2008 in the City of New York, said to be caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. FFB's and FFCUSA's inclusion in the Suit is purported simply to be by reason that the crane was a Favelle Favco crane.

FFB and FFCUSA have been advised that, as none of them are owners, general contractors or otherwise statutorily liable to the labour law plaintiffs, any basis of recovery is limited to either, products liability or general negligence, if any, which will thereafter be subject to apportionment of liability (if any).

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

(ii) **Litigation against a subsidiary, FFCUSA, in the Supreme Court of the State of New York, County of New York**

FFCUSA has been named as a defendant in connection with a lawsuit filed by Mr. Robert Paranella, who is claiming personal injuries resulting from an accident while descending a ladder on a crane. The plaintiff has alleged claims of general negligence and labour law claims. Based on the claim as it is, the management believes FFCUSA cannot be held liable.

The matter has been stayed due to the bankruptcy of a co-defendant and the Board of Directors of FFCUSA is of the view that it is too early to determine whether or not Mr. Paranella's claims have any merit.

As at the LPD, there are no material litigation, claims and/or arbitrations involving the Property and the Board is not aware of any proceedings, pending or threatened in relation to the Property or of any facts likely to give rise to any proceedings involving the Property.

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

5.1 Material commitments

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the FFB Group which may have an impact on the net profits and/or NA of the FFB Group.

5.2 Contingent liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the FFB Group which may, upon becoming enforceable, have an impact on the net profits and/or NA of the FFB Group.

6. HISTORICAL PRICES

The monthly high and low market prices of FFB Shares traded on Bursa Securities for the past twelve (12) months from October 2011 to September 2012 are as follows:

	High	Low
	RM	RM
2011		
October	1.140	0.910
November	1.320	1.000
December	1.260	1.170
2012		
January	1.320	1.200
February	1.440	1.240
March	1.500	1.350
April	1.590	1.360
May	1.540	1.320
June	1.640	1.350
July	1.540	1.300
August	1.850	1.450
September	1.800	1.510

(Source: Bloomberg)

Last transacted market price of FFB Shares on 25 June 2012, being the last transacted market price immediately prior to the Announcement	RM1.60
Last transacted market price of FFB Shares on 20 September 2012, being the LPD	RM1.80

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

(i) Memorandum and Articles of Association of the Company;

(ii) The audited consolidated financial statements of FFB for the past two (2) FYE 31 December 2010 and 2011 respectively and the unaudited consolidated results for the six (6)-month financial period ended 30 June 2012;

(iii) The SPA;

(iv) The valuation certificate dated 3 July 2012 prepared by the Joint Independent Valuers on the Property as set out in Appendix I of this Circular, together with the Valuation Report;

(v) Letters of consent referred to in Section 2 above; and

(vi) Cause papers in respect of the material litigation referred to in Section 4 above.

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FAVELLE FAVCO BERHAD

(Company No.: 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Favelle Favco Berhad ("**FFB**" or "**Company**") will be convened and held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday, 5 November 2012 at 2.00 p.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY FFB OF A CRANE FABRICATION YARD COMPRISING FREEHOLD INDUSTRIAL LAND, BUILDINGS AND IMPROVEMENTS, LOCATED AT NO. 28 YARRUNGA STREET, PRESTONS, NEW SOUTH WALES, 2170 AUSTRALIA WITH A TOTAL LAND AREA MEASURING APPROXIMATELY 11.6 ACRES ("PROPERTY") FROM MUHIBBAH ENGINEERING (M) BHD ("MEB") FOR A TOTAL PURCHASE CONSIDERATION OF AUD15,000,000 (EQUIVALENT TO RM48,091,500) TO BE SATISFIED VIA THE ISSUANCE OF 31,678,743 NEW ORDINARY SHARES OF RM0.50 EACH IN FFB ("FFB SHARES") AT AN ISSUE PRICE OF RM1.5181 PER FFB SHARE ONLY UPON THE TERMS AS STIPULATED IN THE CONDITIONAL SALE AND PURCHASE AGREEMENT DATED 25 JUNE 2012 ENTERED BETWEEN FFB AND MEB ("SPA") ("PROPOSED ACQUISITION")

"**THAT**, subject to the requisite approvals being obtained from all relevant authorities and/or parties as may be required, approval be and is hereby given to FFB to acquire the Property from MEB for a total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500) to be satisfied via the allotment and issuance of 31,678,743 new ordinary shares of RM0.50 each in FFB at an issue price of RM1.5181 per FFB Share only upon the terms as stipulated in the conditional SPA;

THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Acquisition by FFB with full powers to assent to any modifications, revaluation, variations, arrangement, condition and/or amendment in relation to the Proposed Acquisition as they may deem fit in the best interest of the Company and/or as may be required and/or imposed by the relevant authorities;

THAT approval be and is hereby given for the Company to allot and issue 31,678,743 new FFB Shares at an issue price of RM1.5181 per FFB Share credited as fully paid-up upon the terms as stipulated in the conditional SPA and FFB to satisfy the total purchase consideration of AUD15,000,000 (equivalent to RM48,091,500) pursuant to the Proposed Acquisition;

AND THAT such new FFB Shares shall, upon allotment and issuance, rank equally in all respects with the existing FFB Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions unless the allotment and issuance of the new FFB Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions;

AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all steps as they may deem fit and expedient in order to implement, finalise, complete and do all acts, deeds and things as the Directors may deem fit or expedient in the best interest of the Company (including to execute, sign and deliver on behalf of the Company all such documents as may be necessary) so as to give full effect to the Proposed Acquisition."

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

17 October 2012

Notes:

(1) *A depositor whose name appears in the Record of Depositors as at 29 October 2012 is entitled to attend, speak and vote at the meeting or appoint proxies to attend and/or vote on his/her behalf*

(2) *A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy/ proxies to attend and vote in his/her stead. A proxy/proxies may but need not be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company*

(3) *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*

(4) *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*

(5) *The duly completed Form of Proxy must be deposited at the office of Tricor Investor Services Sdn Bhd, the Company's Share Registrar at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting*

Favelle Favco Berhad
Company No.: 249243-W (Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	**CDS Account no.**

*I/*We ______________________ NRIC No. (New) ____________ (Old) ____________

of ____

being a member/members of **FAVELLE FAVCO BERHAD**, hereby appoint the Chairman of the Meeting or Mr/Ms ______________________ NRIC No. (New) ____________ (Old) ____________

of ____

or failing whom, ______________________ NRIC No. (New) ____________ (Old) ____________

of ____

as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Extraordinary General Meeting of the Company to be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday, 5 November 2012 at 2.00 p.m. or any adjournment thereof.

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows:

Proxy 1	%
Proxy 2	%
	100%

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

	For	**Against**
ORDINARY RESOLUTION - PROPOSED ACQUISITION		

[* Delete if not applicable]

(Please indicate with an "X" in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit).

______________________ Dated this day of 2012
Signature(s) or Common Seal of member(s)

Notes:

1. *A depositor whose name appears in the Record of Depositors as at 29 October 2012 is entitled to attend, speak and vote at the meeting or appoint proxies to attend and/or vote on his/her behalf*
2. *A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy/proxies may but need not be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company*
3. *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*
4. *This 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*
5. *This duly completed Form of Proxy must be deposited at the office of Tricor Investor Services Sdn Bhd, the Company's Share Registrar at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting*

Fold this flap for sealing

Then fold here

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