

**THIS STATEMENT/CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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Bursa Securities has not perused the content of this Statement/Circular relating to the Proposed Share Buy-Back and Proposed Amendments to the Articles of Association prior to its issuance as this is an Exempt Circular pursuant to Practice Note 18 of the Main Market Listing Requirements of the Bursa Securities.



**FAVELLE FAVCO BERHAD**

(Company No. 249243-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**PART A**

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

**PART B**

- (I) PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

The above proposals will be tabled at the Twenty-First (“21st”) Annual 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 on Friday, 28 June 2013 at 2.30 p.m. The Notice of the 21st Annual General Meeting together with the Form of Proxy are enclosed in the Annual Report 2012.

The Form of Proxy must be completed and lodged at the office of 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. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Statement/Circular is dated 6 June 2013

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## DEFINITIONS

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

Act	:	The Malaysian Companies Act, 1965 as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting of the Company
Annual Report 2012	:	The Annual Report of FFB issued for the financial year ended 31 December 2012
Board	:	Board of Directors of FFB
Bursa Securities	:	Bursa Malaysia Securities Berhad
Code	:	Malaysian Code on Take-Overs and Mergers 2010, as amended from time to time
EPS	:	Earnings per share
ESOS	:	Employees' Share Option Scheme
Existing Shareholders' Mandate	:	The Shareholders' Mandate for FFB Group to enter into Recurrent Related Party Transactions of a revenue or trading nature with the Related Parties for which approval from the shareholders was obtained during the 20 <sup>th</sup> AGM held on 28 June 2012.
FFA	:	Favelle Favco Cranes Pty Limited, a wholly-owned subsidiary of FFB
FFB or Company	:	Favelle Favco Berhad
FFB Group or Group	:	FFB, its subsidiary and associated companies collectively
FFCI	:	Favelle Favco Cranes International Ltd, a wholly-owned subsidiary of FFB
FES	:	FES Equipment Services Sdn Bhd, a wholly-owned subsidiary of FFB
FFM	:	Favelle Favco Cranes (M) Sdn Bhd, a wholly-owned subsidiary of FFB
FFMgmt	:	FF Management Pty Limited, a wholly-owned subsidiary of FFA
FFS	:	Favelle Favco Cranes Pte Ltd, a wholly-owned subsidiary of FFB
FFU	:	Favelle Favco Cranes (USA), Inc, a wholly-owned subsidiary of FFB
FO	:	Favco Offshores Sdn Bhd, an associated company of FFB
KC	:	Krøll Cranes A/S, a wholly-owned subsidiary of FFB
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto

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**DEFINITIONS – CONT'D**

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LPD	:	7 May 2013, being the latest practical date prior to the printing of this Circular
Market Day	:	Any day when Bursa Securities is open for trading of securities
MCCG 2012	:	Malaysian Code on Corporate Governance 2012
MBC	:	Milperra Blasting and Coating Pty. Limited, a wholly-owned subsidiary of FFA
MEB	:	Muhibbah Engineering (M) Bhd, the ultimate holding company of FFB
MEBC	:	MEB Construction Sdn Bhd, a wholly-owned subsidiary of MEB
MSI	:	Muhibbah Steel Industries Sdn Bhd, a wholly-owned subsidiary of MEB
MEB Group	:	MEB, its subsidiary and associated companies collectively
NA	:	Net assets
Option(s)	:	The right of the grantee to subscribe for new FFB Share(s) pursuant to the ESOS in accordance with the terms and conditions of the ESOS bye-laws
Proposed Authorised Period	:	The period where authority is granted by the shareholders of the Company for the Proposed Share Buy-Back which is effective upon the passing of the ordinary resolution in the forthcoming AGM and may continue to be in force until:  (a) the conclusion of the next AGM of the Company; or (b) the expiration of the period within which the next AGM after that date is required by law to be held; or (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,  whichever occurs first
Proposed Amendments	:	Proposed Amendments to the Articles of Association of the Company
Proposed Renewal of the Shareholders' Mandate	:	Proposed Renewal of the Shareholders' Mandate for RRPT of a revenue or trading nature as set out in Part B of Section 2.1.2 for which approval from the shareholders is being sought at the forthcoming AGM
Proposed Share Buy-Back	:	Proposed renewal of the existing authority granted to the Company to purchase up to ten percent (10%) of its own issued and paid-up share capital

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**DEFINITIONS - CONT'D**

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Purchased Shares	:	Shares purchased pursuant to the Proposed Share Buy-Back
Recurrent Related Party Transactions or RRPT	:	Recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business of the Group
Related Party(ies)	:	Director(s), major shareholder(s) or person(s) connected with such director(s) or major shareholder(s). For the purpose of this definition, "director", "major shareholder" and "person connected" shall include any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or major shareholder of the Group
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s) or FFB Share(s)	:	Ordinary share(s) of RM0.50 each in FFB
Treasury Shares	:	The Purchased Shares which are retained by the Company and shall have the meaning given under Section 67A of the Act

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

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

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- (I) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

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**PART A**

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



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

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

### **1. INTRODUCTION**

The Company had announced on 3 May 2013 that it will be seeking shareholders' approval at its 21st AGM to be held on 28 June 2013 for the proposed renewal of authority for the purchase by FFB of its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back").

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

The Notice of AGM together with the Form of Proxy are enclosed in the Annual Report 2012.

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

At the 20th AGM of the Company held on Thursday, 28 June 2012, the shareholders had approved the renewal of authority for the Company to buy back up to ten percent (10%) of its issued and paid-up share capital. The said approval will expire at the conclusion of the forthcoming AGM of the Company unless renewed by an ordinary resolution passed by the shareholders.

The maximum number of shares that may be bought-back of up to ten percent (10%) of the issued and paid-up share capital of the Company would include all shares which have been previously bought-back and cancelled or retained as Treasury Shares. As at 7 May 2013, a total of 10,000 Shares are being held as Treasury Shares.

The renewal of the authority for the purchase by the Company of its own shares will be effective immediately upon the passing of the ordinary resolution on the Proposed Share Buy-Back at its 21<sup>st</sup> AGM to be held on 28 June 2013 until:

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

whichever occurs first.



### 3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

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

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

### 4. FUNDING FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will allow the Board to purchase FFB Shares at any time within the Proposed Authorised Period. The Board proposes to allocate an amount of funds not exceeding the retained earnings and/or share premium account of the Company for the purchase of its own Shares pursuant to the Proposed Share Buy-Back. The retained earnings and/or share premium account of the Company based on its latest audited financial statements for the financial year ended 31 December 2012 are as follows:

	Financial year ended 31 December 2012 (RM'000)
Share premium	36,440
Retained earnings	33,254

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

### 5. ADVANTAGES AND DISADVANTAGES

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

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

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

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

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

## 6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

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

### 6.1 Share Capital

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

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

	<b>Scenario I</b>	<b>Scenario II</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>
Issued and paid-up ordinary share capital as at LPD*	212,362,763	212,362,763
Assuming full exercise of the outstanding Options	-	#5,069,000
Enlarged issued and paid-up ordinary share capital after full exercise of the outstanding Options	212,362,763	217,431,763
Maximum number of Shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back	(21,236,276)	(21,743,176)
Resulting issued and paid-up share capital upon completion of cancellation of maximum number of Shares which may be purchased under the Proposed Share Buy-Back	191,126,487	195,688,587

Notes:

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

# The Proposed Authorised Period is only applicable for all the outstanding 5,069,000 Options as at LPD which are exercisable into Shares with effect from 28 September 2013.

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

## **6.2 NA**

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

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

## **6.3 Working Capital**

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

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

## **6.4 Earnings**

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

## **6.5 Dividends**

The Board proposed a First and Final Dividend of 2.7% (1.35 sen) less 25% income tax and Tax-Exempt dividend of 13.3% (6.65 sen) per ordinary share (2011: First and Final Tax-Exempt Dividend of 6.00 sen per ordinary share) in respect of the financial year ended 31 December 2012, subject to the approval of the shareholders at the forthcoming AGM. Barring any unforeseen circumstances, the Board does not expect the Proposed Share Buy-Back to materially affect the dividend policy of the Company. The actual dividend rate to be declared and paid will depend on, among others, the actual results of our Group, its cash reserves, capital commitment and future funding requirements.

## **7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

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

## Scenario I

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

	As at LPD		After Proposed Share Buy-Back	
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
	%**	%**	%	%
<b>Substantial Shareholders</b>				
Muhibbah Engineering (M) Bhd	131,241,043	-	131,241,043	-
Mac Ngan Boon @ Mac Yin Boon	8,192,913 <sup>(a)</sup>	131,241,043 <sup>(f)</sup>	8,192,913 <sup>(a)</sup>	131,241,043 <sup>(f)</sup>
	61.80	61.80	68.67	68.67
	3.86	-	4.29	-
<b>Directors</b>				
Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	106,500 <sup>(c)</sup>	2,845,671	106,500 <sup>(c)</sup>
Tan Sri A. Razak bin Ramli	300,000	800 <sup>(d)</sup>	300,000	800 <sup>(d)</sup>
Mac Ngan Boon @ Mac Yin Boon	8,192,913 <sup>(a)</sup>	134,861,843 <sup>(b)</sup>	8,192,913 <sup>(a)</sup>	134,861,843 <sup>(b)</sup>
Mac Chung Hui	1,712,000 <sup>(a)</sup>	-	1,712,000 <sup>(a)</sup>	-
Lee Poh Kwee	1,085,000 <sup>(e)</sup>	-	1,085,000 <sup>(e)</sup>	-
Mazlan bin Abdul Hamid	2,014,000	-	2,014,000	-
Tan Sri Dato' Seri Ahmad Ramli	300,000 <sup>(e)</sup>	-	300,000 <sup>(e)</sup>	-
bin Haji Mohd Nor	100,000	-	100,000	-
Lim Teik Hin				
	0.14	0.05	0.16	0.05
	0.05	-	0.05	-
<b>Persons connected with Director and/or Substantial Shareholder</b>				
Chew Keng Siew	811,800 <sup>(a)</sup>	-	811,800 <sup>(a)</sup>	-
Mac Chung Jin	697,000 <sup>(a)</sup>	-	697,000 <sup>(a)</sup>	-
Mac Chung Lynn	400,000 <sup>(e)</sup>	-	400,000 <sup>(e)</sup>	-
Fatimah bte Ismail	12,500	-	12,500	-
Hamidah binti Mohd Taib	32,000	-	32,000	-
Aminah binti Mohd Taib	32,000	-	32,000	-
Mohamed Ezani bin Md Taib	30,000	-	30,000	-
Erman bin Abdul Razak	800 <sup>(e)</sup>	-	800 <sup>(e)</sup>	-
	0.38	-	0.42	-
	0.33	-	0.36	-
	0.19	-	0.21	-
	0.01	-	0.01	-
	0.02	-	0.02	-
	0.02	-	0.02	-
	0.01	-	0.02	-
	*	-	*	-

Notes:

- Certain Shares are held in trust through nominee trust companies.
  - Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB and the Shares held by his wife and children pursuant to Section 134 of the Act.
  - Deemed interested by virtue of the Shares held by his wife and children pursuant to Section 134 of the Act.
  - Deemed interested by virtue of the Shares held by his son pursuant to Section 134 of the Act.
  - Shares held in trust through nominee trust companies.
  - Deemed interested pursuant to Section 6A of the Act by virtue of his substantial interests in MEB.
- \* Percentage of shareholding of less than 0.01%.
- \*\* Excluding a total of 10,000 Treasury Shares held as at LPD pursuant to Section 67A of the Act.

## Scenario II

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

	As at LPD			Assuming all exercisable Options are fully exercised			After (I) and Proposed Share Buy-Back			
	No. of Shares	%**	Indirect No. of Shares	%**	Direct No. of Shares	%**	Indirect No. of Shares	%	Direct No. of Shares	%
<b>Substantial Shareholders</b>										
Muhibbah Engineering (M) Bhd	131,241,043	61.80	-	-	131,241,043	60.36	-	67.07	131,241,043	-
Mac Ngan Boon @ Mac Yin Boon	8,192,913 <sup>(a)</sup>	3.86	131,241,043 <sup>(b)</sup>	61.80	8,826,913 <sup>(c)#</sup>	4.06	131,241,043 <sup>(b)</sup>	4.51	8,826,913 <sup>(c)#</sup>	131,241,043 <sup>(b)</sup>
<b>Directors</b>										
Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.34	106,500 <sup>(c)</sup>	0.05	2,845,671	1.31	106,500 <sup>(c)</sup>	0.05	2,845,671	1.45
Tan Sri A. Razak bin Ramli	300,000	0.14	800 <sup>(d)</sup>	*	300,000	0.14	800 <sup>(d)</sup>	*	300,000	0.15
Mac Ngan Boon @ Mac Yin Boon	8,192,913 <sup>(a)</sup>	3.86	134,861,843 <sup>(b)</sup>	63.51	8,826,913 <sup>(c)#</sup>	4.06	135,281,843 <sup>(b)#</sup>	62.22	8,509,913 <sup>(a)#</sup>	4.35
Mac Chung Hui	1,712,000 <sup>(a)</sup>	0.81	-	-	2,132,000 <sup>(c)#</sup>	0.98	-	-	2,132,000 <sup>(c)#</sup>	1.09
Lee Poh Kwee	1,085,000 <sup>(c)</sup>	0.51	-	-	1,505,000 <sup>(c)#</sup>	0.69	-	-	1,505,000 <sup>(c)#</sup>	0.77
Mazlan bin Abdul Hamid	2,014,000	0.95	-	-	2,434,000 <sup>#</sup>	1.12	-	-	2,434,000 <sup>#</sup>	1.24
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000 <sup>(c)</sup>	0.14	-	-	300,000 <sup>(c)</sup>	0.14	-	-	300,000 <sup>(c)</sup>	0.15
Lim Teik Hin	100,000	0.05	-	-	100,000	0.05	-	-	100,000	0.05
<b>Persons connected with Director and/or Substantial Shareholder</b>										
Chew Keng Siew	811,800 <sup>(a)</sup>	0.38	-	-	811,800 <sup>(a)</sup>	0.37	-	-	811,800 <sup>(a)</sup>	0.41
Mac Chung Jin	697,000 <sup>(a)</sup>	0.33	-	-	697,000 <sup>(a)</sup>	0.32	-	-	697,000 <sup>(a)</sup>	0.36
Mac Chung Lynn	400,000 <sup>(c)</sup>	0.19	-	-	400,000 <sup>(c)</sup>	0.18	-	-	400,000 <sup>(c)</sup>	0.20
Fatimah bte Ismail	12,500	0.01	-	-	12,500	0.01	-	-	12,500	0.01
Hamidah binti Mohd Taib	32,000	0.02	-	-	32,000	0.01	-	-	32,000	0.02
Aminah binti Mohd Taib	32,000	0.02	-	-	32,000	0.01	-	-	32,000	0.02
Mohamed Ezani bin Md Taib	30,000	0.01	-	-	30,000	0.01	-	-	30,000	0.02
Erman bin Abdul Razak	800 <sup>(c)</sup>	*	-	-	800 <sup>(c)</sup>	*	-	-	800 <sup>(c)</sup>	*

### Notes:

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

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

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

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

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

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

\* Percentage of shareholding of less than 0.01%.

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

# Assuming the exercisable Options which are exercisable into Shares with effect from 28 September 2013 granted to Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Lee Poh Kwee and Mazlan bin Abdul Hamid during the Proposed Authorised Period, to subscribe for 634,000, 420,000, 420,000 and 420,000 new Shares respectively are fully exercised.

## **8. PUBLIC SHAREHOLDING SPREAD**

As at LPD, approximately 60,244,036 Shares representing 28.37% of the issued and paid-up share capital of the Company were held by 2,466 public shareholders. The Board will endeavour to ensure that the Proposed Share Buy-Back will not breach Paragraph 12.14 of the Listing Requirements, which states that a listed company must not purchase its own shares on Bursa Securities if the purchase(s) will result in the listed company being in breach of Paragraph 8.02(1) of the Listing Requirements. Paragraph 8.02(1) of the Listing Requirements states that a listed issuer must ensure at least 25% of its total listed shares are in the hands of the public shareholders holding.

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

## **9. IMPLICATION RELATING TO THE CODE**

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

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

## **10. PURCHASES OF SHARES OR RESALE OR CANCELLATION OF TREASURY SHARES IN THE LAST FINANCIAL YEAR**

During the financial year ended 31 December 2012, the Company has not purchased any FFB Shares from the open market. There was also no resale or cancellation of treasury shares during the same period.

## **11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

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

## **12. DIRECTORS' RECOMMENDATION**

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

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

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

**PART B**

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

- (I) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
  
- (II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**



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

**Registered Office:**

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

6 June 2013

**Board of Directors:**

Tuan Haji Mohamed Taib bin Ibrahim (*Chairman, Independent Non-Executive Director*)  
Tan Sri A. Razak bin Ramli (*Senior 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 and Non-Executive Director*)

**To: The shareholders of FFB**

Dear Sir/ Madam,

- (I) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

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**1. INTRODUCTION**

At the 20th AGM of the Company held on 28 June 2012, the shareholders of the Company approved, inter alia, the mandates for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions. The shareholders' mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the AGM.

Accordingly, the Board had on 3 May 2013 announced FFB's intention to seek its shareholders' approval for the Proposed Renewal of Shareholders' Mandate and Proposed Amendments to the Articles of Association.



The purpose of this Circular is to provide you with the details on the Proposed Shareholders' Mandate and Proposed Amendments to the Articles of Association as set out in the Notice of the AGM, and to seek your approval for the resolutions to be tabled at the forthcoming AGM. The Notice of the AGM together with the Form of Proxy are enclosed in the Annual Report 2012.

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

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

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

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

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
  - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is equal to or exceeds RM1,000,000; or
  - (ii) the percentage ratio of such Recurrent Related Party Transactions is equal to or exceeds 1%,whichever is the higher;
- (c) the issuance of a circular to shareholders by the listed issuer containing information as specified in the Listing Requirements;
- (d) in a meeting to obtain the shareholders' mandate, the interested director(s), interested major shareholder(s) and interested person(s) connected with the director(s) or major shareholders; and where it involves the interest of an interested person connected with the director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) to immediately announce to Bursa Securities when the actual value of the RRPT entered into, exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more.

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

The shareholders of the Company approved the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature with certain Related Parties at the 20<sup>th</sup> AGM of the Company held on 28 June 2012, the details of the which were set out in the Circular dated 6 June 2012.

The Existing Shareholders' Mandate will require shareholders' approval for renewal when it expires at the conclusion of the forthcoming 21<sup>st</sup> AGM to be held on 28 June 2013.

The transactions within the class of Related Parties are set out in Section 2.1.2 and such transactions are entered into on terms which are not more favourable to the Related Parties than those generally available to the public and which will not be to the detriment of the Company's minority shareholders. The Recurrent Related Party Transactions will also be subject to the review procedures set out in Section 2.1.3.

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

- (a) the conclusion of the next AGM of the Company following the 21st AGM at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

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

### 2.1.1 Principal Activities of FFB Group

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

Name	% of effective ownership	Principal Activities
<b>Subsidiary companies of FFB</b>		
KC	100	Designing, manufacturing, servicing, trading and renting of cranes
FFU	100	Designing, manufacturing, supplying, servicing, trading and renting of cranes

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

<b>Name</b>	<b>% of effective ownership</b>	<b>Principal Activities</b>
FFM	100	Designing, manufacturing, supplying, servicing, trading and renting of cranes
FFS	100	Supplying, servicing, trading and renting of cranes and sales of spare parts and services
FFA	100	Designing, manufacturing, supplying, renting and servicing of industrial cranes
MBC	100	Dormant
FFMgmt	100	Management services
FFCI	100	Dormant
FES	100	Supplying of spare parts for cranes, provision of crane maintenance services and renting of cranes
Favelle Favco Winches Pte Ltd	100	Designing, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment
Favelle Favco Management Services Sdn Bhd	100	Dormant
Shanghai Favco Engineering Machinery Manufacturing Co., Ltd	60	Manufacturing of cranes
<b>Associated companies of FFB</b>		
FO	30	Manufacturing, supplying, servicing and renting of cranes
Favelle Favco Machinery and Equipments L.L.C	49	Trading and rental of construction equipment
Favco Heavy Industry (Changsu) Co., Ltd (formerly known as Favco Equipment (Shanghai) Co. Ltd)	50	Supplying, renting and servicing of lifting equipment and spare parts

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

## 2.1.2 Classes and Nature of RRPT

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

<i>Transacting Parties</i>	<i>Related Party</i>	<i>Nature of Transaction</i>	<i>Estimated value of transactions from the date of the 20th AGM to 30 June 2013 RM'000</i>	<i>Actual transaction value from 28 June 2012 up to LPD RM'000</i>	<i>Estimated value of transactions from the date of the 21st AGM to next AGM <sup>(1)</sup> RM'000</i>
FFB Group and MEB Group	MEB, Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Mazlan bin Abdul Hamid	<p>Purchases of cranes and parts and rental of cranes, plant and equipment and barges by FFB Group from MEB Group; and subcontracting work awarded by FFB Group to MEB Group</p> <p>Sales and rental of cranes and parts, and the provision of crane maintenance and services by FFB Group to MEB Group</p> <p><sup>(2)*</sup> Rental of office building and factory located at 28, Yarrunga Street, Prestons, NSW 2170, Australia by MEB Group to FFB Group, measuring 11.6 acres</p> <p><sup>(2)</sup> Rental of factory and office premises located at Geran #26559, Lot 9895, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres</p> <p><sup>(2)</sup> Rental of open yard located at PN 11185, Lot 104505, Telok Gong, District of Klang, Selangor by MEB Group to FFB Group, measuring 32,753.44 sq. ft.</p> <p><sup>(2)</sup> Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.</p> <p><sup>(2)</sup> Rental of land held under HS(D) 99546 Lot No. 104625 Telok Gong, Mukim of Klang, District of Klang, State of Selangor measuring in area approximately 160,000 square feet by MEB Group to FFB Group.</p> <p><sup>(2)</sup> Rental of open yard located at HS(D) 99547 Lot 104626 &amp; Hakmilik 6322, Lot 129073, Telok Gong, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 62,500 sq. ft.</p>	60,000  200,000  3,000  800  1,000  300  5,000  2,000	41,421  1,055  886  264  -**  106  2,080  163	80,000  200,000  Not applicable*  1,500  1,000  300  5,000  2,000

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

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

Transacting Parties	Related Party	Nature of Transaction	Estimated value of transactions from the date of the 20th AGM to 30 June 2013 RM'000	Actual transaction value from 28 June 2012 up to LPD RM'000	Estimated value of transactions from the date of the 21st AGM to next AGM <sup>(1)</sup> RM'000
FFB Group and FO	Mac Ngan Boon @ Mac Yin Boon and Mazlan bin Abdul Hamid	Rental of waterbags for load testing of cranes by FFB Group to FO  Sale of crane parts and provision of crane maintenance and services by FFB Group to FO  Rental of barges and its related maintenance cost and sale of spare parts by FFB Group to FO  Provision of crane maintenance and services and sale of crane parts by FO to FFB Group	3,000	359	3,000
			2,000	-	2,000

Notes:

- (1) The figures represent the estimated value of transactions that will be undertaken during the period from the date of the forthcoming AGM, to 30 June 2014, being the tentative date of the next AGM, based on the assumptions that current level of operations will continue and as determined by the Group's management. The estimated values of these transactions may vary and are subject to change.
- (2) Tenancies are for terms not exceeding three (3) years with rentals payable on monthly basis.
- (3) Nature of Interest:-
  - (a) MEB is the ultimate holding company of FFB. MEB owns 61.80% of the issued and paid-up share capital of FFB.
  - (b) Tuan Haji Mohamed Taib bin Ibrahim is a director and shareholder in both MEB and FFB. As at LPD, he owns approximately 1.85% and 1.34% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 0.05% direct equity interest in FFB. Tuan Haji Mohamed Taib bin Ibrahim also holds directorship in certain subsidiaries of both MEB and FFB.
  - (c) Mac Ngan Boon @ Mac Yin Boon is a director and major shareholder in both MEB and FFB. As at LPD, he owns approximately 17.36% and 3.86% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 63.51% direct equity interest in FFB. He also holds directorship in certain subsidiaries of both MEB and FFB. He does not hold any direct equity interest in FO and his indirect equity interest in FO is through FFB. In addition, he is the father of Mac Chung Hui.
  - (d) Mac Chung Hui is a director and shareholder of FFB, and he also holds directorship in certain subsidiaries of FFB. As at LPD, he owns approximately 1.33% and 0.81% direct equity interest in MEB and FFB respectively and the persons connected to him owns approximately 4.76% direct equity interest in FFB. He is also the son of Mac Ngan Boon @ Mac Yin Boon.
  - (e) Mazlan bin Abdul Hamid is a director in both FFB and FO. He is also a shareholder in MEB. He holds approximately 0.10%, 0.95% and 70% equity interest in MEB, FFB and FO respectively, as at LPD.
- \* FFB had subsequently acquired this property from MEB last year upon obtaining FFB's and MEB's shareholders' approvals at the Extraordinary General Meeting held on 5 November 2012. The transaction was completed on 19 November 2012.
- \*\* There has yet to be any tenancy agreement entered between FFB Group and MEB Group during the period from the last AGM to LPD.

### 2.1.3 Guidelines and Review Procedures for RRPT

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

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

- (i) Any tender, quotation or contract received from or proposed to be entered into with Related Parties will not be approved unless:
  - (a) the pricing for services, products and materials and/or equipment to be provided or supplied and/or received or purchased is determined in accordance with the Group's usual business practices and policies, as mentioned in Section 2.1.3(c) and (d) below and consistent with the usual margins of the Group with unrelated third parties;
  - (b) the terms are not more favourable to the Related Parties than those extended to unrelated third parties and available to the public and the RRPT are not detrimental to the minority shareholders of FFB; and
  - (c) in respect of the provision and/or supply and/or purchase of equipment, machinery and/or products after taking into account factors such as pricing, quality, delivery schedules and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases, the terms offered are fair, reasonable and on the FFB Group's commercial rates.
  - (d) at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, whenever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third party cannot be obtained, the transaction price will be determined by the Group based on that offered to/by other unrelated parties for the same or substantially similar type of transaction to ensure that the RRPT is not detrimental to the Group.
- (ii) There is no specific threshold for the approval of the RRPT within FFB Group. All RRPT are first reviewed and authorised by the senior management and Managing Director of the Company, provided always that such personnel has no interest in the transaction and the said transaction has been approved pursuant to the shareholders' mandate obtained at a general meeting for RRPT. Subsequently, all RRPT will be reviewed, approved and/or ratified by the Audit Committee of the Company.
- (iii) The Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers.

- (iv) In addition to the guidelines set out above, the Audit Committee will also undertake the following:
  - (a) review from time to time the RRPT being undertaken by the FFB Group;
  - (b) carry out an annual review to ascertain that the established guidelines and procedures for RRPT have been complied with; and
  - (c) consider from time to time whether the established guidelines and procedures for RRPT have become inappropriate and/or unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice the interest of shareholders generally.
- (v) The Company will also maintain a record of RRPT carried out pursuant to the Proposed Shareholders' Mandate. The Company's internal audit plan will incorporate a review of the records in respect of the transactions entered into during the year.
- (vi) Further, where any Director or person connected to the Director have an interest (direct or indirect) in any RRPT, such Director shall abstain from all deliberations and voting on any matter relating to any decision to be taken by the Board in respect of the RRPT at the relevant Board meetings. Where any member of the Audit Committee is interested in any RRPT, that member shall abstain from all deliberations and voting on any matter relating to any decision to be taken by the Audit Committee in respect of the RRPT at the relevant Audit Committee meetings.

#### 2.1.4 Statement by Audit Committee

The Audit Committee has seen and reviewed the procedures mentioned in Section 2.1.3 above and is satisfied that the said procedures are sufficient to ensure that the RRPT as well as the annual review by the Audit Committee in relation thereto, are carried out on normal commercial terms which are not prejudicial to the interests of shareholders of FFB, and the terms are not more favourable to the Related Parties than those generally available to the public and such transactions are not detrimental to the interests of the minority shareholders of FFB. The Audit Committee is satisfied that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner, and the frequency of review of these procedures and processes which is carried out on quarterly basis.

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

As at LPD, the composition of the Audit Committee is as follows:

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

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

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

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

### **2.1.5 Benefits to the Group from the RRPT**

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

## **3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE**

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

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



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

#### 4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

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

#### 5. AMOUNT DUE FROM THE RELATED PARTIES

The breakdown of the principal sum (without interest) for the total outstanding amount due to the Company from the Related Transacting Parties pursuant to Related Party Transactions which exceeded the credit terms for the following period as at the financial year ended 31 December 2012 are as follow:-

Related Parties	Total Outstanding RRPT Receivables as at 31 December 2012 (RM)	Outstanding Amount (RM)				Outstanding Amount Recovered as at LPD (RM)
		1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years	
		Principal Sum	Principal Sum	Principal Sum	Principal Sum	
MEB	1,668,392	1,668,392	-	-	-	1,636,310
MEBC	263,101	263,101	-	-	-	-
MSI	230,401	230,401				
FO	628,516	628,516	-	-	-	519,567
<b>Total</b>	<b>2,790,410</b>	<b>2,790,410</b>	-	-	-	<b>2,155,877</b>

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

The Board is of the opinion that these outstanding sums will be paid by the respective Related Parties in due course.

#### 6. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

##### 6.1 Details of the Proposed Amendments

The details of the Proposed Amendments to the Articles of Association of the Company are set out in Appendix I of this Circular.

## 6.2 Rationale of the Proposed Amendments

The Proposed Amendments are to render consistency throughout the Articles of Association of the Company to be in line with the recent amendments prescribed under the Listing Requirements and MCCG 2012 as well as to enhance administrative efficiency of the Company.

## 6.3 Effect of the Proposed Amendments

The Proposed Amendments of the Company will not have any effect on the share capital and shareholding structure of the Company, consolidated NA and earnings of the MEB Group.

## 7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

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

### 7.1 Proposed Shareholders' Mandate

#### (i) Interested Directors

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

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
Tuan Haji Mohamed Taib bin Ibrahim	2,845,671	1.34	106,500 <sup>(a)</sup>	0.05
Mac Ngan Boon @ Mac Yin Boon	8,192,913	3.86	134,861,843 <sup>(b)</sup>	63.51
Mac Chung Hui	1,712,000	0.81	-	-
Mazlan bin Abdul Hamid	2,014,000	0.95	-	-

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

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

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

#### (ii) Major Shareholders

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

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
MEB	131,241,043	61.80	-	-
Mac Ngan Boon @ Mac Yin Boon	8,192,913	3.86	131,241,043 <sup>(a)</sup>	61.80

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

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

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

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

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
<b>Persons connected with Interested Directors and/or Major Shareholders</b>				
Chew Keng Siew <sup>(a)</sup>	811,800	0.38	-	-
Mac Chung Jin <sup>(b)</sup>	697,000	0.33	-	-
Mac Chung Lynn <sup>(c)</sup>	400,000	0.19	-	-
Fatimah bte Ismail <sup>(d)</sup>	12,500	0.01	-	-
Hamidah binti Mohd Taib <sup>(e)</sup>	32,000	0.02	-	-
Aminah binti Mohd Taib <sup>(e)</sup>	32,000	0.02	-	-
Mohamed Ezani bin Md Taib <sup>(f)</sup>	30,000	0.01	-	-

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

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

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

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

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

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

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

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

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

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

## **7.2 Proposed Amendments**

None of the directors, major shareholders and/or person connected to the directors and major shareholders have any interest, direct or indirect, in the Proposed Amendments.

## **8. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE AND PROPOSED AMENDMENTS**

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

## **9. DIRECTORS' RECOMMENDATION**

### **9.1 Proposed Shareholders' Mandate**

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

### **9.2 Proposed Amendments**

The Board is of the opinion that the Proposed Amendments is in the best interest of the Company and its shareholders. Accordingly, the Board recommends that you vote in favour of the special resolution to be tabled at the forthcoming AGM.

## **10. AGM**

The AGM of FFB will be held at Kayangan 5, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 28 June 2013 at 2.30 p.m. for the purpose of considering, and if thought fit, passing, inter alia, the ordinary resolution on the Proposed Shareholders' Mandate and special resolution on the Proposed Amendments as set out in the Notice of AGM.

If you are unable to attend and vote in person at the 21st AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions contained therein as soon as and in any event so as to arrive at the office of 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 21st AGM.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 21st AGM should you subsequently wish to do so.

**11. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendices I and II for further information.

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

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

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**FURTHER INFORMATION****APPENDIX I – DETAILS OF PROPOSED AMENDMENTS**

**THAT** the existing words and meanings in Article 2 shall be deleted or be amended as follows and all references to the existing words and meanings, wherever the same may appear throughout the entire Articles of Association of the Company, shall be deleted and substituted with the proposed words and meanings appeared hereunder **AND THAT** where applicable, the articles and/or words be re-numbered accordingly.

Article No.	Existing Article		Amended Article	
	Words	Meanings	Words	Meaning
2	Rules	The rules of Bursa Malaysia Depository Sdn Bhd	Rules	The rules of Bursa Malaysia Depository Sdn Bhd, <b>including any amendments that may be made from time to time</b>
	Deposited Security	<u>Shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991</u>	Deposited Security	<b>A security standing to the credit of a securities account and includes securities in a securities account that is in suspense</b>
	New Provision		<b>Option</b>	<b>Includes options under a share scheme for employees, convertible securities and any other types of options in respect of the issued or unissued securities of a corporation</b>
	New Provision		<b>Exempt Authorised Nominee</b>	<b>An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act</b>
	New Provision		<b>Share Issuance Scheme</b>	<b>A scheme involving a new issuance of shares to the employees</b>

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**FURTHER INFORMATION**  
**APPENDIX I – DETAILS OF PROPOSED AMENDMENTS - CONTINUED**

**THAT** the following existing articles in the Articles of Association of the Company be deleted in its entirety and the following proposed articles be substituted in lieu thereof:

<b>Article No.</b>	<b>Existing Article</b>	<b>Amended Article</b>
4(1)(v)	<p>Every issue of shares or options to employees and/or Directors of the Company shall be approved by the members in general meeting and no Director shall participate in such issues of shares or options unless:-</p> <p>(a) the members in general meeting have approved of the specific allotment to be made to such Director.</p>	<p>Every issue of shares or options to employees and/or Directors of the Company shall be approved by the members in general meeting and no Director shall participate in a <b>Share Issuance Scheme</b> unless the members in general meeting have approved the specific allotment to be made to such Director.</p>
60 (d)	<p>The Company shall request the Central Depository in accordance with the Rules to prepare a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”).</p>	<p>The Company shall request the Central Depository in accordance with the Rules to prepare a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”). <b>The date of Record of Depositors must be included in the notice for the purpose of determining whether the depositor shall be regarded as a member entitled to attend, speak and vote at the meeting.</b></p>
67	<p>If a poll be demanded in <u>manner aforesaid</u> it shall be taken at such time and place and in such manner as the Chairman shall direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.</p>	<p>If a poll be duly demanded in <b>Article 66 or if mandated under the Listing Requirements</b>, it shall be taken at such time and place and in such manner as the Chairman shall direct (<b>by way of electronic voting or otherwise</b>), and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.</p>

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**FURTHER INFORMATION****APPENDIX I – DETAILS OF PROPOSED AMENDMENTS - CONTINUED**

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**THAT** the following existing articles in the Articles of Association of the Company be deleted in its entirety and the following proposed articles be substituted in lieu thereof:

<b>Article No.</b>	<b>Existing Article</b>	<b>Amended Article</b>
74 (a)	A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any General Meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.	A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any General Meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. <b>There shall be no restriction as to the qualification of the proxy.</b> A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Each proxy appointed <b>to attend and vote at a meeting of the Company</b> , shall represent a minimum of one hundred (100) shares <b>and have the same rights as the Members to speak at the meeting.</b>
74 (c)	Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint <u>at least one proxy</u> in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint <b>not more than two (2) proxies</b> in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
74 (e)	New Provision	<b>Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.</b>



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## APPENDIX II - FURTHER INFORMATION

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### 1. RESPONSIBILITY STATEMENT

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

### 2. MATERIAL CONTRACTS

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

### 3. MATERIAL LITIGATION

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

**(i) Litigation against the Company and its subsidiary Favelle Favco Cranes (USA) Inc. (“FFCUSA”) in the Supreme Court of the State of New York**

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

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

The Suit remains ongoing and the Company’s and FFCUSA’s management are of the opinion that it is premature to assess the outcome of the actions at this point in time.

**(ii) Litigation suit against Favelle Favco Cranes (USA) Inc (“FFCUSA”)**

Favelle Favco Cranes (USA) Inc. (“FFCUSA”) has been named as a defendant in connection with a lawsuit placed by Mr. Robert Paranella (“the Plaintiff”), 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 under Labor Law. Based on the claims as they are, the management believes FFCUSA cannot be held liable.

The case is currently in its discovery phase and it is too early to determine whether or not the Plaintiff’s claims have any merit. FFCUSA in any event intends to vigorously defend the same.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of FFB following the date of this Circular from Mondays to Fridays (except Public Holidays) during business hours up to the time set for convening the 21st AGM:

- (i) the Memorandum and Articles of Association of FFB;
- (ii) the audited consolidated financial statements of FFB for the past two (2) financial years ended 31 December 2011 and 31 December 2012 and the unaudited quarterly results for the three (3) months period ended 31 March 2013; and
- (iii) the writ of summon/claim, where available referred to in item 3 above.

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