Company No. 249243-W

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Tuan Haji Mohamed Taib bin Ibrahim *(Independent Non-Executive Chairman)*	No 19 Jalan Hulubalang Stulang Laut 80300 Johor Bahru Johor Darul Takzim Malaysia	Company Director	Malaysian
Tan Sri A. Razak bin Ramli *(Independent Non-Executive Director)*	No. 15, Jalan SS3/94 Kelana Jaya 47300 Petaling Jaya Selangor Darul Ehsan Malaysia	Company Director	Malaysian
Mac Ngan Boon @ Mac Yin Boon *(Managing Director)*	77 Jalan Setiabakti 9 Bukit Damansara 50490 Kuala Lumpur Malaysia	Company Director	Malaysian
Mac Chung Hui *(Deputy Managing Director/ Chief Executive Officer)*	77 Jalan Setiabakti 9 Bukit Damansara 50490 Kuala Lumpur Malaysia	Company Director	Malaysian
Lee Poh Kwee *(Executive Director)*	43 USJ 9/5A 47620 Subang Jaya Selangor Darul Ehsan Malaysia	Company Director	Malaysian
Mazlan bin Abdul Hamid *(Executive Director)*	No. 2A Jalan Anggerik Oncidium 31/80C Kota Kemuning 40460 Shah Alam, Selangor Darul Ehsan, Malaysia	Company Director	Malaysian
Vice Admiral (Rtd) Dato' Seri Ahmad Ramli bin Haji Mohd. Nor *(Independent Non-Executive Director)*	No. 21 Jalan Bukit Mewah 2 Bukit Antarabangsa 68000 Ampang Selangor Darul Ehsan Malaysia	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Tuan Haji Mohamed Taib bin Ibrahim	Chairman	Independent Non-Executive Chairman
Tan Sri A. Razak bin Ramli	Member	Independent Non-Executive Director
Lee Poh Kwee	Member	Executive Director
Mazlan bin Abdul Hamid	Member	Executive Director
Vice Admiral (Rtd) Dato' Seri Ahmad Ramli bin Haji Mohd. Nor	Member	Independent Non-Executive Director

COMPANY SECRETARIES	:	Nuruluyun Binti Abdul Jabar (MIA 9113) 2A-3-2, Desa Bistari Condominium Jalan Setia Bistari 50490 Kuala Lumpur, Malaysia Woo Ying Pun (MAICSA 7001280) 24 Jalan Sarjana 3 Taman Connaught Jalan Cheras 56000 Kuala Lumpur, Malaysia Tew Siew Chong (MIA 20729) 23, Jalan Lintang Sg 4 Off Jalan Tepi Sungai 41000 Klang Selangor Darul Ehsan, Malaysia Chan Wai Fun (MIA 23537) No. 27, Jalan TPP 1/28 Batu 12 Jalan Puchong 47100 Puchong Selangor Darul Ehsan, Malaysia
REGISTERED OFFICE AND HEAD / MANAGEMENT OFFICE	:	Lot 586, 2nd Mile Jalan Batu Tiga Lama 41300 Klang Selangor Darul Ehsan, Malaysia Telephone no.: 603-3349 5465 Webpage: www.favellefavco.com E-mail: ffb@favellefavco.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	KPMG (Firm No. AF 0758) Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur, Malaysia Telephone no.: 603-2095 3388
SOLICITORS FOR THE FLOTATION SCHEME	:	Shearn Delamore & Co. 7th Floor, Wisma Hamzah-Kwong Hing No. 1, Leboh Ampang 50100 Kuala Lumpur, Malaysia Telephone no.: 603-2070 0644
PRINCIPAL BANKERS	:	RHB Bank Berhad Head Office, Tower Two & Three RHB Centre Jalan Tun Razak 50400 Kuala Lumpur, Malaysia Telephone no.: 603-9287 8888 Malayan Banking Berhad Petaling Jaya Business Centre 1st & 2nd Floor, Wisma IJM Annexe Jalan Yong Shook Lin 48050 Petaling Jaya Selangor Darul Ehsan, Malaysia Telephone no.: 603-7954 2350

CORPORATE DIRECTORY ***(Cont'd)***

PRINCIPAL BANKERS ***(Cont'd)***	:	Hong Leong Bank Berhad Level 2, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur, Malaysia Telephone no.: 603-2164 2828 OCBC Bank (Malaysia) Berhad Head Office, Menara OCBC 18 Jalan Tun Perak 50050 Kuala Lumpur, Malaysia Telephone no.: 603-2034 5034
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd 27th floor, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur, Malaysia Telephone no.: 603-2693 2075
REGISTRAR	:	Tenaga Koperat Sdn Bhd 20th floor, Plaza Permata Jalan Kampar Off Jalan Tun Razak 50400 Kuala Lumpur, Malaysia Telephone no.: 603-4041 6522
REGISTERED OFFICE OF THE FINANCIAL ADVISER, UNDERWRITER AND PLACEMENT AGENT	:	RHB Sakura Merchant Bankers Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur, Malaysia Telephone no.: 603-9287 3888
INDEPENDENT MARKET RESEARCH CONSULTANT	:	Frost & Sullivan Malaysia Sdn Bhd Suite E-08-15 Block E Plaza Mont' Kiara 2, Jalan Kiara Mont' Kiara 50480 Kuala Lumpur, Malaysia Telephone no.: 603-6204 5800
INDEPENDENT EXPERTS	:	Messrs. Kromann Reumert 5, Sundkrogsgade DK-2100 Copenhagen ø Denmark Telephone no.: 45 70 12 12 11 Messrs. Dibbs Abbot Stillman Level 8, Angel Place 123 Pitt Street Sydney NSW 2000 Australia Telephone no.: 61 2 8233 9500

CORPORATE DIRECTORY ***(Cont'd)***

INDEPENDENT EXPERTS ***(Cont'd)***	:	Messrs. James Chia & Company 16 Raffles Quay #11-03 Hong Leong Building Singapore 048581 Telephone no.: 02-62222880 Messrs. Jackson Walker, L.L.P. 901 Main Street, Suite 6000 Dallas, Texas 75202 United States of America Telephone no.: (214) 953-6000
LISTING SOUGHT	:	Second Board of Bursa Securities
SYARIAH STATUS	:	Approved by the Syariah Advisory Council of the SC

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1. INFORMATION SUMMARY

THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE FFB GROUP AND THE IPO AND IS EXTRACTED FROM THE FULL TEXT OF THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THIS SECTION TOGETHER WITH THE WHOLE PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN THE FFB SHARES.

1.1 History and business

FFB was incorporated in Malaysia under the Act on 22 September 1992 as a private limited company under the name Maxi Impact Sdn Bhd. On 21 August 1995 and 17 June 2004 respectively, the Company changed its name to Favelle Favco Cranes Holdings Sdn Bhd and subsequently to Favelle Favco Sdn Bhd. On 24 June 2004, FFB was converted into a public limited company and assumed its present name.

The Company started business on 1 June 1995. The Group is principally engaged in the design and development of lifting technologies resulting in the manufacturing, rental and maintenance of lifting equipment and components. The *Favelle Favco* and *Kroll* cranes are two international brand names that form the core of the Group's business. They supply to three main industries, oil and gas, construction and ports/wharf.

The FFB Group's history began in 1995 when MEB acquired the business and assets carrying the *Favelle Favco* brand name from its Australian owners. The history of the *Favelle Favco* brand name began in 1962 when the Australian operations commenced. The FFB Group's cranes were involved in the construction of eight (8) out of ten (10) world's tallest buildings.

	Top 10 tallest buildings (by height)	Height (metres)	Completion year
1.	Taipei 101, Taiwan	509	2004
2.	Petronas Tower 1, Malaysia	452	1998
3.	Petronas Tower 2, Malaysia	452	1998
4.	Sears Tower, USA	442	1974
5.	Jin Mao Tower, China	421	1998
6.	World Trade Center Tower 1, USA	417	1972
7.	World Trade Center Tower 2, USA	415	1973
8.	Two International Finance Centre, China	415	2003
9.	CITIC Plaza, China	391	1997
10.	Shun Hing Square, China	384	1996

(Source: Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry by Frost & Sullivan, 2006)

Save for the construction of Sears Tower (USA) and CITIC Plaza (China), the *Favelle Favco* cranes were involved in the construction of the tall buildings listed above.

Furthermore, the *Favelle Favco* cranes are currently used in the construction of the following:

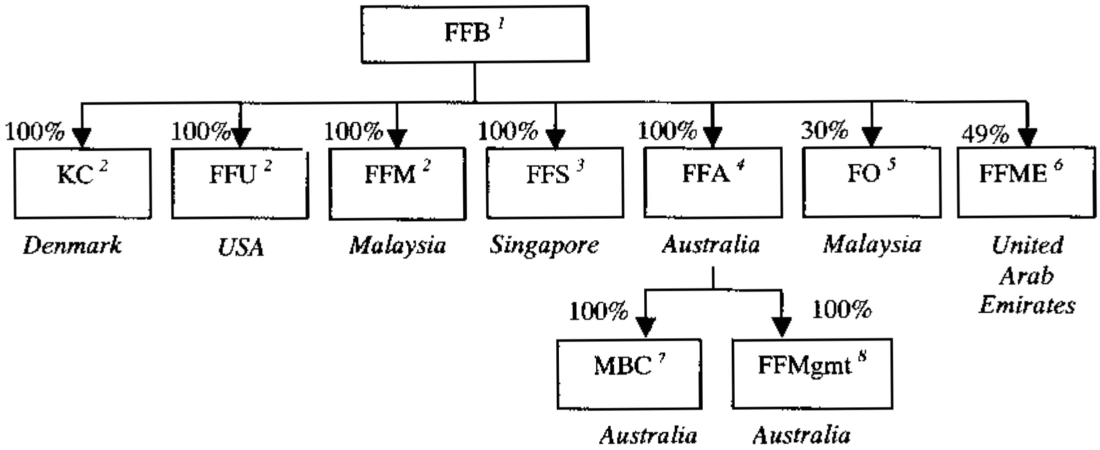
	Building	Height (metres)	Expected completion year
1.	Mega Tower, China	490	2007
2.	Shanghai World Financial Centre, China	492	2007
3.	Burj Dubai, United Arab Emirates	(1)	2008

Note:
(1) *Approximately 800 metres.*

In recent years, the *Favelle Favco* cranes were involved in the construction of the Three Gorges Dam in China. The FFB Group is also one of the major suppliers of offshore cranes to the oil and gas industry, a major product line, which contributed to approximately 50% of the total audited consolidated revenue for the FYE 2005.

The FFB Group owns the intellectual property rights to the lifting technology it has developed in-house. This enables them to customise, develop and manufacture highly specialised lifting equipment, which feature various technologies including automation, robotics and wireless control.

The following chart depicts the corporate structure and countries in which the respective companies were incorporated:



Note: The principal activities are as follows:
1. *Investment holding*
2. *Design, manufacturing, supply, servicing, trading and rental of cranes*
3. *Sale and rental of cranes and sale of spare parts and services*
4. *Design, manufacturing, supply, servicing and rental of cranes*
5. *Supply and servicing of cranes as well as rental of marine plant and equipment*
6. *Sale and rental of cranes and sale of spare parts and services*
7. *Dormant*
8. *Management services*

See Section 5 – "Information on the FFB Group" for further details of the FFB Group.

1.2 Competitive strengths and advantages

The summary is as follows:

(a) Customised cranes and comprehensive range of services

The main strength of the FFB Group lies on its ability to design and develop customised cranes according to certain specifications to meet the unique performance requirements that are requested by customers in a timely manner.

In addition, they also offer a full range of services including conceptual design, technical advice, product support and after sales services. A comprehensive range of support services are designed to keep its cranes operationally safe, efficient and reliable during the life span of the cranes.

(b) Range of products and capabilities

The *Favelle Favco* engineered cranes typically have relatively high load and high-speed capabilities, as well as various failsafe and automation functions. The standard range of lifting capacity varies from 60 mT up to 2,000 mT.

The standard *Kroll* engineered crane range varies from 70 mT up to 10,000 mT lifting capacity. The *Kroll* crane with lifting capacity of 10,000 mT is currently the biggest *Kroll* crane in the world. The *Kroll* cranes are also designed for the construction of dams and power plant and for use in shipyards.

The cranes range from large semi-submersible with a lifting capacity of 330 tonnes to small unmanned cranes mounted on wellhead platform with a lifting capacity of 5 tonnes.

(c) Track record and international brand name

The *Favelle Favco* cranes are used in the construction of tall buildings as set out in Section 1.1 above. The offshore cranes utilised in oil and gas industry are currently used in the Persian Gulf, Middle East, North Sea, Australia, North and South America, and Asia.

Currently, the *Favelle Favco* cranes has a track record spanning over 44 years. The customised crane products of the FFB Group have a proven track record which is associated with customisation, quality, reliability, technical expertise and unique capabilities.

The long track record is attributed to a stringent quality control. Stringent quality controls are implemented in each process of operations to ensure that the final results meet the standards and specifications of each customer.

(d) Marketing and distribution network

The marketing team is situated in its offices in Malaysia, Singapore, Australia, USA, Denmark and United Kingdom. In addition, the FFB Group has sales agents covering many other countries and regions such as Brazil, China, Hong Kong, India, Indonesia, Korea, Middle East, New Zealand, Taiwan, Europe and Russia.

(e) Different end user industries

The FFB Group is principally involved in the manufacturing and trading of heavy-duty cranes. The major application areas namely construction, ports and offshore platforms determines the future prospects of the heavy-duty crane manufacturing industry. The industry cycles for the end user industries differ from one to the other, which can be advantageous to the FFB Group. For the FYE 2005, the sales of the offshore and construction cranes contributed to approximately 50% and 33% of the total audited consolidated revenue, respectively.

(f) Barriers to entry for new competitors

The barriers to entry are as follows:

- High degree of expertise required for design and development of cranes;
- Cranes are considered as capital expenditure. High value of cranes results in customers favouring established companies for ensuring that the cranes purchased meets safety and quality requirements;

- High safety standards prescribed for cranes discourage small companies from entering the market; and
- Longer gestation period for projects favours only the companies with strong financial resources.

(g) Pioneer status

Based on the audited results for FYE 2005, FFM was the main contributor to the Group's profitability. FFM was granted pioneer status under the Promotion of Investments Act, 1986 whereby the entire statutory income of FFM from sales of cranes was exempted from taxation effective from May 2002 to May 2012. During this period, FFM is not required to pay taxation on their statutory income, in respect of income generated from sales of cranes.

See Section 5.5.2 – "Competitive strengths and advantages" for further information.

1.3 IPO and use of proceeds

The IPO, which is at the IPO Price of RM0.55 per IPO Share, comprises:

(a) Restricted Issue

29,783,520 Restricted Issue Shares by way of a renounceable restricted issue to the Entitled Shareholders on the basis of one (1) new FFB Share for every five (5) existing MEB Shares held as at the Entitlement Date (save for the Excluded Parties).

(b) Special Issue

5,216,500 Special Issue Shares placed to the Bumiputera investors approved by MITI.

(c) Pink Form Issue

13,000,000 Pink Form Shares available for application by directors and eligible employees of MEB, FFB and its subsidiaries and persons who have contributed to the success of FFB and its subsidiaries (save for the Excluded Parties).

(d) Offer for Sale

Offer for Sale by MEB of 22,000,000 Offer Shares comprising:

(i) 19,800,000 Offer Shares reserved for Bumiputera investors approved by MITI; and

(ii) 2,200,000 Offer Shares by way of private placement to identified investors.

The Company will use the gross proceeds from the Public Issue as follows:

	RM '000
Repayment of bank borrowings	10,000
Repayment of net amount owing to MEB Group	8,500
R&D	3,000
Estimated listing expenses	2,000
Working capital	2,900
Total	**26,400**

The Offer for Sale is expected to raise gross proceeds of approximately RM12.1 million which will accrue entirely to the Offerors.

See Section 2.5 - "Details of the IPO" and Section 2.8 - "Use of proceeds from the IPO" for further information.

1.4 Financial information

1.4.1 Historical financial information

The following table presents a summary of the proforma consolidated income statements with the assumption that the FFB Group's current structure had been in existence throughout the financial years under review, which have been prepared for illustrative purposes only. You should read the summary that has been presented below together with Section 10 - "Historical financial information" and Section 12 – "Management discussion and analysis of financial condition and results of operations".

	<------FYE------>		
	2003	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**
Revenue	193,507	266,965	335,646
Earnings before exceptional items	1,993	4,107	9,454
Exceptional items	-	8,777	(571)
PBT	1,993	12,884	8,883
Taxation	(372)	432	(1,703)
PAT	1,621	13,316	7,180
No. of FFB Shares assumed in issue ('000) [(2)]	120,000	120,000	120,000
Basic net EPS (sen)	1.35	11.10	5.98
No. of FFB Shares assumed in issue upon completion of the Flotation Scheme ('000) [(3)]	168,000	168,000	168,000
Basic net EPS (sen)	0.96	7.93	4.27
No. of FFB Shares assumed in issue upon completion of the Flotation Scheme and ESOS ('000) [(4)]	184,800	184,800	184,800
Diluted net EPS (sen)	0.88	7.21	3.89

Notes:

(1) *The Group's proforma consolidated financial results were prepared based on the audited consolidated financial statements for the past three (3) financial years from FYE 2003-2005 after making relevant adjustments deemed necessary under the circumstances.*

(2) *As at the date of this Prospectus.*

(3) *Immediately after completion of the Flotation Scheme.*

(4) *Based on the enlarged issued and paid-up share capital of 168,000,020 FFB Shares immediately after completion of the Flotation Scheme and assuming the total number of FFB Shares to be issued pursuant to the ESOS is 10% of existing issued and paid-up share capital.*

1.4.2 Proforma consolidated balance sheets

The following tables present a summary of the proforma consolidated balance sheets which have been prepared for illustrative purposes only, based on the audited consolidated balance sheets as at 31 December 2005, to show the effects of the IPO and ESOS and the use of proceeds on the assumption that the transactions were completed and all Options were exercised on 31 December 2005. You should read the summary that has been presented below together with Section 10 - "Historical financial information".

		← Proforma			→
		1	**2**	**3**	**4**
	Audited as at 31 December 2005	**After Settlement and Share Split ***	**After Proforma 1 and IPO**	**After Proforma 2 and utilisation of proceeds**	**After Proforma 3 and ESOS**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
NTA	62,283	72,283	96,683	96,683	105,923
Number of ordinary shares of RM1.00 each issued ('000)	50,000	-	-	-	-
Number of FFB Shares assumed in issue ('000)	-	120,000	168,000	168,000	184,800
NTA per share (RM)	1.25	0.60	0.58	0.58	0.57

Note:

* *The Share Split which was completed on 19 May 2006 has no effect on the audited results as at 31 December 2005. If the Share Split had been completed on 31 December 2005, the NTA per share would be RM0.52.*

1.4.3 Future financial information

The Board forecasts that the consolidated revenue and PAT is as follows:

FYE 2006	**RM '000**
Revenue	349,490
PBT	10,156
Taxation	(556)
PAT	9,600
Based on weighted average number of FFB Shares in issue upon completion of the Flotation Scheme	
No. of weighted average FFB Shares in issue ('000)	134,279
Basic net EPS (sen)	7.15
Net PE Multiple based on the IPO Price (times)	7.69

FYE 2006	**RM '000**
Based on issued and paid-up share capital upon completion of the Flotation Scheme	
No. of FFB Shares assumed in issue ('000)	168,000
Basic net EPS (sen)	5.71
Net PE Multiple based on the IPO Price (times)	9.63
Based on the enlarged issued and paid-up share capital upon completion of the Flotation Scheme and ESOS	
No. of FFB Shares assumed in issue ('000)	184,800
Diluted net EPS (sen)	5.19
Net PE Multiple based on the IPO Price (times)	10.60

See Section 13 – "Future financial information" for further information.

1.4.4 Dividend forecast

It is the policy of the Board to recommend dividends in the future to allow the shareholders to participate in the profits of the FFB Group as well as to provide adequate reserves and funds for the future growth. The ability of FFB to declare dividends or make other distributions in the future is subject to the Group having profits and excess funds which are not required to be retained to fund their operations, other obligations or business plans, restrictions contained in loan agreements and receipt of funds by FFB from its subsidiary companies.

Subject to the factors outlined above, the intended appropriation of the forecast consolidated PAT for the FYE 2006 would be as follows:

Tax exempt dividend per FFB Share (sen) [1]	1.71
Dividend yield (%) [2]	3.11
Dividend cover (times) [3]	3.34

Notes:
1. *Based on the enlarged issued and paid-up share capital of 168,000,020 Shares upon completion of the Flotation Scheme.*
2. *Based on the IPO Price.*
3. *Computed based on the consolidated PAT attributable to shareholders over the tax exempt dividend.*

See Section 13.3 – "Dividend forecast" for further information.

1.5 Risk factors

Before investing in the FFB Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 3 – "Risk factors" for information on the risks of investing in the Group. A summary is as follows:

(a) Low pre-tax profit margin;
(b) The operations of the FFB Group are exposed to business risks;
(c) The Group faces competition in domestic and global markets;
(d) The Group's revenue is dependent on end user industries;
(e) The Group is subject to political, economic and regulatory factors;

(f) The Group is exposed to risks related to its foreign operations;
(g) The Group is exposed to risks related to foreign exchange fluctuations;
(h) The Group faces risks arising from consequential and other losses arising from its business activities;
(i) The Group may incur certain liability costs should its products not meet requirements;
(j) The Group may not be able to obtain or renew the necessary operating licences and approvals;
(k) The Group's products can be subject to long delivery periods;
(l) The Group is exposed to risk associated with borrowings;
(m) The Group depends on its key management and personnel;
(n) The Group faces the risk of technological obsolescence;
(o) The Group risks exposure to the costs related to the infringements of intellectual property rights;
(p) The Group is exposed to emergency risks and security and system disruptions;
(q) The promoters have a degree of control over the Group;
(r) The Group faces the risks related to workplace safety and health matters;
(s) There is no prior market for the Shares;
(t) The market price of the FFB Shares will be exposed to capital market risks; and
(u) Delay or termination of the listing of FFB on Bursa Securities.

1.6 Syariah status

FFB has voluntarily submitted an application to the SC for a Syariah compliance review to be carried out by the SAC as part of the process of determining its Syariah status at IPO.

The SAC has on 18 May 2006 classified the FFB Shares as Syariah compliant based on the latest audited consolidated financial statements for the FYE 2005 and the Syariah criteria adopted by the SAC.

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2. PARTICULARS OF THE IPO

2.1 Introduction

This Prospectus is dated 30 June 2006.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the RISF and Application Form, has also been lodged with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for its contents.

The approval-in-principle from Bursa Securities has been obtained on 14 November 2005 for the following:

- Admission to the Official List of Bursa Securities and the listing of the entire enlarged issued and paid-up share capital of FFB of RM84,000,010 comprising 168,000,020 FFB Shares on the Second Board on a "Ready" basis pursuant to the Rules of Bursa Securities or such variations to the enlarged issued and paid-up share capital as may be imposed by the SC; and

- Listing of such number of new FFB Shares representing up to 10% of the issued and paid-up share capital of FFB to be issued pursuant to the exercise of Options under the ESOS.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the FFB Shares as a prescribed security. Therefore, the FFB Shares will be deposited directly with Bursa Depository. Any dealings in the FFB Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. No share certificate will be issued to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the issued and paid-up share capital of FFB must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO. If the public spread requirement is not met, FFB may not be allowed to proceed with the Listing. In such event, FFB will return in full, without interest, all monies paid in respect of all applications.

If you are applying by way of Application Form, you **MUST** have a CDS Account. You must state your CDS account number in the space provided in the Application Form. If you presently do not have a CDS account, you should open a CDS account at an ADA before making an application for the IPO Shares. See Section 26 for further details of procedures for application and acceptance.

No person is authorised to provide any information or to make any representation that is different or not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in affairs of FFB or the Group since the date of this Prospectus.

The distribution of this Prospectus and the sale of the IPO Shares are subject to Malaysian law. The Company takes no responsibility for the distribution of this Prospectus and/or sale of the IPO Shares outside Malaysia, which may be restricted by law in other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation for an offer to buy any of the IPO Shares in any other jurisdiction and in any circumstances in which such an offer or invitation is not authorised or lawful or to any person(s) to whom it is unlawful to make such an offer or invitation.

The approvals of the SC and Bursa Securities which was obtained on 24 March 2006 and 14 November 2005, respectively, shall not be taken to indicate that the SC and Bursa Securities recommend the IPO and you should rely on your own evaluation to assess the merits and risks of the IPO and an investment in FFB. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser before applying for the FFB Shares.

2. PARTICULARS OF THE IPO *(Cont'd)*

2.2 Important tentative dates

It is intended for the following events to take place on the tentative dates below:

Event	Date / Time
Opening date and time of application	30 June 2006 at 9.00 a.m.
Commencement date and time of trading for the provisional allotment of Restricted Issue Shares	4 July 2006 at 9.00 a.m.
Tentative last date and time for:	
• Sale of provisional allotment of Restricted Issue Shares	12 July 2006 at 5.00 p.m.
• Transfer of provisional allotment of Restricted Issue Shares	17 July 2006 at 4.00 p.m.
• Closing date of application, acceptance and payment (including excess application) [(1)]	25 July 2006 at 5.00 p.m.
Tentative allotment date of new FFB Shares	9 August 2006
Tentative listing date	15 August 2006

Note:

[(1)] *The Directors of FFB, MEB and RHB Sakura may mutually decide, at their absolute discretion, to extend the closing date and time for application for the IPO to any later time and date. An announcement will be made on any extension in a widely circulated Bahasa Malaysia and English newspaper within Malaysia. If the application date is extended, the date for despatch of notices of allotment and the Listing shall be extended accordingly.*

Late applications will not be accepted.

2.3 Purposes of the IPO

The main purposes of the IPO are as follows:

(a) to achieve listing status for FFB;

(b) to enable FFB to have direct access to the capital market for cost effective capital raising and financial flexibility for future expansion and the continuing growth of the Group;

(c) to provide an opportunity for the shareholders of MEB, directors and eligible employees of MEB, FFB and its subsidiaries and persons who have contributed to the success of FFB and its subsidiaries to participate in the continuing growth of the Group by way of direct equity participation; and

(d) to enable the FFB Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and to assist the FFB Group in expanding its customer base and forging global alliances.

2.4 Share capital

	RM
Authorised	
1,000,000,000 ordinary shares of RM0.50 each	500,000,000
Issued and fully paid-up as at 23 May 2006	
120,000,000 ordinary shares of RM0.50 each	60,000,000
To be issued and credited as fully paid-up pursuant to the Public Issue	
48,000,020 new ordinary shares of RM0.50 each	24,000,010
Enlarged issued and fully paid-up upon Listing on the Second Board	
168,000,020 new ordinary shares of RM0.50 each	84,000,010
To be offered pursuant to the Offer for Sale	
22,000,000 ordinary shares of RM0.50 each	11,000,000

The IPO Price of RM0.55 per IPO Share is payable in full on application.

There is only one class of shares, being ordinary shares of RM0.50 each, all of which rank equally with one another. The IPO Shares will, upon allotment and issue, rank pari passu in all respects with the Company's existing issued and paid-up share capital including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment.

Subject to any special rights attaching to any shares which the Company may issue in the future, the holders of shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share the whole of the profits that the Company pays out as dividends and other distributions. Similarly, if the Company is liquidated, its shareholders shall be entitled to the whole of any surplus, in accordance with the Articles of Association of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder or representative, proxy or attorney of a shareholder shall have one vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one vote for each share held. A proxy may but need not be a member of the Company.

The ESOS will be established after the issuance of the Prospectus but prior to the Listing. The ESOS Scheme will allow the granting of Options to Eligible Employees to subscribe for such number of new Shares representing up to 10% of the enlarged issued and paid-up share capital of FFB.

Assuming that the Company grants Options of up to 16,800,000 new Shares (based on 10% of the enlarged issued paid-up share capital of FFB upon Listing) under the ESOS, the issued and paid-up share capital of the FFB may increase to RM92,400,010 comprising 184,800,020 Shares.

Further details of the ESOS, are contained in the Bye-Laws which are set out in Section 20 of this Prospectus.

2.5 Details of the IPO

Upon acceptance, the IPO Shares, which are priced at RM0.55 per IPO Share, will be allocated in the following manner, subject to the terms and conditions of this Prospectus:

(a) **Public Issue**

(i) **Restricted Issue**

29,783,520 Restricted Issue Shares by way of a renounceable restricted issue to the Entitled Shareholders on the basis of one (1) new FFB Share for every five (5) existing MEB Shares held as at the Entitlement Date (save for the Excluded Parties).

(ii) **Special Issue**

5,216,500 Special Issue Shares placed to the Bumiputera investors approved by MITI.

(iii) **Pink Form Issue**

13,000,000 Pink Form Shares available for application by directors and eligible employees of MEB, FFB and its subsidiaries and persons who have contributed to the success of FFB and its subsidiaries (save for the Excluded Parties).

(b) **Offer for Sale**

Offer for Sale by MEB of 22,000,000 Offer Shares at the IPO Price comprising:

(i) 19,800,000 Offer Shares reserved for Bumiputera investors approved by MITI; and

(ii) 2,200,000 Offer Shares by way of private placement to identified investors.

There is no minimum subscription amount to be raised from the IPO. Further details of the IPO are set out below.

2.5.1 Restricted Issue

(a) **Excluded Parties**

The Restricted Issue is available for application by the Entitled Shareholders, save for the Excluded Parties. The Excluded Parties are persons otherwise entitled to the Restricted Issue or the Pink Form Issue, as the case may be, who are:

(i) located in jurisdictions outside Malaysia in which acceptance of the entitlement under the Restricted Issue or Pink Form Issue would result in the contravention of the laws of such jurisdiction (whether in the absence of any necessary consent and/or compliance with any registration of other legal requirements or for any other reason); or

(ii) in the opinion of the Directors (on the advice of its legal counsel), would be necessary or expedient to be excluded from participating in the Restricted Issue or Pink Form Issue by reason of legal or regulatory requirements.

Notwithstanding the above, any offer or issue of shares in connection with the Restricted Issue and the Pink Form Issue, as the case may be, are made and valid in Malaysia only.

EACH ENTITLED SHAREHOLDER ACCEPTING ALL OR PART OF THE RESTRICTED ISSUE SHARES OFFERED TO HIM WILL BE DEEMED TO HAVE REPRESENTED THAT HE AND/OR THE BENEFICIAL OWNER OF THOSE ORDINARY SHARES IN MEB IN RESPECT OF WHICH THE RESTRICTED ISSUE SHARES ARE ACCEPTED, IS NOT AN EXCLUDED PARTY.

(b) Renounciation and entitlement basis

The Restricted Issue is RENOUNCEABLE. The Restricted Issue is being offered to the Entitled Shareholders on the basis of one (1) Restricted Issue Share for every five (5) MEB Shares held by the Entitled Shareholder on the Entitlement Date. Entitled Shareholders who apply for the Restricted Issue Shares will first be allocated the Restricted Issue Shares on the basis of one (1) Restricted Issue Share for every five (5) MEB Shares held PROVIDED THAT such Entitled Shareholders have remitted the required application monies for the Restricted Issue Shares in accordance with the procedures for application and acceptance set out in Section 26 of this Prospectus.

(c) Fractional entitlement

In determining an Entitled Shareholder's entitlement to the Restricted Issue Shares, any fractional entitlement of the Restricted Issue Shares shall be disregarded. Fractional entitlement, if any, shall be dealt with in such manner as the Board in its absolute discretion deems fit or expedient and in the best interest of the Company.

(d) Excess application

Any Restricted Issue Shares not applied for will be made available to the Entitled Shareholders and/or renouncees who apply for the excess Restricted Issue Shares. Applications in respect of the excess Restricted Issue Shares shall be accepted in a fair and equitable manner and in the best interests of the Company, to be determined by the Board in its absolute discretion. The excess Restricted Issue Shares will also be allocated to the nearest board lot in order to minimise the incidence of odd lots and subject to meeting the public shareholding spread requirement.

(e) Irrevocable written undertakings

Certain shareholders of MEB, who are also the Entitled Shareholders pursuant to the Restricted Issue had given their irrevocable written undertakings to subscribe for their entire respective entitlement of the Restricted Issue Shares.

The details of the aforesaid Entitled Shareholders and the corresponding amount of the Restricted Issue Shares based on their shareholdings in MEB as at 23 May 2006 are as follows:

Entitled Shareholders	No. of Restricted Issue Shares
Tuan Haji Mohamed Taib	615,471
Mac Ngan Boon @ Mac Yin Boon	5,392,913
Chew Keng Siew	811,800
Mac Chung Lynn	400,000
Mac Chung Jin	410,000
Mac Chung Hui	412,000
Ooi Sen Eng	985,605
Total	9,027,789

(f) Underwriting

Subsequent to the above, all the remaining 20,755,731 Restricted Issue Shares are to be fully underwritten by the Underwriter. The salient terms of the Underwriting Agreement are set out in Section 2.10 below.

2.5.2 Special Issue

The Special Issue Shares will not be underwritten as irrevocable written undertakings will be obtained from the Bumiputera investors to subscribe for the Special Issue Shares.

2.5.3 Pink Form Issue

(a) Excluded Parties

The Pink Form Shares are reserved for application by the directors and eligible employees of MEB, FFB and its subsidiaries, and persons who have contributed to the success of FFB and its subsidiaries, save for the Excluded Parties.

As stated in Section 2.5.1(a) above, the Excluded Parties are persons otherwise entitled to the Restricted Issue or the Pink Form Issue, as the case may be, who are:

(i) located in jurisdictions outside Malaysia in which acceptance of the entitlement under the Restricted Issue or Pink Form Issue would result in the contravention of the laws of such jurisdiction (whether in the absence of any necessary consent and/or compliance with any registration of other legal requirements or for any other reason); or

(ii) in the opinion of the Directors (on the advice of its legal counsel), would be necessary or expedient to be excluded from participating in the Restricted Issue or Pink Form Issue by reason of legal or regulatory requirements.

Notwithstanding the above, any offer or issue of shares in connection with the Restricted Issue and the Pink Form Issue, as the case may be, are made and valid in Malaysia only.

(b) Details of allocation

A total of 572 persons are eligible for the Pink Form Shares, comprising the following:

Category	Number of person
Directors of MEB, FFB and its subsidiaries	10
Eligible employees of MEB, FFB and its subsidiaries	559
Persons who have contributed to the success of FFB and its subsidiaries	3

(c) **Criteria of allocation**

The Pink Form Shares are allocated to the directors and eligible employees of MEB, FFB and its subsidiaries, based on the following criteria as approved by the Board:

- At least eighteen (18) years old;
- Category, position and seniority;
- Length of service;
- Employees who joined the FFB Group on or before 31 December 2005; and
- Other factors deemed relevant by the Board.

The Pink Form Shares are allocated to persons who have contributed to the success of FFB and its subsidiaries, whereby the criteria of allocation is based on their contribution to FFB and its subsidiaries, as approved by the Board. The persons who have contributed to the success of FFB and its subsidiaries include business contacts, consultants and dealers, which have developed strategic alliances with and/or contributed to the business development of FFB and its subsidiaries.

(d) **Details of allocation to the Directors of MEB, FFB and its subsidiaries**

The details of the Pink Form Shares which are allocated to the directors of MEB, FFB and its subsidiaries, are as follows:

Name	Designation	No. of Pink Form Shares
Mac Ngan Boon @ Mac Yin Boon	Managing Director of FFB and Managing Director of MEB	1,600,000
Mac Chung Hui	Deputy Managing Director/ Chief Executive Officer of FFB	700,000
Lee Poh Kwee	Executive Director of FFB	700,000
Ooi Sen Eng	Executive Director of MEB	500,000
Low Ping Lin	Executive Director of MEB	300,000
Lim Teik Hin	Non-Independent and Non-Executive Director of MEB	100,000

(e) **Undersubscription of the Pink Form Shares**

Any Pink Form Shares which are not subscribed for by the directors and eligible employees of MEB, FFB and its subsidiaries and persons who have contributed to the success of FFB and its subsidiaries will be made available to the Entitled Shareholders and/or renouncees who apply for the excess Restricted Issue Shares.

(f) **Irrevocable written undertakings**

The following directors and eligible employees of MEB, FFB and its subsidiaries had given their irrevocable written undertakings to subscribe for their entire allocation of 2,900,000 Pink Form Shares:

Entitled Directors	Designation	No. of Pink Form Shares
Mac Ngan Boon @ Mac Yin Boon	Managing Director of FFB and Managing Director of MEB	1,600,000
Mac Chung Hui	Deputy Managing Director/ Chief Executive Officer of FFB	700,000
Mac Chung Jin	Eligible employee of MEB	100,000
Ooi Sen Eng	Executive Director of MEB	500,000
Total		2,900,000

(g) **Underwriting**

Hence, all the remaining 10,100,000 Pink Form Shares are to be fully underwritten by the Underwriter. The salient terms of the Underwriting Agreement are set out in Section 2.10 below.

2.5.4 Offer for Sale

The Offer Shares will not be underwritten as irrevocable written undertakings will be obtained from the Bumiputera investors and identified investors to subscribe for the entire Offer Shares.

2.6 Basis of arriving at the IPO Price

The IPO Price of RM0.55 per IPO Share was determined and agreed upon between the Company and Underwriter based on the following factors:

(a) the forecast net PE Multiple of approximately 7.69 times based on the consolidated forecast basic net EPS of approximately RM0.072, which was computed based on the consolidated forecast PAT for FYE 2006 of approximately RM9.6 million and the weighted average share capital of approximately 134.279 million FFB Shares;

(b) the forecast net PE Multiple of approximately 9.63 times based on the consolidated forecast basic net EPS of approximately RM0.057, which was computed based on the consolidated forecast PAT for FYE 2006 of approximately RM9.6 million and the enlarged share capital of 168,000,020 FFB Shares;

(c) a discount of approximately RM0.03 or 5.17% from the proforma consolidated NTA per FFB Share as at 31 December 2005 of RM0.58 (upon completion of the Flotation Scheme and utilisation of proceeds);

(d) the Group's operating and financial history as outlined in Sections 5 and 10 respectively of this Prospectus;

(e) the prospects and outlook of the industry, and prospects and future plans of the FFB Group as outlined in Sections 4.4 and 5.7 respectively of this Prospectus; and

(f) the prevailing market conditions.

However, you should take note that the market price of FFB Shares upon and subsequent to the Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of FFB Shares being traded.

2.7 Market capitalisation

Based on the enlarged issued and paid-up share capital of 168,000,020 FFB Shares and the IPO Price, the total market capitalisation for FFB upon listing on the Second Board of Bursa Securities is approximately RM92.4 million.

2.8 Use of proceeds from the IPO

The Company will use the gross proceeds from the Public Issue of RM26.4 million in the following manner:

	Note	RM'000	Timeframe for utilisation of proceeds
Repayment of bank borrowings	(a)	10,000	Within 1 year from the listing date
Repayment of net amount owing to MEB Group	(b)	8,500	Within 1 year from the listing date
R&D	(c)	3,000	Within 2 years from the listing date
Estimated listing expenses	(d)	2,000	Within 1 year from the listing date
Working capital	(e)	2,900	Within 1 year from the listing date
Total		**26,400**	

(a) Repayment of bank borrowings

FFB had obtained aggregate borrowings facilities of approximately RM91.5 million from Hong Leong Bank Berhad, Maybank Banking Berhad and OCBC Bank (Malaysia) Berhad for working capital purposes. As at 31 December 2005, approximately RM64.0 million of the bank borrowings remained outstanding. FFB proposes to use part of the proceeds from the Public Issue to repay the aforesaid bank borrowings.

(b) Repayment of amount owing to MEB Group

The FFB Group has earmarked RM8.5 million of the proceeds from the Public Issue as part of the full settlement of the entire net amount owing to the MEB Group amounting to approximately RM34.7 million as at 31 March 2006. Further details of the Settlement are set out in Section 5.2 of the Prospectus.

(c) R&D

FFB has allocated RM3.0 million of the proceeds from the Public Issue towards the continuing improvement of its existing products and for development of new products. In particular, the R&D expenses are earmarked for the enhancement of FFB's range of tower cranes and offshore cranes and the development of new products to cater for specific operating environments to be identified by the Group. The allocation of R&D expenses will also be used for formal technical training to upgrade and enhance the technical knowledge of the Group's R&D staff.

(d) Estimated listing expenses

All expenses and fees incidental to the Flotation Scheme are estimated at approximately RM2.0 million, inclusive of professional fees (approximately RM950,000), fees payable to the relevant regulatory authorities (approximately RM121,000), brokerage, underwriting commission and placement fees (approximately RM322,000), advertising and printing of Prospectus (approximately RM280,000).

If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

(e) **Working capital**

RM2.9 million from the proceeds raised from the IPO will be allocated for the Group's working capital purposes to support its existing business operations. This includes repayment of credit facilities such as bank overdraft and revolving credit.

The financial impact arising from the utilisation of proceeds on the FFB Group for the FYE 2006 are as follows:

	After Flotation Scheme RM '000	**Incremental effect associated with utilisation of proceeds from the Public Issue * RM '000**
Consolidated PAT	9,600	344

Note:

* *Represents the interest savings for 4 months for the FYE 2006 based on the assumption that the bank borrowings are repaid using the proceeds from the Public Issue and the working capital has been utilised for the repayment of bank overdraft or revolving credit on 1 September 2006.*

The Offer for Sale is expected to raise gross proceeds of approximately RM12.1 million which will accrue entirely to the Offeror. The Offeror shall bear all expenses relating to the Offer Shares.

2.9 Brokerage, underwriting commission and placement fee

(a) **Brokerage**

No brokerage relating to the IPO Shares is payable by the Company.

(b) **Underwriting commission**

The Underwriter has agreed to underwrite such number of Restricted Issue Shares which are available for application by the Entitled Shareholders (excluding the Entitled Shareholders who had given their irrevocable written undertaking to subscribe for their entitlement of Restricted Issue Shares as set out in Section 2.5.1(e)) and 10,100,000 Pink Form Shares which are available for application by the directors and eligible employees of MEB, FFB and its subsidiaries, and persons who have contributed to the success of FFB and its subsidiaries. The underwriting commission is payable by the Company at the rate of 1.75% of the IPO Price per IPO Share.

(c) **Placement fee**

The fee for the Placement Agent in respect of the Placement Shares is payable by the Offeror at the rate of 1.5% of the IPO Price per Offer Share based on the terms and conditions of the placement agreement.

2.10 Salient terms of the Underwriting Agreement

An underwriting agreement was entered into between the Company and RHB Sakura, being the Underwriter, on 31 May 2006 for the Underwriter to underwrite the following:

(a) Restricted Issue Shares which are available for application by the Entitled Shareholders (excluding the Entitled Shareholders who had given their irrevocable written undertaking to subscribe for their entitlement of Restricted Issue Shares as set out in Section 2.5.1(e)); and

(b) 10,100,000 Pink Form Issue Shares.

(collectively referred to as the "Underwritten Shares").

Subject to the satisfaction of the condition precedent in respect of the registration and lodgement of the Prospectus with the SC and Registrar of Companies, the Underwriter shall underwrite the Underwritten Shares for an underwriting commission of 1.75% at the IPO Price for each of the Underwritten Shares.

The Underwriting Agreement provides that the Underwriter's obligation shall lapse in the event that the Underwritten Shares are fully subscribed for on or before the closing date, being a date no later than three (3) months from the date of registration of the Prospectus and to be fixed by the Company with the agreement of the Underwriter, for the closing of the applications for the IPO Shares.

The Underwriting Agreement further provides that the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company if:

- the condition precedent is not satisfied;
- there is an adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Issue and/or the Offer for Sale or the occurrence of any event or the discovery of any facts rendering materially untrue any representation or warranty of the Company;
- the Prospectus is not registered with the SC and lodged with the Registrar of Companies within 5 months from the date of the agreement;
- the success of the Public Issue and/or Offer for Sale or the distribution or subscription of the IPO Shares is in the reasonable opinion of the Underwriter seriously jeopardised by the coming into force of any law or governmental regulation or as a result of any event beyond the reasonable control of the Underwriter;
- on or prior to 5.00 p.m. on the closing date (as defined in the Underwriting Agreement), the Kuala Lumpur Composite Index of Bursa Securities is trading below 20% or more as compared to the Kuala Lumpur Composite Index at the last market day prior to the date of the Underwriting Agreement, which shall be deemed an adverse change in stock market conditions;
- there is a material breach by the Company of any of its representations, warranties, obligations or undertakings under the agreement;
- any matter arising before the date of the Prospectus and not having been disclosed in the Prospectus which constitutes a material omission in the context of the Public Issue and Offer for Sale; and
- the approvals of the SC and Bursa Securities are withdrawn.

3. RISK FACTORS

AN INVESTMENT IN SHARES LISTED OR TO BE LISTED ON BURSA SECURITIES INVOLVES A NUMBER OF RISK FACTORS. BEFORE INVESTING IN THE IPO SHARES, YOU SHOULD RELY ON YOUR OWN EVALUATION AND CAREFULLY CONSIDER, ALONG WITH THE OTHER INFORMATION IN THIS PROSPECTUS, THE RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) SET OUT BELOW.

3.1 Low pre-tax profit margin

The Group has recorded low pre-tax profit margin in the past. For example, the proforma pre-tax profit margin of the Group (excluding exceptional items) for the past three (3) financial years ended FYE 2003, FYE 2004 and FYE 2005 were 1.0%, 1.5% and 2.7%, respectively. Nevertheless, the pre-tax profit margins for these FYE were on an increasing trend. The low pre-tax profit margins were mainly attributed to high operating and labour costs in relation to the rapid global expansion of operations and increase of market share at the expense of profitable operating efficiency such as duplication of work and additional labour costs.

Nonetheless, the FFB Group had undertaken various measures to improve its pre-tax profit margin which included a streamlining exercise. This involved the replacement of relatively expensive foreign labour with cheaper labour, removal of duplicate production process by pooling of work in specific production facilities and improvement in purchase planning in order to enjoy bulk purchase discount. The streamlining exercise also involved the commissioning of a new factory located at Senawang, Negeri Sembilan which is capable of undertaking more man hour-intensive work as compared to the previous production facilities employed by the FFB Group. For the FYE 2006, the Group is forecast to register a pre-tax profit margin of 2.9%.

In addition, the Group intends to increase its operating efficiency in order to counter the effects of competitive pricing on its range of products. The Group had also identified new markets in countries and regions such as Russia, Brazil and the Middle East.

See Section 19 – "Summary Independent Market Research Report" for details of the pre-tax profit margin of the comparable companies operating in the crane manufacturing industry.

No assurance can be given that the FFB Group can achieve higher pre-tax profit margin in the future. However, the FFB Group seeks to increase the pre-tax profit margin based on, amongst others, the steps mentioned above.

3.2 The operations of the FFB Group are exposed to business risks

The Group is subject to the inherent risks of the industry such as increases in prices of raw materials (including steel), shortages of raw materials, changes in government legislation as well as changes in general economic, business and credit conditions within and outside of Malaysia. In addition, the Group, having operations outside Malaysia in countries such as Singapore, Australia, Denmark and USA, is also subject to business risks in the countries where it operates.

Steel is a commodity item which price is dependent on the worldwide supply and demand. Hence, the prices of steel could be volatile to a certain extent as they are beyond the control of the FFB Group.

No assurance can be given whether changes to these factors will have a material effect on the Group's businesses. However, the Group seeks to limit these risks through, amongst others, increasing the efficiency of its operations, expansion of existing markets and penetration into new ones, developing and maintaining a diversified pool of suppliers and customers, improving its technological competence through R&D, instituting sound management policies and continuously improving its remuneration scheme to retain and attract talents.

3.3 The Group faces competition in domestic and global markets

The Group operates in a competitive market and faces global competitors, including existing players and new entrants to the industry. Competition is based largely on price, quality and technology of the products, availability of substitute products including used-cranes, customer relationship, ability to meet customers' specifications, after-sales service and timely delivery.

The price competitiveness in the cranes market is often prevalent when there is economic slowdown. This is explained by the decline in infrastructure projects globally and the efforts of the manufacturers to retain their share of the market. In addition, used-cranes may be a substitute and/or competing product in the cranes manufacturing industry. *(Source: Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry by Frost & Sullivan, 2006)*

However, the effect of price competitiveness on the market is primarily in the short term and is expected to become mild in the long term as the market witness an upward movement. Further, the threat of substitution of product is expected to dissipate in the long run as the user segments lay greater stress on quality and faster completion of projects. It is envisaged that used-cranes can only compete with general cranes, but should not affect the demand and competitiveness of customised cranes. The evolution of cranes technology and increasing sophistication of structures are expected to require the services of cranes which are customised to the required capacity, specifications and technology. *(Source: Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry by Frost & Sullivan, 2006)*

The barriers to entry in respect of the heavy-duty crane manufacturing industry as extracted from the Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry prepared by Frost & Sullivan are as follows:

- High degree of expertise required for design and development of cranes;
- Cranes are considered as capital expenditure. High value of cranes results in customers favouring established companies for ensuring that the cranes purchased meets safety and quality requirements;
- High safety standards prescribed for cranes discourage small companies from entering the market; and
- Longer gestation period for projects favours only the companies with strong financial resources.

The Group intends to remain competitive by providing quality service, maintaining a close relationship with customers, ensuring prompt delivery, improving its existing products and penetrating into new niche markets. The Group continuously improves its products, services and production efficiency through R&D. The Group has another competitive edge in its ability to provide highly customised and engineered cranes specifically to meet a customer's unique requirements.

However, there can be no assurance that the Group will be able to maintain or increase its competitiveness in the future.

3.4 The Group's revenue is dependent on end user industries

The heavy-duty crane markets comprises the categories of tower cranes, port/wharf cranes and offshore cranes, which are the primary growth market for the global crane manufacturing industry. The growth of the heavy-duty cranes manufacturing industry is highly dependent on the growth of the end user industries. The major application areas within the heavy-duty crane manufacturing industry namely construction, ports and offshore platforms determines the future prospects of the heavy-duty crane manufacturing industry.

The construction industry has a cyclical nature and demand for cranes in this sector largely depends on global and domestic economic conditions, as well as the policies shaped by the respective governments.

New discoveries in the offshore oil and gas fields have been the engine of growth in the offshore cranes market. As oil and gas companies go deepwater for oil and gas production, cranes have to keep up with the needs of exploration and production. Since the offshore cranes are specialised cranes, the demand for offshore cranes is largely dependent on new offshore discoveries.

The application of cranes in the port/wharf sector is directly related to the growth of port activities and maritime traffic around the world. The increase in port activities and maritime traffic along with increase in the cargo handling due to the changing business environment, determines the growth of the port/wharf cranes market. Increasing cargo capacity has necessitated a change in the characteristics of port/wharf cranes in its ability to handle heavier and bulkier loads.

(Source: Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry by Frost & Sullivan, 2006)

Although the Group seek to mitigate the risk of dependency on any one particular end user industry by diversifying its customer base and introducing new products to cater for different applications, there can be no assurance that adverse developments in the construction industry, offshore oil and gas industry, as well as the usage of ports/wharfs will not materially affect the Group's financial performance.

3.5 The Group is subject to political, economic and regulatory factors

Adverse developments in political, economic and regulatory conditions in the regions where the Group operates could adversely affect its financial position and business prospects. These events include economic downturn, changes in political landscape, changes in interest rates and changes in government policies such as method of taxation and introduction of new regulations.

Much of the above factors are beyond the control of the FFB Group. Nevertheless, the FFB Group will continue to take effective internal measures such as practising prudent financial management and adopting efficient operating procedures as well as adopting external measures such as diversifying its customer base to mitigate particular risk factor associated with any particular region as mentioned above. However, there is no assurance that adverse developments of the aforesaid factors will not materially affect the Group.

3.6 The Group is exposed to risks related to its foreign operations

The Group has operations and assets located locally and in Australia, USA, Singapore and Denmark. The Group also sells its products through agents. Foreign operations expose the Group to a number of risks, including currency exchange rate fluctuations, trade barriers, exchange controls, risk of government expropriation, political and legal risks and restrictions, foreign ownership restrictions and risks of increase in taxes. Furthermore, some foreign jurisdictions have laws limiting the right and ability to repatriate profits or pay dividends to affiliated companies unless specified conditions are met. (See Sections 21, 22, 23 and 24 for the expert reports on the prevailing regulations on the repatriation of profits and relevant laws and regulation of Singapore, Australia, Denmark and USA).

The inability of the Group, or limitations on its ability, to conduct its foreign operations or distribute its products internationally could adversely affect the Group's operations and financial performance. Although the Group has performed feasibility studies prior to venturing into the above overseas markets, there can be no assurance that these foreign-based subsidiary companies would contribute positively towards the future performance and profitability of the FFB Group.

3.7 The Group is exposed to risks related to foreign exchange fluctuations

The Group is engaged in substantial foreign currency denominated transactions with various countries, mainly for the sales of cranes and purchase of raw materials from abroad in its day-to-day operations. All these foreign currency denominated transactions are exposed to foreign exchange fluctuations. The FFB Group intends to mitigate its risk of foreign exchange fluctuations by monitoring its exposure to foreign currency on an ongoing basis to minimise risks whereby purchases dominated in foreign currency are matched with its revenue stream in the respective foreign currency, if possible. In addition, the FFB group may hedge with derivative financial instruments such as forward exchange contracts, if required.

See Section 12.2 – "Review of past operating results" for the impact of foreign currency fluctuations for the past three (3) financial years ended 31 December 2005.

In addition, the FFB Group has various credit facilities in foreign currency such as AUD, SGD, USD and DKK in order to fund the operations of their foreign subsidiaries.

Notwithstanding the above, there can be no assurance that the future foreign exchange fluctuations will not adversely affect the future profitability of the FFB Group.

3.8 The Group faces risks arising from consequential and other losses arising from its business activities

The Group has taken appropriate measures to ensure that all its assets are sufficiently covered by insurance and that its third party liability insurance coverage is sufficient for the purposes of its business activities. This includes insurances for fire, theft, professional indemnity and public liability. However, there can be no assurance that the insurance coverage would be sufficient to compensate for the replacement cost of its assets or any consequential loss arising from its business activities.

3.9 The Group may incur certain liability costs should its products not meet requirements

The Group's products are used in demanding environments such as offshore oil and gas rig and construction of tall buildings. As such, their products would naturally be required to meet customers' expectations concerning safety and performance. As a result, the Group is exposed to product liability risks that exist in the design, manufacture and sales of its products. Therefore, the Group has purchased product liability insurance policies in order to mitigate these risks. To date, the Group has not incurred material costs related to such liabilities. However, there is no assurance that a substantial increase in the number of claims or the amounts of any judgments or settlements will not materially and adversely affect its reputation and financial condition.

3.10 The Group may not be able to obtain or renew the necessary operating licences and approvals

The Group currently has certain licences and approvals in order to operate in each country where it has production facilities. In particular, the Group has a manufacturing licence from MITI and an industrial licence from the local council for its operations in Malaysia. In the future, the Group will be required to renew such licences and approvals when the need arises and may be required to apply for additional licences and approvals. While the Group does not expect any problems in renewing or obtaining such licences and approvals, there can be no assurance that the relevant authorities will issue or renew such licences or grant approvals within the time frame required, the failure of which may affect the operations of the FFB Group.

See Section 9.1 – "Major licences, approvals and permits" for further details of the necessary operating licences and approvals.

3.11 The Group's products can be subject to long delivery periods

The Group customises cranes according to each client's specification. Customised cranes typically require a longer production and delivery period of sometimes up to twelve (12) to eighteen (18) months. This exposes the Group to long collection periods that may have a constraint on its cash flows. The Group tries to manage this risk through prudent financial management by effectively allocating its resources and trying to obtain contracts based on progress billings. However, there can be no assurance that the long delivery period for its products will not materially affect the Group's business and financial performance.

3.12 The Group is exposed to risk associated with borrowings

The interest bearing borrowings of the FFB Group upon completion of the IPO, is expected to be approximately RM140.2 million representing a gearing ratio of approximately 1.34 times. In addition, the Group may from time to time obtain credit facilities from financial institutions to finance its operations and business activities.

These credit facilities may be subject to terms and conditions which may constrain the Group's operations. Any act or omission by the Group that is in breach of the stated terms and conditions may allow the relevant financial institutions to terminate the relevant facilities and/or enforce security in relation to the aforesaid facilities, as well as the possibility of cross defaulting other facilities. Although the Group will take all reasonable efforts to observe such terms and conditions at all times, there can be no assurance that its operations and/or financial performance will not be affected should any breach occur.

In addition, any increase in interest rates may increase the cost of borrowings to the Group. If such changes occur, there is no assurance that the financial results of the Group will not be affected.

3.13 The Group depends on its key management and personnel

The Group believes that its continued success and future performance depend, to a significant extent, upon the abilities and continued efforts of its existing Directors as well as key management and personnel. Hence, the loss of the services of any member of the Board as well as key management and personnel may have a material effect on the Group's business, operating results and financial conditions.

In order to attract and retain key personnel, as well as to ensure a smooth transition in the management team, the Group has put in place human resource strategies, which include, but not limited to, competitive remuneration schemes, on-the-job training and personal development programmes. In line with this, the Group is establishing an ESOS (See Section 5.3 for details) in order to motivate, retain and reward eligible key management and personnel who have contributed to the growth and success of the FFB Group in addition to the Pink Form Shares allocated to Directors and eligible employees of FFB and its subsidiaries. Given the capabilities of its employees, the Group does not expect to face any difficulty in grooming the younger members of the management team to eventually take over from their seniors in the future.

3.14 The Group faces the risk of technological obsolescence

The success of the Group is dependent on its ability to maintain and enhance its technological capabilities and successfully anticipate or respond to technological changes to meet the latest design and requirements of its customers.

To keep up with technological changes, the Group frequently sends key employees for technical training and development programmes. The Group had also set up its in-house R&D team to carry out research and development of its products. However, there can be no assurance that the Group will be successful in developing the latest technologies and technical know-how, and that its R&D initiatives will translate to commercially viable products.

3.15 The Group risks exposure to the costs related to the infringements of intellectual property rights

Trademarks and licences are important in the operations of the Group. Third parties may assert or prosecute infringement claims against the Group in connection with the services and products offered, and the Group may or may not be able to successfully defend against these claims. Litigation, either to enforce the Group's intellectual property rights or to defend against claimed infringement of the rights of others, could result in substantial costs and in a diversion of resources.

The Group tries to mitigate the risks of infringement of its intellectual property by, amongst others, obtaining a confidentiality undertaking from some employees. The Group is in the process of obtaining the same confirmation from other employees to not reveal to any unauthorised person any confidential information which may come to their knowledge during their tenure of service, unless authorised in writing by the Directors. Nonetheless, the Group's failure to maintain or obtain necessary licences or an adverse outcome in any litigation relating to infringements or other intellectual property matters could have a material adverse effect on its performance, operations and cash flows.

See Section 5.5.4 for further details of brands, trademarks and technical assistance agreement.

3.16 The Group is exposed to emergency risks and security and system disruptions

Similar to any other business enterprise, the breakout of fire, energy crisis or other emergencies could adversely affect the financial performance and business prospects of the FFB Group. The Group has taken note of such risks and has taken various steps to reduce such risks by having proper emergency systems and carrying out periodical review. The Group also has insurance coverage to mitigate the financial losses from such risks where possible.

In addition, every business is generally exposed to security and system disruptions. Disruptions can be caused by an energy crisis, breach in security or breakdown in the business's computer systems. The Group mitigates this risk by having proper security procedures as well as backup systems to prepare for such disruptions.

3.17 The promoters have a degree of control over the Group

Upon completion of the IPO, the direct equity interest of MEB in the enlarged issued and paid-up share capital of FFB will be approximately 58.3%. Further, upon completion of the IPO, the direct equity interest of MEB, Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui will collectively be approximately 63.2% of the enlarged issued and paid-up share capital of FFB (based on the shareholding of Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui in MEB as at 23 May 2006). In addition, Mac Ngan Boon @ Mac Yin Boon is a substantial shareholder of MEB holding approximately 18.3% equity interest therein as at 23 May 2006. As a result, MEB, on its own, or acting together with Mac Ngan Boon @ Mac Yin Boon and/or Mac Chung Hui, may be able to influence the outcome of certain matters requiring the votes of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

3.18 The Group faces the risks related to workplace safety and health matters

The Group's operations are subject to many laws and regulations, including those relating to workplace safety and worker health. The Group believes that it is in compliance with these laws and regulations and is not aware of any workplace safety and health matters currently, individually or in aggregate, that it expects may have a material adverse effect on its financial conditions. Further, the Group has mitigated some of these potential workplace safety and health liabilities by purchasing, amongst others, employees' liability and workmen compensation insurance policies. However, the risks of workplace safety and health costs and liabilities exist in the Group's operations, and there can be no assurance that claims for damages resulting from the Group's operations will not have a material adverse effect on the Group's financial condition or results of operations.

3.19 There is no prior market for the Shares

Prior to the listing of FFB, there has been no public market for FFB Shares. The IPO Price was determined after taking into consideration a number of factors as stated in Section 2.6 of this Prospectus.

There can be no assurance that an active trading market will develop for the Shares, or if developed, that such market will be sustained. In addition, there can be no assurance that the IPO Price will correspond to the price at which FFB Shares will trade on the Second Board upon or subsequent to its listing.

3.20 The market price of the FFB Shares will be exposed to capital market risks

FFB will be listed on the Second Board of Bursa Securities. To a certain extent the performance of the Second Board depends on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Market sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the potential growth of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes on the Second Board, thus adding risk to the market price of the Shares.

3.21 Delay in or termination of the listing of FFB on Bursa Securities

The occurrence of any one or more of the following events may cause a delay in or termination of the listing of FFB Shares on Bursa Securities:

(a) The Bumiputera investors approved by MITI fail to subscribe the portion of the FFB Shares allocated to them;

(b) The Underwriter exercising its rights pursuant to the Underwriting Agreement discharging itself from its obligations thereunder; and

(c) FFB is unable to meet the public spread requirement, whereby at least 25% of the entire issued and fully paid-up share capital of FFB must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, at the point of the listing of FFB.

Nevertheless, the Directors of FFB would endeavour to ensure compliance by the Company of the various listing requirements for the successful listing of FFB on Bursa Securities.