



P R O S P E C T U S

Favelle Favco Berhad

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

- (I) PUBLIC ISSUE OF 48,000,020 NEW ORDINARY SHARES OF RM0.50 EACH COMPRISING:
- UP TO 30,587,520 NEW ORDINARY SHARES OF RM0.50 EACH BY WAY OF A RENOUNCEABLE RESTRICTED ISSUE TO THE ENTITLED SHAREHOLDERS OF MUHIBBAH ENGINEERING (M) BHD ON THE BASIS OF ONE (1) NEW ORDINARY SHARE IN FAVELLE FAVCO BERHAD FOR EVERY FIVE (5) EXISTING ORDINARY SHARES IN MUHIBBAH ENGINEERING (M) BHD HELD BY THE ENTITLED SHAREHOLDERS OF MUHIBBAH ENGINEERING (M) BHD AT 5.00 P.M. ON 23 JUNE 2006;
 - UP TO 6,086,300 NEW ORDINARY SHARES OF RM0.50 EACH BY WAY OF A SPECIAL ISSUE TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
 - 13,000,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY DIRECTORS AND ELIGIBLE EMPLOYEES OF MUHIBBAH ENGINEERING (M) BHD, FAVELLE FAVCO BERHAD AND ITS SUBSIDIARIES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF FAVELLE FAVCO BERHAD AND ITS SUBSIDIARIES
- (II) OFFER FOR SALE OF 22,000,000 ORDINARY SHARES OF RM0.50 EACH COMPRISING:
- 19,800,000 ORDINARY SHARES OF RM0.50 EACH RESERVED FOR BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
 - 2,200,000 ORDINARY SHARES OF RM0.50 EACH BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS
- AT AN ISSUE/OFFER PRICE OF RM0.55 PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION IN CONJUNCTION WITH ITS LISTING ON THE SECOND BOARD OF BURSA MALAYSIA SECURITIES BERHAD

Financial Adviser, Underwriter and Placement Agent


RHB SAKURA MERCHANT BANKERS BERHAD
 (Company No. 19663-P)

THIS PROSPECTUS IS DATED 29 JUNE 2006



Favelle Favco Berhad (249243-W)

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A MEMBER OF MUHIBBAH ENGINEERING

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IMPORTANT NOTICE

The Directors and Promoters of Favelle Favco Berhad (“FFB” or the “Company”) and the Offeror (as defined herein) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. They confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief there are no false or misleading statements or other facts the omission of which would make any statement in this Prospectus false or misleading. The Directors of FFB accept full responsibility for the consolidated profit forecast included in this Prospectus and confirm that the consolidated profit forecast have been prepared based on the assumptions made.

RHB Sakura Merchant Bankers Berhad (“RHB Sakura”), as the Financial Adviser, Underwriter and Placement Agent acknowledges that based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the initial public offering (“IPO”). In addition, RHB Sakura is satisfied that the consolidated profit forecast (for which the Directors of FFB are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors of FFB after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

The Securities Commission (“SC”) has approved the issue, offer or invitation in respect of the IPO. However, the approval shall not be taken to indicate that the SC recommends the IPO. The SC shall not be liable for any non-disclosure on the part of FFB and takes no responsibility for the contents of the Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or in part of the contents of this Prospectus. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF INVESTMENT IN FFB. IN CONSIDERING THE INVESTMENT, 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 IMMEDIATELY.**

Bursa Malaysia Securities Berhad (“Bursa Securities”) has granted its approval-in-principle for, amongst others, the admission to the Official List of Bursa Securities and the listing of the entire enlarged issued and paid-up share capital of FFB (“FFB Shares”) on the Second Board of Bursa Securities. The admission of FFB to the Official List of Bursa Securities is not to be taken as an indication of the merits of the invitation, FFB or the FFB Shares.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus and the accompanying application forms, have also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The FFB Shares is classified as Syariah-compliant by the Syariah Advisory Council of the SC based on the latest audited consolidated financial statements of FFB for the financial year ended 31 December 2005 and this classification remains valid from the date this Prospectus is issued until the Syariah Advisory Council of the SC undertakes the next Syariah compliance review. The new status is released in the updated list of Syariah-compliant securities, either on the last Friday of the month of April or October. The Syariah status for the FFB Shares cannot be used for other fund-raising activities.

This Prospectus can also be viewed or downloaded from Bursa Securities’ website at www.bursamalaysia.com.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 57, 58 and 153 of the Securities Commission Act, 1993.

The distribution of this Prospectus and the sale of the IPO Shares (as defined herein) are subject to Malaysian law. This Prospectus has not been and will not be made to comply with laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

This Prospectus is not intended to be and will not be issued, circulated or distributed and the IPO will not be made or deemed to be made in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other the laws of Malaysia. The IPO to which this Prospectus relates is only available to persons receiving this Prospectus within Malaysia.

If you have sold or transferred all your ordinary shares of RM1.00 each in Muhibbah Engineering (M) Bhd, you should immediately send this Prospectus, together with the accompanying Notice of Provisional Allotment and Restricted Issue Subscription Form, to the purchaser or transferee, or the stockbroker or agent through whom the sale or transfer was contracted or effected for onward transmission to the purchaser or transferee.

All enquiries concerning the Restricted Issue (as defined herein) should be addressed to the Share Registrar of the Company, Tenaga Koperat Sdn Bhd, 20th floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur.

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TENTATIVE TIMETABLE

The tentative timing of events in relation to this IPO is set out 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 Favelle Favco Berhad, Muhibbah Engineering (M) Bhd and RHB Sakura Merchant Bankers Berhad may mutually decide, at their absolute discretion, to extend the closing date and time for application for the Initial Public Offering 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.*

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding.

Certain acronyms, technical terms and other abbreviations used are defined in “Definitions” appearing after this section. Words denoting the singular only shall include the plural and vice versa. Reference to persons shall include companies and corporations.

All references to dates and times are references to dates and times in Malaysia.

This Prospectus includes statistical data provided by various third parties and cites third-party projections regarding growth and performance of the industry in which the FFB Group operates. This data or information is taken or derived from information published by publicly available sources. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from the Company. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Ministry of Finance and Bank Negara Malaysia. The statistical data and projections cited in this Prospectus are useful in helping prospective investors understand the major trends in the industry in which the FFB Group operates. However, these figures have not been verified.

The FFB Group and its advisers do not make any representation as to the correctness, accuracy or completeness of such data. You should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections, including projections from the Ministry of Finance and Bank Negara Malaysia, cited in this Prospectus are subject to uncertainties that could cause actual data to differ materially from the projected figures. No assurance is given that the projected figures will be achieved.

The information on the website of FFB, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements which include all statements other than those of historical facts, including amongst others, those regarding the FFB Group's financial position, business strategies, plans and objectives for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other important factors beyond the control of FFB Group that could cause the actual results, performance or achievements of the FFB Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies and the environment in which the FFB Group will operate in the future.

Among the important factors that could cause the FFB Group's actual results, performance or achievements to differ materially from those in the forward-looking statements are those in Section 3 - "Risk Factors", Section 10 - "Historical Financial Information" and Section 12 - "Management discussion and analysis of financial condition and results of operations". Due to these and other uncertainties, no assurance is given that the forward-looking statements included in this Prospectus will be realised.

The FFB Group believes that the expectations reflected in such future statements are reasonable as at the date of this Prospectus. They also expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statements contained in this Prospectus to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances on which any such statements are based.

Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecast that are contained herein.

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DEFINITIONS

In this Prospectus, unless otherwise indicated, the following words and abbreviations shall apply throughout:

General definitions

| | |
|-------------------------|---|
| Act | - Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force |
| ADA | - Authorised Depository Agent |
| AED | - United Arab Emirates Dirham(s), the lawful currency of the United Arab Emirates |
| API | - The American Petroleum Institute |
| Application Form(s) | - The application form(s) for the application of the Special Issue Shares, Pink Form Shares and Offer Shares accompanying this Prospectus |
| AUD | - Australian Dollar(s), the lawful currency of Australia |
| Board | - Board of Directors of FFB |
| Bursa Depository | - Bursa Malaysia Depository Sdn Bhd (165570-W) |
| Bursa Securities | - Bursa Malaysia Securities Berhad (635998-W) |
| Bye-Laws | - The bye-laws containing the terms and conditions of the ESOS |
| CDS | - Central Depository System |
| CDS Account | - Account established for a depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the depositor |
| Director(s) | - Director(s) of FFB and shall have the meaning given in Section 4 of the Act (reference to the Directors in relation to the ESOS and Bye-Laws shall exclude the Non-Executive Directors) |
| DKK | - Danish Kroner, the lawful currency of Denmark |
| Eligible Employees | - An employee (including an Executive Director) of the FFB Group who meets the criteria of eligibility for participation in the ESOS Scheme as set out in Clause 4 of the Bye-Laws |
| Entitled Shareholder(s) | - Shareholder(s) of MEB who must be registered in the Record of Depositors of MEB on the Entitlement Date, except for the Excluded Parties |
| Entitlement Date | - At 5.00 p.m. on 23 June 2006, being the time and date which the shareholders of MEB must be registered in the Record of Depositors to be entitled to the Restricted Issue Shares |

DEFINITIONS (Cont'd)

| | |
|--------------------------|---|
| EPS | - Earnings per share |
| ESOS or ESOS Scheme | - Establishment of an employees' share option scheme of the Company for the granting of Options to the Executive Directors and Eligible Employees of the FFB Group to subscribe for such number of new FFB Shares representing up to 10% of the enlarged issued and paid-up share capital of FFB at any point in time during the subsistence of the scheme, based on the terms and conditions of the Bye-Laws |
| EUR | - Euro Dollar(s), the lawful currency of the European Union |
| Excluded Party/(ies) | - Person(s) who are excluded from the Public Issue as set out in Sections 2.5.1 and 2.5.3 of this Prospectus |
| Executive Director(s) | - Director(s) who is/are on the payroll and is/are involved in the day-to-day management of FFB and/or any of its subsidiary companies which are not dormant |
| FFA | - Favelle Favco Cranes Pty Limited (067 562 449) |
| FFB or the Company | - Favelle Favco Berhad (249243-W) |
| FFB Group or the Group | - FFB, its subsidiary and associated companies (reference to the FFB Group in relation to the ESOS and Bye-Laws excludes associated companies and subsidiary companies which are dormant) |
| FFB Share(s) or Share(s) | - Ordinary share(s) of RM0.50 each in FFB |
| FFM | - Favelle Favco Cranes (M) Sdn. Bhd. (351073-T) |
| FFME | - Favelle Favco Machinery & Equipment LLC (59449) |
| FFMgmt | - FF Management Pty. Limited (069 664 277) |
| FFS | - Favelle Favco Cranes Pte. Ltd. (199503800G) |
| FFU | - Favelle Favco Cranes USA, Inc. (01456696) |
| FIC | - Foreign Investment Committee |
| FIC Guidelines | - Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests issued by the FIC |
| Flotation Scheme | - Settlement, Share Split, Public Issue, Offer for Sale and Listing on the Second Board, collectively |
| FO | - Favco Offshores Sdn. Bhd. (339702-T) |
| Frost & Sullivan | - Frost & Sullivan Malaysia Sdn Bhd (522293-W) |
| FYE | - Financial year ended/ending 31 December |
| IPO | - Initial public offering, namely the Public Issue and Offer for Sale |
| IPO Price | - IPO price of RM0.55 per IPO Share |
| IPO Share(s) | - Public Issue Share(s) and Offer Share(s), collectively |
| KC | - Kroll Cranes A/S (78 94 47 14) |

DEFINITIONS (Cont'd)

| | | |
|-----------------------------|---|--|
| LAT | - | Loss after taxation |
| LBT | - | Loss before taxation |
| Listing | - | Admission to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up share capital of FFB of RM84,000,010 comprising 168,000,020 FFB Shares and such number of new FFB Shares to be issued upon exercise of the Options pursuant to the ESOS on the Second Board of Bursa Securities |
| Listing Requirements | - | Listing Requirements of Bursa Securities and any amendments thereto |
| LPS | - | Loss per share |
| MBC | - | Milperra Blasting and Coating Pty. Limited (074 580 037) |
| MEB | - | Muhibbah Engineering (M) Bhd (12737 - K) |
| MEB Group | - | MEB, its subsidiary companies and associated companies, collectively |
| MEB Share(s) | - | Ordinary share(s) of RM1.00 each in MEB |
| MI | - | Minority interests |
| MIH | - | Malaysian Issuing House Sdn Bhd (258345 - X) |
| MITI | - | Ministry of International Trade and Industry |
| NDP | - | National Development Policy |
| NTA | - | Net tangible assets |
| Offer for Sale | - | Offer for sale by MEB of 22,000,000 Offer Shares at the IPO Price, payable in full upon application comprising: <ul style="list-style-type: none"> (i) 19,800,000 Offer Shares reserved to Bumiputera investors approved by MITI; and (ii) 2,200,000 Offer Shares offered to identified investors by way of private placement. |
| Offer Share(s) | - | 22,000,000 FFB Share(s) to be offered pursuant to the Offer for Sale, subject to the terms and conditions of this Prospectus |
| Offeror | - | MEB, for the Offer Shares to be offered pursuant to the Offer for Sale |
| Option Committee | - | The committee appointed by the Board of the Company to administer the ESOS Scheme |
| Option(s) or ESOS 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 Bye-Laws |
| PAT | - | Profit after taxation |
| PBT | - | Profit before taxation |
| PE Multiple | - | Price earnings multiple |

DEFINITIONS (Cont'd)

| | |
|---------------------------|---|
| Pink Form Issue | - Issuance of 13,000,000 Pink Form Shares to directors and eligible employees of MEB, FFB and its subsidiaries and persons who have contributed to the success of FFB and its subsidiaries at the IPO Price |
| Pink Form Share(s) | - 13,000,000 new FFB Share(s) to be issued pursuant to the Pink Form Issue, subject to the terms and conditions of this Prospectus |
| Placement Shares | The 2,200,000 Offer Shares which was offered to identified investors by way of private placement |
| Promoters | - MEB, Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui, collectively |
| Public Issue | - Restricted Issue, Special Issue and Pink Form Issue, collectively |
| Public Issue Share(s) | - 48,000,020 new FFB Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus |
| R&D | - Research and development |
| Restricted Issue | - Renounceable restricted issue of 29,783,520 Restricted Issue Shares by FFB to shareholders of MEB on the basis of one (1) new FFB Share for every (5) existing MEB Shares held as at the Entitlement Date, at the IPO Price |
| Restricted Issue Share(s) | - 29,783,520 new FFB Share(s) to be issued pursuant to the Restricted Issue, subject to the terms and conditions of this Prospectus |
| RISF | - The Restricted Issue Subscription Form, being the form for the application of the Restricted Issue Shares accompanying this Prospectus |
| RHB Sakura | - RHB Sakura Merchant Bankers Berhad (19663-P) |
| RM and sen | - Ringgit Malaysia and sen respectively, the lawful currency of Malaysia |
| SAC | - Syariah Advisory Council of the SC |
| SC | - Securities Commission |
| SCA | - Securities Commission Act, 1993 or any statutory modification, amendment or re-enactment thereof for the time being in force |
| SC Guidelines | - Policies and Guidelines on Issue/Offer of Securities (including the Format and Content of Applications for Initial Public Offering) and any amendments thereof issued by the SC |
| Settlement | - Settlement of the net amount owing by the FFB Group to the MEB Group amounting to RM34.7 million as at 31 March 2006 |
| SGD | - Singapore Dollar(s), the lawful currency of Singapore |
| Share Split | - Share split of ordinary shares of RM1.00 each in FFB to ordinary shares of RM0.50 each in FFB by way of sub-division of the par value from RM1.00 to RM0.50 which was completed on 19 May 2006 |
| Special Issue | - Special issue of 5,216,500 Special Issue Shares placed to Bumiputera investors approved by MITI at the IPO Price |

DEFINITIONS (Cont'd)

| | |
|------------------------------|---|
| Special Issue Share(s) | - 5,216,500 new FFB Shares to be issued pursuant to the Special Issue, subject to the terms and conditions of this Prospectus |
| Underwriting Agreement | - Underwriting Agreement dated 31 May 2006 entered into between FFB and RHB Sakura |
| USA | - United States of America |
| USD | - United States Dollar, the lawful currency of USA |
| Technical definitions | |
| ICC | - Intelligent Crane Controller |
| ISO | - International Organization for Standardization |
| IIP | - Inspection Test Planning |
| MDR | - Material Documentation Requirement |
| MHP Technology | - Mechanical, Hydraulic and Pneumatic Technology |
| mT | - Metre Tonnes |
| PQR | - Procedure Qualification Record |
| QC | - Quality Control |
| RTG | - Rubber-Tyred Gantry |
| m ² | - Square metre |
| tonnes | - Metric Tonne |
| WPS | - Welding Procedure Specification |

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