18. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)

FAVELLE FAVCO
The Cranemakers

FAVELLE FAVCO BERHAD (249243-W)
Lot 586, 2nd Mile, Jalan Batu Tiga Lama
41300 Klang, Selangor D.E., Malaysia
Tel : +603-3349 5465 Fax : +603-3342 9807
Email : ffb@favellefavco.com.my

Registered Office:

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

26 June 2006

The Shareholders of Favelle Favco Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Favelle Favco Berhad ("FFB" or the "Company"), I report after due enquiry that during the period from 31 December 2005 (being the date to which the last audited financial statements of the Company and its subsidiary companies have been made up) to 22 June 2006 (being a date not earlier than fourteen days before the issue of this Prospectus) that:

(a) the business of the Company and its subsidiary companies has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company and its subsidiary companies;

(c) the current assets of the Company and its subsidiary companies appear in the books at the values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Company or its subsidiary companies;

(e) there have been, since the last audited financial statements of the Company and its subsidiary companies, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and

(f) save as disclosed in the Accountants' Report and proforma consolidated balance sheets in this Prospectus, there have been no material changes in the published reserves nor any unusual factors affecting the profit of the Company and its subsidiary companies since the last audited financial statements of the Company and its subsidiary companies.

Yours faithfully
For and on behalf of the Board of Directors of
Favelle Favco Berhad

MOHAMED TAIB BIN IBRAHIM
Chairman, Independent Non-Executive Director

(A MEMBER OF MUHIBBAH ENGINEERING)

(Prepared for inclusion in the Prospectus)

FROST & SULLIVAN

Frost & Sullivan Malaysia Sdn Bhd (522293W)
Suite E-08-15, Block E, Plaza Mont' Kiara
2 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Malaysia
Tel: +603.6204.5800 Fax: +603.6201.7402
www.frost.com

The Board of Directors

Favelle Favco Berhad

Lot 586, 2nd Mile, Jalan Batu Tiga Lama,

41300 Klang,

Selangor Darul Ehsan.

6 June 2006

Dear Sirs,

Executive Summary of the Independent Market Research Report on the Heavy-Duty Crane Market in the Global Crane Manufacturing Industry

This Executive Summary of the Independent Market Research on the Heavy-Duty Crane Market in the Global Crane Manufacturing Industry is prepared by Frost & Sullivan (M) Sdn Bhd for inclusion in the Prospectus of Favelle Favco Berhad ("Favelle Favco") in relation to the listing of Favelle Favco on the Second Board of Bursa Malaysia Securities Berhad. The report provides a special focus on the segment of industry in which Favelle Favco Berhad operates, with an overview of the oil and gas segment.

OVERVIEW OF THE GLOBAL ECONOMY

According to the latest indicative data from the International Monetary Fund ("IMF"), the economic growth rate for the world's real Gross Domestic Product ("GDP") in 2005 was estimated to be 4.3%, easing moderately from 5.1% achieved in 2004. The People's Republic of China (the "PRC") and India continues to take charge of the global economy in terms of growth expansion with an estimated rate of 9.9% and 7.1% respectively in 2005. Furthered by Japan's promising economic reforms and the relatively sustained economic growth in United States ("US") have helped fuel global consumer confidence. The growing optimism has been translated into increased domestic demand from the two economic giants resulting in an increased global private consumption.

The world economy is expected to sustain the current growth level at least until 2006 before picking up momentum - spurred by the increase in global private consumption coupled with growing industry production. The manufacturing industry particularly the electronic industry continues to churn up encouraging production data but the resurgence of commodity sectors particularly oil has kept the momentum in check. Information Technology ("IT") spending is expected to continue growing with more nations building up a knowledge-based economy. These trends suggest that the global economy is still expected to be growing albeit moderately, moving forward into 2006.

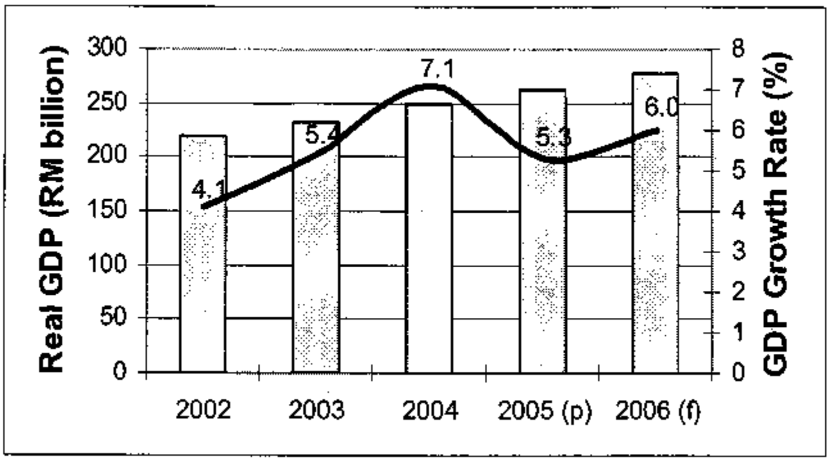
The prospects of the crane manufacturing industry improved in 2006 in line with the revival expectations of 2005. The North American crane market recovery has been relatively slow and is expected to grow at a steady rate in 2006. Similarly, Western Europe has witnessed modest economic improvement with Eastern Europe experiencing higher growth. Asia is seen as the leading region for the demand for cranes. The construction market in the PRC is booming due to widespread commercial construction in preparation for the Olympics 2008 in Beijing as well as the ongoing urbanization process, western region development and heavy government investment in infrastructures.

The turnaround in the major economies of the world indicates a bright future for the crane manufacturing industry as the user segments or areas of application, namely the construction, port/wharf, and offshore segments, are expected to witness gradual growth. The Asia-Pacific region, the PRC in particular, is expected to witness greater usage of tower cranes for construction. The same region is expected to be active for offshore pedestal cranes and port cranes in the offshore segment and port/wharf segment respectively. The expected increase in demand and growth in the offshore crane segment is primarily contributed by extensive petroleum exploration, new oil field developments and production platforms. The increase in demand for cranes for the port/wharf segment is expected to be largely driven by the heightened port activities contributed by the recovery in international trade, and the modernization of existing ports and new ports construction around the world. Prominent among the investing nations are the PRC, Malaysia, Western Europe and the US.

OVERVIEW OF THE MALAYSIAN ECONOMY

Malaysia, like most of the members in the ASEAN region, has managed to sustain its economic growth in 2005 albeit moderately as unfavourable external environment such as high oil prices impact negatively on its economy. The Malaysian economy entered 2006 on a slightly weaker but still commendable overall growth performance. Malaysia's GDP expanded by 5.3% in 2005 with most sectors of the economy registering positive growth rates apart from construction sector. Malaysia's economy has been expanding at an average annual growth rate of around 5.5% since 2002. Figure 1depicts Malaysian economy expansion rate from 2002 to 2006.

Figure 1: GDP Growth in Malaysia, (2002 – 2006(f))



Note: (p) preliminary, (f) forecast

Source: Bank Negara Malaysia

Growth was balanced and broad based, with most sectors of the economy, registering positive growth rates, except for the construction sector. Private consumer demand was sustained at a strong pace while the resilience in private investment further supported economic expansion. The public sector continued to take the opportunity of a favorable environment to consolidate its finances to more sustainable levels.

Figure 2: Real GDP Contributors by Sector in Malaysia (% change), 2003-2006

	2003	2004	2005 *(p)*	2006 *(f)*
Real GDP	5.4	7.1	5.3	6.0
Agriculture, forestry and fishery	5.6	5.0	2.1	2.0
Mining and quarrying	5.8	3.9	0.8	5.0
Manufacturing	8.4	9.8	4.9	7.0
Construction	1.5	- 1.5	- 1.6	1.0
Services	4.5	6.8	6.5	6.0

Note: (p) preliminary, (f) forecast

Source: Bank Negara Annual Report

Private consumption increased at a strong pace of 9.2% as positive developments in the economy, in particular, the increase in job vacancies, rising disposable incomes and the accommodative financing conditions supported the growth. While consumers are affected by higher fuel prices, there was a willingness to moderate their savings rate in order to maintain their level of consumption, further underscoring their confidence on income growth and positive outlook for the economy.

The construction sector continued to decline for the second consecutive year, contracting by 1.6% in 2005. The slowdown was mainly due to lack of new public related projects as a direct result of fiscal tightening initiatives taken by the Malaysian Government. However, strong demand for housing sustained activities in the residential construction segment. Ongoing projects related to power generation plants and ports provided much needed support for the civil engineering sub-sector. Meanwhile, an additional 17 new office buildings with a total space of 605,000 square meters were added to the office segment market. Strong private consumption activities have resulted in increasing demand for retail space. Retail space totalled 7.3 million square meters with the completion of an additional 209,000 square meters in 2005. As for residential sub-sector, additional 130,000 new residential units were constructed in 2005; bringing the total stock to 3.59 million units.

Near term outlook for construction sector received a timely boost from the recent Ninth Malaysia Plan ("9MP"), 2006-2010 announcements. A total of about RM200 billion has been allocated by the Malaysian Government under 9MP as overall development expenditures which is likely be a catalyst for an uptrend in local construction activities given construction sector linkage to overall economy. Recovery in construction is most welcomed after two-year long downturn. In addition, an allocation of RM9.5 billion has been set aside under 9MP for construction of affordable houses.

STRATEGIC ANALYSIS OF THE HEAVY-DUTY CRANE MARKET IN THE GLOBAL CRANE MANUFACTURING INDUSTRY

INTRODUCTION

The crane manufacturing industry can generally be categorized into 11 categories, each with a classification of its own. Each crane category has its own unique features and is designed specifically for the targeted user segment or area of application. Heavy-duty cranes are cranes designed and built for heavy industrial specifications and very heavy-lifting applications.

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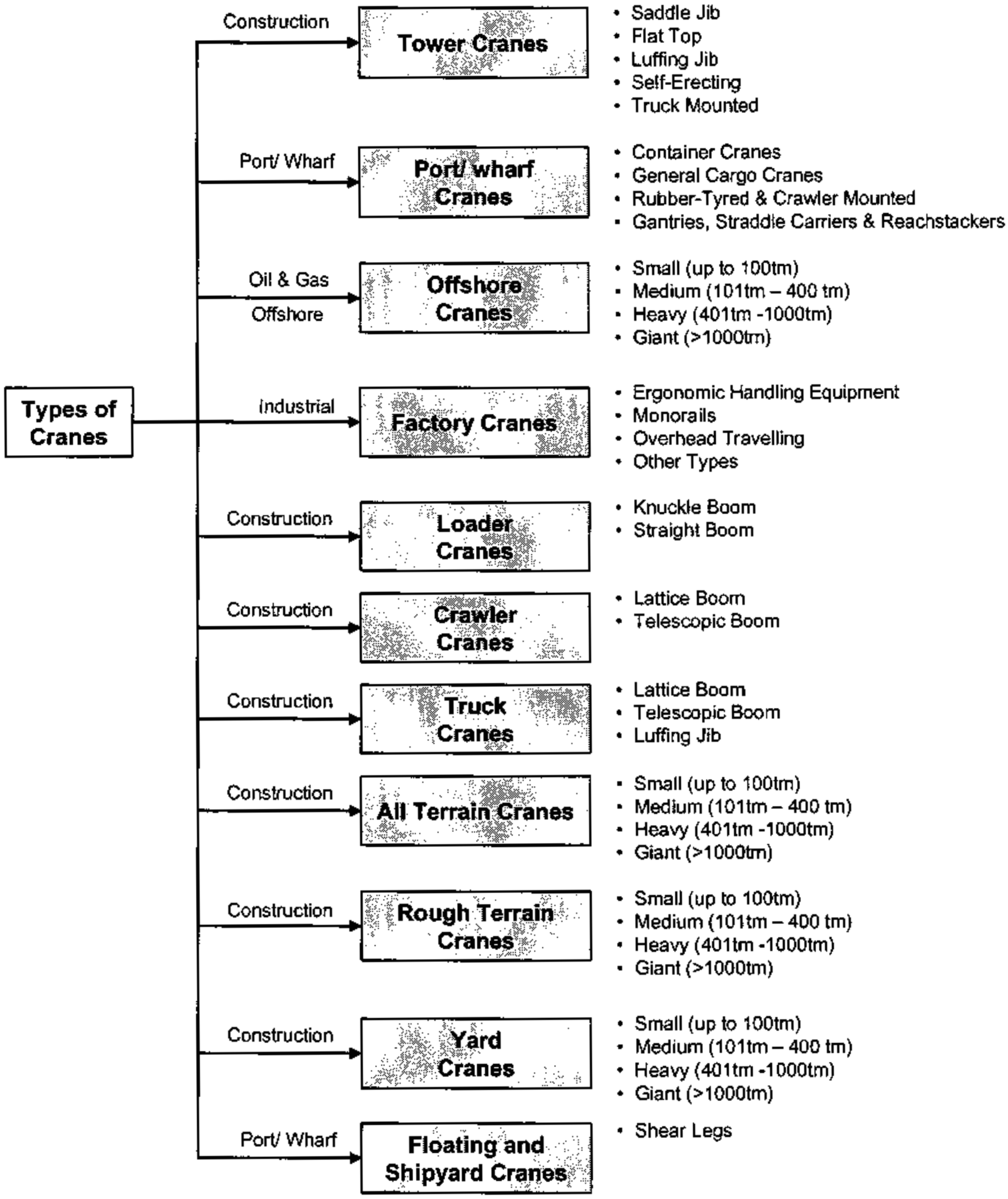
The heavy-duty cranes market is the primary growth market for the global crane manufacturing industry and comprises the categories of tower cranes, port/wharf cranes, and offshore cranes. This can be briefly illustrated in Figure 3.

Figure 3: Types of Cranes Available in the Crane Manufacturing Industry



Source: Frost & Sullivan

The heavy-duty cranes market comprises the categories of tower cranes, port/wharf cranes, and offshore cranes – which are the primary growth market for the global crane manufacturing industry. Technology is one of the key differentiators in the heavy-duty cranes market in the crane manufacturing industry. The manufacturers in these heavy-duty crane categories emphasize on crane technology to gain competitive advantage over their competitors.

Tower cranes are primarily used in the construction of tall structures. These cranes are assembled on the site of construction and usually remain there until the completion of construction works. Tower cranes are usually fastened to the ground using concrete and steel fasteners, and are dismantled upon completion of construction works. Tower cranes are used worldwide but its concentration is predominantly found in construction-oriented countries with growing scales fuelled by a healthy and/or developing economy. Presently, tower cranes are more popular in Asia-Pacific and Eastern European countries indicating significant construction activities in these regions.

Port/wharf cranes are used in the movement of container and bulk cargos in ports and wharves worldwide. Heavy loads are loaded and unloaded – from/onto the ships and from/into the shipyards – using port/wharf cranes. Due to growing international trade and the widely-used mode of sea transportation in the movement of international cargos, in the form of containerized cargos and/or bulk cargoes, the port/wharf cranes segment is fast becoming an area of growth for the crane manufacturing industry. This is predominantly evident in strategically located ports which are also positioned as shipment hubs in the Asia Pacific region and in Europe. Infrastructure developments and expansion at central or hub ports in view of expected high growth in shipments, especially in containerization, coupled with the development of larger capacity vessels and containers are expected to serve as a boon to the crane manufacturing industry. Traditionally the US and Europe have been large markets for port/wharf cranes.

Offshore cranes are used in the oil and gas platforms for petroleum exploration and production. These cranes are an inseparable part of the platforms as they handle the lowering of rigs in the sea-bed for exploration and production. Offshore oil exploration and production activity has traditionally been dominant in the US, the Gulf of Mexico, and Asia Pacific region.

There are a number of manufacturers in the heavy-duty cranes market in the crane manufacturing industry. The wide application areas and multiple categories of cranes being used in the heavy-duty cranes market have attracted a large number of crane manufacturers. The segmentation of these companies is based on the range of cranes offered in terms of load moment (measured in ton metres). The technology positioning by the crane manufacturers reflects the character of demand from the user segments or application areas. Many categories and sub-categories within the crane market are not technologically intensive and encourage proliferation of smaller manufacturers. The divergent sub-categories based on application and load moment ensures that different crane manufacturers have niche areas to cater for. Moreover, the regional and local manufacturers exercise influence(s) over a limited area.

Despite the presence of a large number of manufacturers in the heavy-duty crane manufacturing industry, the leading players (as illustrated in Figure 8) are clearly above others due to their competitive advantage by virtue of their wide range of cranes offering, load moment, technological advancement, and geographical presence. These are clearly the critical success factors in the heavy-duty crane manufacturing industry and pose high barriers of entry for new entrants.

Industry Structure

The global crane manufacturing industry can be segmented into two general categories. The first category comprises crane manufacturers which have grown to their present size through organic and inorganic routes. These manufacturers may have multiple interests in complementary industries like mining, construction equipment and material handling. They provide a specific product line for the different types of cranes, usually through either a subsidiary company or a specialized division. They dominate the crane manufacturing industry by virtue of their wide range of products or models to cater for the diverse user segments or application areas. These manufacturers are characterized by a global presence, product diversification and globally dispersed manufacturing units. Significant revenues from the crane manufacturing business and R&D investment are the other highlights of the crane manufacturers under this category. Manufacturers categorized under this category include Liebherr Group ("Liebherr") in Germany, Manitowoc Crane Group ("Manitowoc") in the US, Terex in Italy, and Favelle Favco Berhad ("Favelle Favco") in Malaysia.

The second category comprises crane manufacturers with dedicated presence in a specific cranes market or segment. These players offer limited but specified range of cranes and thus are present only in limited user segments or application areas. These dedicated crane manufacturers develop and cater specific cranes for their targeted user segment or application area. This category of crane manufacturers includes KCI Konecranes in Finland, Kobelco Construction Machinery Co Ltd ("Kobelco") in Japan, Seatrax Cranes ("Seatrax") in the US, Jaso Equipos De Obras y Construcciones SL ("Jaso") in Spain and Tadano Ltd in Japan.

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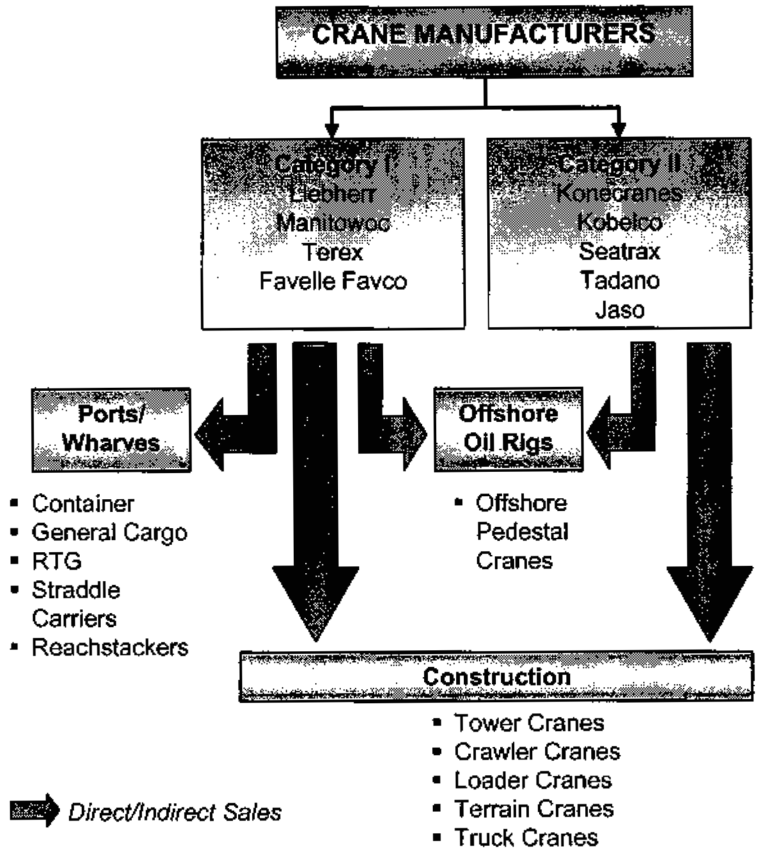
A simplified diagrammatic illustration of the industry structure for the heavy duty crane industry is as shown in Figure 4.

Figure 4: A Simplified Illustration of the Heavy Duty Crane Manufacturers Industry Structure



Source: Frost & Sullivan

The competitiveness in the cranes industry over the past years has led to some major consolidations and acquisitions. Some of these major acquisitions include:

- Favelle Favco's acquisition of Kroll Cranes, a tower crane manufacturer, in 1997;
- Manitowoc's acquisition of Potain SAS ("Potain"), a tower crane manufacturer, in 2001;
- Manitowoc's acquisition of Grove Crane ("Grove"), an all-terrain mobile crane manufacturer, in 2002;
- Hitachi and Sumitomo formed a joint-venture to manufacture and market their cranes under the "Hitachi-Sumitomo" brand name in 2002; and
- Terex's acquisition of Demag Cranes and Components ("Demag"), a mobile/crawler crane manufacturer, in 2002.

The acquisition of Kroll Cranes was a strategic move by Favelle Favco to penetrate new markets (specifically the European market) and expand its product range. Manitowoc's acquisition of Potain and Grove enabled it to offer a complete range of cranes from tower cranes to mobile cranes.

Moreover, Manitowoc is able to enter the European and Asian markets served by these companies. The acquisition of Demag has transformed Terex into one of the largest crane manufacturers in the global crane manufacturing industry.

Market Segmentation

The usage of cranes is widespread in industrial and commercial activities. These application areas can be segmented into 3 main sectors, namely:

Construction

(Involves construction of residential, commercial and industrial buildings and structures)

The worldwide construction market spending was estimated to be USD3.3 trillion in 2005 – where 73% of the total construction spending in 2005 was expected to be concentrated in 10 nations namely the US, United Kingdom ("UK"), Japan, Germany, PRC, Brazil, Italy, France, Spain, and Canada. The global economic growth has been dictating the growth of the construction industry. The high growth witnessed during 1999-2000 in the construction industry was followed by a downward trend since 2001. There was a gradual recovery in the crane industry in late 2002 but was largely confined to the PRC and India in Asia and moderately throughout Europe. Construction spending in the PRC and India is expected to increase above the global average. Growth is expected from 2002 onwards, and all major construction markets are expected to grow steadily up to 2009.

According to U.S. Department of Housing and Urban Development, a total of about 1.3 million new houses were sold in 2005, up 8.3% from around 1.2 million new houses sold in 2004. Number of housing has increased with a turnaround in the commercial and office construction although the industrial construction market has continued on its declining trend. In 2005, office and commercial property market was estimated to grow at a rate of 10% with the public works also expected to grow at a rate of 2-4%. Additionally the depressed industrial building construction is also expected to turn around. Overall the non-residential construction is expected to lead the recovery in the US construction market, with California – the largest construction market, expected to register the highest growth.

The Asia Pacific region is expected to witness tremendous growth opportunities over the next 8-10 years. The PRC and India are expected to lead the growth of the construction market in the Asia Pacific region in the future. According to Central Statistical Organisation, India's construction sector continues to expand by recording a growth rate of 12.5% for 2004/2005, an improvement from 10.9% in 2003/2004. This high growth rate is anticipated to continue till 2007 based on the government infrastructure initiatives for roads, bridges and power lines across the country. The impressive growth momentum of the construction market in the PRC witnessed in 2004 was repeated in 2005. According to the latest data from the National Bureau of Statistics, total investment in construction sector for the first eleven months of 2005 stood at 72.6 billion Yuan, up

4.5 percent over the same period last year. Meanwhile, the PRC's construction industry achieved a total output value of around 1.99 trillion Yuan for the first three quarters of 2005, up by 21.7 percent year-on-year. The PRC is expected to continue its impressive growth with abundant land for building factories, offices and commercial zones. Construction projects in Beijing for the 2008 Olympics and other construction projects are expected to contribute further to the current remarkable growth. According to the Beijing organizing committee for the 2008 Olympic Games ("BOCOG"), the Olympic venue construction is expected to cost around 16.1 billion Yuan. The urbanization process, western region development and heavy government investment in infrastructure are also some of the factors that are expected to positively impact the growth in construction sector.

The construction market in South East Asia is on the upswing. Growth in cement consumption is an indicator of the increased activity in the construction market. The leading markets in the Asia-Pacific region, Japan and South Korea, for construction are witnessing signs of recovery from a recessionary trend. In Malaysia, the Government's 9MP is expected to help reverse its construction sector contraction trend. Malaysian construction sector is projected to grow by 1% in 2006.

Central Asia holds promise with key infrastructure and oil and gas projects expected to provide an impetus to the construction market as well as the oil and gas market in this region. Australia and New Zealand also experienced strong demand for construction in 2004.

As architects and engineers experiment with new styles and building methods, taller and more innovative structures are springing up around the world. Crane technology has become a critical component in the construction segment as it enables the construction of huge and complicated structures. Figure 5 tabulates some of the key data for the Top Ten Tallest Buildings.

Figure 5: Top Ten Tallest Buildings in the World

List of Buildings (by height)	Height (m)	Completion Year
Taipei 101, Taipei, Taiwan	509	2004
Petronas Tower 1, Kuala Lumpur, Malaysia	452	1998
Petronas Tower 2, Kuala Lumpur, Malaysia	452	1998
Sears Tower, Chicago, U.S.	442	1974
Jin Mao Tower, Shanghai, China	421	1998
World Trade Center Tower 1, New York, USA	417	1972
World Trade Center Tower 2, New York, USA	415	1973
Two International Finance Center, Special Administrative Region, Hong Kong, China	415	2003
CITIC Plaza, Guangzhou, China	391	1997
Shun Hing Square, Shenzhen, China	384	1996

Note: The list considers all tallest buildings ever constructed and as such still includes World Trade Center Tower 1 and 2.

Source: Emporis Buildings

Ports/Wharves

(Involves handling of bulk cargo and containers)

Since the 1970s, there has been a continual upward trend in container traffic flow globally. International trade is currently growing at an estimated 4.0% annually. Globalization has been a major factor in the increasing volume of trade between nations worldwide. Trade through sea-route (ports) command the majority of trade volumes in international trade. Expansion of trade has led to increased container-port demand coupled with on-going containerized cargos and trans-shipment developments. It is estimated that the growing reliance on sea trade is likely to create a greater need for port infrastructure. Selected ports around the world are expected to act as mother vessel ports. Medium to smaller ports are expected to get connected to mother vessel ports thus multiplying the traffic. These ports need to have capabilities to handle mother vessels docking on the port. Increase in loads and variety of bulk cargoes are expected to be the highlights of mother vessel ports. Bigger vessels mean higher capacity. Logically, cranes technology and load capacity need to increase correspondingly to meet the needs in the market.

There are approximately 5,935 ports in the world of varying sizes capable of handling different volumes of cargo trade. The estimates on the world port traffic point towards an increase by 74% to 90%. This translates into approximately 420 million Twenty Foot Equivalent Unit ("TEU") by 2010. The East Asian container port demand is expected to witness a growth above the global average. Currently the container terminals at ports in the Middle East and Association of South East Asian Nations ("ASEAN") region have inadequate capacity and would require upgrades of their port infrastructure to handle the increased trade and traffic flow.

Offshore Oil and Gas Platforms

(Involves exploration and production of oil and gas from shallow and deep water resources)

Historically, demand for oil and gas support services was influenced by the prices of the underlying commodity, i.e. either oil or gas. In the past, periods of high prices of the said commodity led to an increase in exploration activities. This trend is due to major oil companies generating large revenues, which could be reinvested into new projects. Similarly, new activities were often put on hold during periods of low oil and gas prices, as lower margins forced the oil majors to conserve cash.

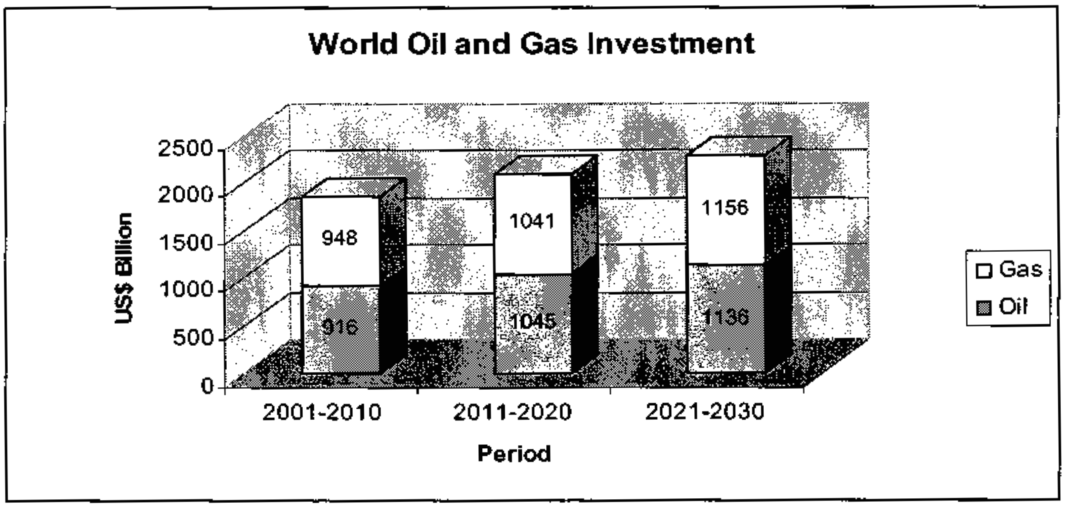
Recently, the positive correlation of high prices for the said commodity and its related activities is becoming more evident. Disruption in supply due to conflicts in the Middle-East and other uncertainties have exacerbated the situation leading to a shortage in oil supply and the consequent record-high "spot" oil prices. As a direct result, major oil producing countries such as Saudi Arabia have had to increase production in order to allay concerns of supply shortages.

High demand is further fuelled by the PRC and other developing countries with high productivity growth. The threat of production and supply disruption from Russia has further aggravated this situation, leading traders and purchasers to hedge on the said commodities, both in fear of the rising prices and in anticipation of high returns in investment, which further exacerbates the situation.

Moving forward, recent studies conducted by leading oil companies have shown that the overall global energy consumption is expected to grow around 40% in total from 2004/2005 to 2020. In terms of demand, this would represent an overall global energy consumption of around 215 million oil equivalent barrels per day in 2004/2005 to almost 300 million oil equivalent barrels per day in 2020. Such a scale of demand and usage of the oil and gas output makes it the world's largest industry. Therefore, the supply and demand of oil and gas is expected to have a large impact on the global economy.

In addition, energy sources that are expected to be consumed in the foreseeable future are likely to be largely derived from fossil fuels such as coal, oil and natural gas. It is expected that fossil fuels provide about 80% of the energy consumption in 2020 which translates into an increase of around 68 million oil equivalent barrels per day. This translates to an estimated eight times the size of the output of the world's largest petroleum producing country such as Saudi Arabia in 2005.

Figure 6: World Oil and Gas Investment, 2001-2030



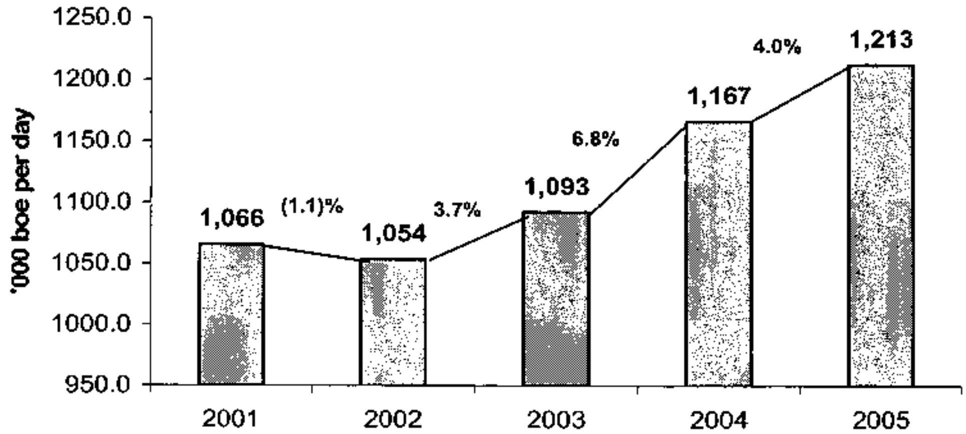
Source: Data from International Energy Agency

The highest increase in demand for energy is expected to come from the PRC. According to the U.S. Energy Information Agency ("EIA"), the PRC is the world's second largest consumer of petroleum products after the U.S., with total demand for oil of about 6.85 million barrels per day. In addition, the PRC's demand for oil is projected to reach 12.8 million barrels per day by 2025, with net imports of 9.4 million barrels per day. As the source of the world's growth in demand for oil, the PRC's oil demand is expected to play a significant role in the global oil markets throughout the forecast period.

The oil and gas industry consists of both, the upstream and downstream sectors. In Malaysia, the upstream sector represents the exploration, development, production, operation, maintenance and abandonment activities, whilst the downstream sector comprise of refining, blending, distribution and retailing. In addition, the production of oil and gas and refining activities supplies feedstock to the petrochemical industry. Petrochemicals industry in simplified terms consists of lighter hydrocarbon properties, which may not be used as fuels. These petrochemicals are used in the manufacturing of polymers and other plastic materials.

Domestic oil and gas production in 2005 was 1,213,000 barrels of oil equivalent ("boe") per day. The production figures from 2001 to 2005 are shown in Figure 7.

Figure 7: Oil and Gas production, 2001 – 2005 (Malaysia)



Source: PETRONAS

As of 1 January 2005, Malaysia's total reserves stood at 19.49 billion boe compared to 19.35 billion boe in the preceding year. The reserve life for Malaysia is an average of 19 years and 33 years for crude oil and natural gas reserves respectively, at current rate of production. It is expected that in the near future with more successful efforts in exploration activities, the oil and gas reserves could increase. Of the natural gas reserves, about 50% is located offshore Sarawak, 41% offshore east coast peninsular Malaysia and the remaining 9% offshore Sabah.

New found oil fields namely Gumusut, Kakap, Kenarong, Kikeh and Malikai have further lengthened local reserves from the previous estimated 15 years to 19 years. Meanwhile, new gas was discovered in Kanowit towards the end of 2005 and northwest of Miri early 2006. Continuous exploration activities within Malaysian waters are expected to further lengthen supply reserves in the future. In addition, the technology developments related to extraction in order to maximize the oil and gas production as well as improving the returns on investment in setting up the oil field could lead to an extension in the development and production lifecycle. These developments are anticipated to further boost the demand for maintenance services as well as marine support services. Petronas has already announced plans to increase oil production by 20% in total over the next ten years suggesting the exploitation of many new oil and gas fields which are likely to create many new business opportunities for the sector.

In Malaysia, the increase in price for crude oil is expected to lead to higher offshore activities, as companies would be more willing to invest in increasing production levels. The world's investment in oil and gas is forecasted to grow by 23% in total from the forecast period 2001-2010 to 2011-2020 and this is in line with the world's demand for energy which is forecasted to grow at nearly 2% annually.

Substitutes and Competing Products

There is currently no direct threat of substitution or competing product for cranes. However, factors such as price and the availability of used-cranes may induce competition within the crane manufacturing industry. Used-cranes can be a substitute and/or competing product in the crane manufacturing industry. The level of crane substitution largely depends on the cost of cranes, required capacity and application in the respective user segments. Used-cranes are suitable in circumstances where low cost and general cranes (or capacities) are priorities. Frost & Sullivan is of the opinion that used-cranes can only compete with general cranes, but should not affect the demand and competitiveness of customized cranes. The evolution of cranes technology and increasing sophistication of structures is expected to require the services of cranes which are customized to the required capacity, safety, specifications, and technology required.

Industry Life Cycle

The global heavy-duty crane manufacturing industry has reached a matured stage. Nevertheless, the industry remains extremely competitive and is likely to experience stages of stable growth in view of the increasing activities in the construction sector, port/wharf sector, and offshore sector. Globalization and market liberalization coupled with global economic recovery could potentially contribute to higher demand for heavy duty cranes. The increasing sophistication of structures and higher load capacity are expected to progressively place increasing importance in crane technology.

Dependence on Other Industries

The growth of the heavy-duty crane 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 condition, as well as the policies shaped by the respective governments.

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 effectively.

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

Market Share

The wide application areas and multiple categories of cranes being used in the market have attracted a large number of crane manufacturers. The technology positioning by the crane manufacturers is dictated by the characteristics of the user segments or application areas. Many categories and sub-categories within the crane market are not technologically intensive and as a result could potentially encourage the proliferation of smaller manufacturers.

Among all the category of cranes, technology acts as the primary differentiating factor in respect of the heavy-duty cranes. The heavy-duty cranes include tower cranes, port/wharf cranes and offshore cranes. There are a number of manufacturers in these crane categories. The divergent sub-categories based on application and tonnage meters make it impossible for a direct comparison among the manufacturers. Moreover, the presence of regional and local manufacturers and the influence they exercise over a limited area brings in an element of variability in visualizing the market.

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Based on data generated from secondary research, direct interaction with crane manufacturers and globally recognized crane magazine publishers, Frost & Sullivan has determined the leading manufacturers in the heavy-duty cranes industry and they are as listed in Figure 8.

Figure 8: Leading Heavy-Duty Crane Manufacturers for the Construction, Port/Wharves, and Offshore Crane Segments (in alphabetical order)

Tower Cranes	Port/wharf Cranes	Offshore Cranes
Construcciones Metalicas Comansa S.A. (Spain)	Ederrer LLC (USA)	Bailey BV Steelstructures & Cranes (Netherlands)
Favelle Favco Berhad (Malaysia)	Fantuzzi Regianne (Italy)	Effer S.P.A. (Italy)
FM Gru (Italy)	Favelle Favco Berhad (Malaysia)	Favelle Favco Berhad (Malaysia)
Ishikawajima Harima Heavy Industries (Japan)	Gottwald Port Technology GmbH (Germany)	Huisman Itrec (Netherlands)
Kroll Cranes A/ S (Denmark)	Ishikawajima Harima Heavy Industries (Japan)	Ishikawajima Harima Heavy Industries (Japan)
Liebherr Group (Switzerland)	Industrias Metalurgicas Pescarmona ("IMPSA") S.A.I.C.&F. (Argentina)	Italgru S.r.l (Italy)
MAN Wolffkran GmbH (Germany)	KCI Konecranes (Finland)	Kenz Cranes BV (Netherlands)
Manitowoc Crane Inc (USA)	Shanghai Port Machinery Plant (China)	Liebherr Group (Switzerland)
Shenyang Building Machinery Factory (China)	Sumitomo Heavy Industries Construction Crane Co Ltd (Japan)	National OilWell Inc. (USA)
Terex Group (USA)	Terex Group (USA)	Sumitomo Heavy Industries Construction Crane Co Ltd (Japan)
	ZPMC (China)	Seatrax Cranes (USA)

Source: Frost & Sullivan

COMPETITIVE ANALYSIS

The cranes market is catered by a large number of manufacturers who can be segmented into two main categories. The first category comprises large crane manufacturers which have grown to their present size through organic and inorganic routes. These crane manufacturers have a wide geographical presence complemented by a wide range of cranes offering. Advantages with these crane manufacturers include wide product range, technological edge, and global presence.

Manufacturers categorized under this category include Liebherr Group ("Liebherr") in Germany, Manitowoc Crane Group ("Manitowoc") in the US, Terex in Italy, and Favelle Favco Berhad ("Favelle Favco") in Malaysia.

The other category comprises crane manufacturers with dedicated presence in a specific crane market or user segment. These manufacturers cater to selected segments with a limited range but highly-specified product line. Strong distribution network in the given geography and better understanding of the user segment are their forte.

This category of crane manufacturers includes KCI Konecranes in Finland, Kobelco Construction Machinery Co Ltd ("Kobelco") in Japan, Seatrax Cranes ("Seatrax") in the US, Jaso Equipos De Obras y Construcciones SL ("Jaso") in Spain and Tadano Ltd ("Tadano") in Japan.

The heavy-duty crane manufacturing industry is constantly evolving technologically and manufacturers are constrained to invest more in R&D activities. Technology has become one of the primary differentiating factors for success in this industry. Emphasis on service support is also considered to be a criterion which determines the success of the manufacturers.

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 crane manufacturing industry.

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 witnesses 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.

Out of the various cranes manufacturers globally, Frost & Sullivan has managed to obtain financial information from five, namely Favelle Favco, Terex, Manitowoc, Tadano and KCI Konecranes. The figure below illustrates the financial information as follows:

Figure 9: Financial Information for Various Global Cranes Manufacturers (2004 - 2005)

	Favelle Favco Berhad	**Terex Corporation**	**Manitowoc Co. Inc.**	**Tadano Ltd**	**KCI Konecranes**
Financial Year End	31-Dec-05	31-Dec-04	31-Dec-05	31-Mar-05	31-Dec-05
Revenue (RM million)	335.65	18,288.64	8,212.36	3,240.57	4,377.43
Revenue from sale of cranes (RM million)	280.85	3,923.10	5,934.20	1,924.60	2,670.30
PBT (RM million)	8.96	537.02	269.24	178.18	153.76
Pre-tax profit margin	2.7%	2.9%	3.3%	5.5%	3.5%

Note:

(1) PBT – Profit Before Tax

(2) Financial numbers for Favelle Favco were obtained from Favelle Favco Berhad.

(3) Financial figures for Terex Corporation were obtained from the company's Annual Report on Form 10-K, US.

(4) Financial figures for Manitowoc, Tadano and KCI Konecranes were obtained from the company's respective Annual Reports as found on their individual websites.

(5) The figures above represent latest financial information available from different Financial Year End dates.

(6) Revenue and PBT figures are the total for the consolidated entity and do not reflect revenues/ PBT from sale of cranes only. Please note that these companies are also involved in the manufacture of other industrial vehicles other than cranes. These financial figures are not directly comparable.

(7) All financial figures are based on the latest available information.

Figure 8 outlines a comparison between Favelle Favco and the other four global cranes manufacturers in terms of pre-tax profit margin. Although Terex, Manitowoc, Tadano and KCI Konecranes have higher revenues and pre-tax profit compared with Favelle Favco, their respective pre-tax profit margin remains at only a single digit level as with Favelle Favco. This may be indicative of the financial performance of cranes manufacturers globally.

To the best of Frost & Sullivan's research and knowledge, Favelle Favco is the leading Malaysian crane manufacturing company in Malaysia offering cranes of diverse applications such as construction applications (tower cranes), port applications (port/wharf cranes), and offshore oil and gas applications (offshore cranes). Favelle Favco's capabilities to manufacture cranes for a wide range of applications with high technology and customization traits indicate that it faces limited direct competition in Malaysia. Foreign crane manufacturers, primarily from developed countries (mainly the US and Europe), pose the main competitive threat to Favelle Favco's market share in both the Malaysian and international markets for heavy-duty cranes. However, Favelle Favco also faces competition from smaller crane manufacturing or leasing companies for less technologically-advanced and non-customized cranes due to lower costs.

INDUSTRY DYNAMICS

CRITICAL SUCCESS FACTORS

The critical success factors expected to determine the success of any player in the heavy-duty crane manufacturing industry are as follows:

Range of cranes offered

- Cranes find applications in varied areas and each of these applications demand cranes with specific features. Most of the crane manufacturers, due to historical or technological reasons find strength in certain user segments. Manufacturers try to be present in all the major user segments and product segments. They seek to achieve this by both acquisitions and also new product development. This is amplified by the acquisitions made by Manitowoc and Terex cranes in the recent past. The range of cranes offered by the manufacturer is a yardstick to measure its dominance in the market and its successful presence.

Technology leadership

- The evolution of crane technology over the years ensures the aspects of reliability and safety standards are met. Manufacturers with the technological edge, in design and manufacturing, have grown to command larger market share. The increasing sophistication in building structures in the construction segment, increasing containerization volume in international sea trade and port modernization in the port/wharf segment, and new developments in deep water oil and gas exploration in the offshore segment, has shifted the paradigms of the level of technology required of cranes.

Price competitiveness

- Players in the international crane manufacturing industry faced intense competition in the late-1990s and early-2000s due to limited projects and low demand for cranes attributed by the global economic slowdown. The intense competition for market share forced crane manufacturers to differentiate themselves – primarily through price competitiveness. Given the gradual turnaround in most of the user markets and improved economic conditions leading to 2005, price competition in the heavy-duty crane manufacturing industry has stabilized. However, the price factor is only expected to have an impact on the demand for general cranes, but should not have a significant adverse impact on the demand for customized cranes.

Geographical presence (in emerging markets)

- Traditionally North America and Western Europe were considered to be the biggest markets for cranes. The recessionary trend prevailing in these two regions have diminished the prospects of the manufacturers catering to markets in these regions. Sensing the decline, manufacturers have acquired companies which have proximity to growing markets like Asia-Pacific and Eastern Europe. This has helped manufacturers in offering cranes best suited to the operational environment of these regions. It is unequivocally accepted that manufacturers with the right products mix and a fair presence in Asia-Pacific and Eastern European markets stand to gain.

KEY MARKET DRIVERS

Figure 10: Market Drivers Ranked in Order of Impact, 2006-2010

Rank	Market Driver	Short-Term Impact	Medium-Term Impact
		2006-2007	2008-2010
1.	Growth in investment for offshore exploration and production	Medium	High
2.	Heightened construction activity in Asia Pacific especially the PRC	Medium	High
3.	Construction activities in Russia and Eastern European countries	Medium	High
4.	Turnaround in North American and Western European economies	Medium	High
5.	Investment in sea-ports by various countries	Medium	High
6.	Proliferation of deepwater offshore oil and gas platforms	Medium	High

Source: Frost & Sullivan

Growth in investment for offshore exploration and production

- All the economies in the world are in search for newer sources of energy. Offshore fields are being explored and tapped for oil and gas. The offshore exploration and production platforms call for sophisticated machinery which includes specialized cranes for lifting. A part of the huge investment envisaged for this segment is expected to be utilized for the purchase of cranes by oil and gas companies in different regions. Significant exploration and production activities are being planned in the PRC, India, and Malaysia. As such, the potential for cranes is expected to remain high in the medium term.

Heightened construction activity in Asia Pacific especially the PRC

- The PRC has emerged as the economic powerhouse of the decade. The country is witnessing high growth due to rising Foreign Direct Investments and growth of the domestic industry. The construction industry has benefited from the heightened investment in infrastructure spending. The Olympics of 2008 slated to be held in Beijing has spurred huge investments in the construction sector. The booming demand in the PRC is expected to have a medium to high impact on the crane manufacturing industry in the short term and medium term respectively.

Construction activities in Russia and Eastern European countries

- Russia has formulated new policies to make housing affordable to a large section of the society. Eastern European economies have planned to invest heavily in infrastructure. The investment is expected to take place in both residential and commercial building construction. The growth in construction activity is expected to boost the sale of cranes in this region. The prospect from this market is expected to have a medium to high impact on the crane manufacturing industry in the short term and medium term respectively.

Turnaround in North America and Western European economies

- North America and Western Europe are gradually emerging from the recessionary trends witnessed in the last couple of years. The turnaround is expected to result in increased spending in public and private infrastructure. The construction industry is anticipated to grow and thus demand for cranes is expected to grow significantly in the short term before stabilizing in the long term.

Investment in seaports by various countries

- The increasing sea trade in heavy cargo has created the need for ports with capability to handle the traffic. Hence countries like the PRC, Malaysia, Netherlands, Germany and United Arab Emirates ("UAE") have chalked out plans to modernize their existing sea-ports to accommodate increasing and varying traffic needs. This potential is expected to have a medium impact in the short term and trigger a high impact on the crane manufacturing industry due to the significance of port activities (and international sea trade) worldwide.

Proliferation of deepwater offshore oil and gas platforms

- The increasing global demand for oil has triggered increased exploration efforts for deepwater oil field reserves. Successful discoveries of deepwater oil reserves have consequently resulted in the proliferation of deepwater offshore oil and gas platforms all over the world. Deepwater applications which were limited to 2000 meters have increased substantially to double the depth of approximately 4000 meters. Such deepwater activities require offshore cranes which are capable of operating at greater depths in the sea. This will potentially heighten demand for customized offshore cranes, and is expected to have a medium to high positive impact on the crane manufacturing industry during the forecast period.

KEY INDUSTRY RESTRAINTS

Figure 11: Market Restraints Ranked in Order of Impact, 2006-2010

Rank	Market Restraints	Short-Term Impact 2006-2007	Medium-Term Impact 2008-2010
1.	Need for investment in R&D due to demand for enhanced product characteristics	High	High
2.	Price competition affecting industry revenues	Medium	Medium
3.	Quality and safety requirement of different countries makes cranes standardization a difficult task	Medium	Medium

Source: Frost & Sullivan

Need for investment in R&D due to demand for enhanced product characteristics

- Users segments of crane are demanding enhanced features in the cranes. The expectations of users are focused on greater load carrying capacity, lighter weight of cranes coupled with better performance. The crane manufacturers are finding it difficult to offer these set of features with the existing cranes. Hence they need to make higher investments in R&D to meet these users' demands. This factor is expected to only accentuate with the passage of time as user environment and application areas become demanding in nature.

Price competition affecting industry revenues

- Crane manufacturers may resort to price competition during economic slowdown where there is a global decline in infrastructure projects and crane demand globally as the manufacturers attempt to retain their share of the market. This may have an impact on the margins. However, the price factor is only expected to have an impact on the demand for general cranes, but should not have a significant adverse impact on the demand for customized cranes. This restraint is expected to have a medium impact throughout the forecast period from 2006 to 2010.

Quality and safety requirement of different countries makes cranes standardization a difficult task

- Quality and safety requirements for cranes vary across different countries. Countries are becoming stringent in laws governing the quality and safety of cranes operations. Crane manufacturers operating in different countries are required to obtain different certifications to meet the respective country's laws and regulatory needs. This scenario is expected to change as the industry has taken steps towards a single standard for cranes. Hence this restraint is expected to wane in the long run.

BARRIERS TO ENTRY

High degree of expertise required for design and development of cranes

- The increasing complexity of construction designs has evolved the technological demands and development in crane manufacturing. Crane design and development, especially customized crane manufacturing, requires a high level of expertise to meet the demanding specifications required in the respective applications and also to meet the increasingly stringent safety levels imposed by the international bodies. This expertise can be acquired only through long years of industry experience. The heavy emphasis on technology and required expertise level acts as a deterrent for any prospective company entering the cranes market.

Cranes are considered as capital expenditure. High value of cranes results in customers favouring established companies for ensuring that the cranes purchased meet safety and quality requirements.

- Cranes are high value material handling equipment. The investment made by user segments in cranes is a result of intense deliberations. Safety and quality of the cranes are two important factors in the selection of cranes. Any compromise with them involves exposure to high risks for the users. Hence the user companies prefer to go with established companies in the crane market who have earned a fair name for themselves. This works as a barrier for any newcomer in the industry.

High safety standards prescribed for cranes discourage small companies from entering the market

- Safety is one of the foremost factors in crane operations. Different countries have enacted laws to govern the use of cranes. These laws require that cranes adhere to certain quality certifications. Since there is a lack of uniform standard, crane manufacturers have to obtain a number of certifications to meet the requirements of different countries, which adds to the overall costs. The prevalence of such laws and strict certifications makes it difficult for smaller companies to enter the market, as can also be illustrated by the standards prescribed by the American Petroleum Institute ("API") for offshore cranes.

Longer gestation period for projects favours only the companies with strong financial resources

- Cranes being high value investment invariably involves a longer decision making process at the users end. The higher the value of the crane, the longer is the decision making process. The user utilizes the information available on all the prospective suppliers before arriving at a decision. Only companies with enough resources can withstand the non-productive sales cycle.

GOVERNMENT DIRECTIONS AND LEGISLATION

There are no relevant laws and regulations which specifically govern the crane manufacturing industry in Malaysia.

GOVERNMENT POLICIES AND INCENTIVES

Machinery and equipment manufacturers in Malaysia can apply for incentives with the Malaysian Industrial Development Authority (MIDA). The section within MIDA's Investors' Guide which details the incentives for investment in the manufacturing sector is relevant for the crane manufacturing industry in Malaysia, particularly section 1.7 "Incentives for the Machinery and Equipment Industry". It is stated under sub-section 1.7.1 "Incentives for the Production of Specialised Machinery and Equipment" that companies undertaking activities in the production of specialised machinery and equipment such as material handling equipment and specialised/ process machinery or equipment for specific industries are eligible for:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of 10 years. Accumulated losses and unabsorbed capital allowances incurred during the pioneer period by companies whose pioneer status will expire on and after 1 October 2005 are allowed to be carried forward and deducted against post-pioneer income of a business relating to the same promoted activity or promoted product; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until the whole amount has been fully utilised. Promoted areas refer to the states of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia.

Meanwhile, it is stated under sub-section 1.7.2 "Additional Incentive for the Production of Heavy Machinery" that applications received from existing locally-owned companies that reinvest in the production of heavy machinery such as cranes from 13 September 2003 are eligible for the following incentives:

i. Pioneer Status with a tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years. Accumulated losses and unabsorbed capital allowances incurred during the pioneer period by companies whose pioneer status will expire on and after 1 October 2005 are allowed to be carried forward and deducted against post-pioneer income of a business relating to the same promoted activity or promoted product; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until the whole amount has been fully utilised.

SUPPLIER BASE AND RAW MATERIALS

The local content level of crane production in Malaysia constitutes around an estimated 50%. Although crane manufacturers in Malaysia still rely on imported key parts for the remaining 50% of content, the content can be sourced directly from overseas or through local suppliers, who may act through their own agents. Imports however, are not a critical issue for the manufacture of cranes as manufacturers can take the precautionary measures of enlarging their network of suppliers, as well as ensuring a sound relationship with suppliers.

TECHNOLOGY ADVANCEMENT

The growth of crane engineering technology has facilitated the movement of heavy materials to greater distances and heights. A crane is a machine for lifting and lowering a load and moving it horizontally, with the hoisting mechanism being an integral part of the machine. Cranes whether fixed or mobile, are driven manually or by power. Crane handles heavy loads which have to gain in height and also be transported over a certain distance in air. While the crawler cranes use hydraulic technology, tower cranes rely on electricity for its operations. Hydraulic cranes are the most widely used as they are used in mobile cranes which find application in different segments. Tower cranes use the latest control technologies for greater reliability as its application areas involve the construction of tall structures. Tower cranes have started to use wireless communications for remote operations of cranes thus minimizing the risk to operator.

Over the years, crane technology has undergone changes reflecting user characteristics and needs. Technology has been an important factor in determining the efficiency, safety and reliability of the cranes, being important attributes in crane operations. The safety of the operator and the surroundings and reliability of operations are equally critical. Throughput of operations is another factor acting as a driver for the usage of cranes. Some of the revolutionized technologies in the heavy-duty crane manufacturing industry include Programmable Logic Control, Load Indicators, New Hydraulic Design, Variable Frequency Drives, Remote Control, Boom Tip Cameras, and Structural Technology.

ECONOMIC PROSPECTS AND OUTLOOK

In 2005, the global economy expanded albeit moderately at estimated 4.3 percent. The signs of promising economic reforms in Japan coupled with the relatively sustained economic growth in US have helped fuel global consumer confidence. Acceleration in growth accompanied by a sharp pick-up in the development of the industrial countries and exceptionally rapid expansion in emerging markets, notably the PRC has been the hallmark of the recovery in global markets. This has been accompanied by a strong upturn in industrial production and global trade flows; a pick-up in private consumption growth underpinned by generally improving labour market conditions and continued strength in investment. These positive economic activities are translating into increased residential, commercial and industrial construction. As construction activities vault into high growth, heavy-duty cranes are expected to witness increase in demand, and thus sales. The construction of tall structures is expected to provide immense opportunities for the tower cranes segment. The tall structures are expected to be more prominent in the commercial and industrial segments. The construction market in the PRC is booming due to widespread commercial construction in preparation for the Olympics 2008 in Beijing as well as the ongoing urbanization process, western region development and heavy government investment in infrastructures. Countries in South East Asia, Western Europe and North America are also expected to provide growth opportunities for the tower cranes market as their economies strengthen further.

The port/wharf cranes market is expected to be driven by the increase in international sea trade. As international sea trade increases, so does port infrastructure. This includes modernization and enhancement of existing ports and development of new ones. Both create the need for enhanced port/wharf cranes which can handle the ever increasing size of cargos. Several central ports are expected to graduate to mother vessel ports to act as hubs for smaller ports. These mother vessel ports are expected to handle bulk loads which will require high end and technologically-enhanced heavy-duty cranes. As the mother vessel ports generate more traffic, the feeder ports are also expected to create demand for port/wharf cranes to meet the connected traffic. Ports development is expected to present greater opportunities by 2008.

The offshore cranes market is expected to ride on the global activities in exploration, new oil field developments and production platforms. Significant activities are taking place in the Russian offshore fields and in the Western African region. Apart from this, offshore exploration and production are expected to heighten off the coast of the Gulf of Mexico, PRC, and Malaysia. Since cranes are an inseparable part of offshore platforms, part of the total investments is expected to result in higher demand for offshore cranes in these projects.

On the downside, geopolitical uncertainties and jitters in the financial markets are keeping investors cautious throughout most parts of the world. Sudden reversals in capital flows can dampen investment sentiment sharply and weaken the growth momentum. Emergence of other flash points in the Middle East, terrorist reprisals and potential global outbreak of the Avian flu could also hamper construction activities and international sea trade via ports worldwide. This could potentially lead to lower sales volume and demand for heavy-duty crane manufacturers globally. In their efforts to maintain market share, the heavy-duty crane manufacturers resorted to price competition which resulted in a reduction in revenues and lower margins in the heavy-duty crane manufacturing industry. Despite the adverse effects of price competition on the heavy-duty crane manufacturing industry, Frost & Sullivan is of the opinion that the setback on sales margin had a more significant impact on general cranes rather than the high-technology customized cranes. Customized cranes boast of high technology edge in crane design and operational efficiency. These customized cranes are tailored for sophisticated and specific operations. Hence, the price elasticity of customized cranes should be higher and are expected to withstand a longer gestation of low demand. In short, customized cranes are more likely to be affected by low demand due to economic slowdown rather than price competition.

The global current account imbalances, with the US current account deficit increasing to 6.4% of its GDP in 2005 from 5.7% in 2004 are a concern for the global economy. Countries running huge current account surplus in US dollar terms such as the PRC, Japan and the Middle East oil exporters need to be wary of growing protectionist sentiment coming from US. Global inflation has remained at a moderately low level despite facing upward pressure from the high oil prices. However any sign of prolonging oil prices ascent could potentially harm the current world's trading equilibrium. Meanwhile all eyes are likely to be on the PRC's heating economy in the hopes for a smooth cooling. On the positive front, the sign of peaking interest rate hike in US is expected to further ease monetary tightening pressure on the rest of the world particularly major trading nations with large exposure to the US dollar. The road to expansion of global economy via private consumption is anticipated to be smooth again.

The heavy-duty crane manufacturing industry has gradually recovered. The recovery is mainly attributed to higher cranes demand and chalking steadier sales volumes. Coupled with the heightened activities in the developing nations, the prospects are encouraging.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and / or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,

Sanjay Singh

Frost & Sullivan (M) Sdn. Bhd.

20. ESOS BYE-LAWS

1. DEFINITIONS

1.1 Except where the context otherwise requires, the following expressions in these Bye-Laws shall have the following meanings:

"Act"	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Board"	:	The board of directors of FFB
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Bye-Laws"	:	The Bye-Laws governing the Scheme, as may be amended, varied or supplemented from time to time in accordance to Clause 18 hereof
"CDS"	:	Central Depository System
"Central Depositories Act"	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Director"	:	An executive Director of FFB and/or its Subsidiaries who is on the payroll and who is involved in the execution of strategic and operational decisions of FFB and/or its Subsidiaries
"Duration of the Scheme"	:	The duration of the Scheme shall be five (5) years from the effective date of the commencement of the Scheme as defined in Clause 19 hereof unless extended in accordance with Clause 19 hereof or terminated in accordance with Clause 20 hereof
"Eligible Employee"	:	An employee (including a Director) of the FFB Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
"ESOS"	:	Employees' share option scheme
"FFB Group" or "the Group"	:	FFB and its Subsidiaries, collectively
"FFB" or "the Company"	:	Favelle Favco Berhad *(Company No. 249243-W)*
"FFB Shares" or "Shares"	:	Ordinary share(s) of RM0.10 each in the capital of the Company
"Grantee"	:	An Eligible Employee who has accepted an Offer in the manner indicated in Clause 8 hereof
"Listing Requirements"	:	Listing Requirements of Bursa Securities
"Market Day"	:	Any day between Monday and Friday (inclusive) other than a day on which Bursa Securities is declared officially closed for trading
"Maximum Allowable Allotment"	:	The maximum number of new FFB Shares in respect of which Offers may be made to Eligible Employees, as provided in Clause 6 hereof

"Offer Date"	:	The date on which an Offer (including any subsequent Offers) is made by the Option Committee to an Eligible Employee to participate in the Scheme in accordance with the Bye-Laws
"Offer"	:	An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in Clause 5 hereof
"Option Committee"	:	The committee to be duly authorised and appointed by the Board to administer the Scheme
"Option Period"	:	A period commencing from the Offer Date for each Eligible Employee and expiring on a date which the Option Committee may in its discretion decide, provided that no Option Period shall extend beyond the Duration of the Scheme
"Option"	:	The rights of a Grantee to subscribe for new FFB Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in Clause 8 hereof, of an Offer made to such Eligible Employee pursuant to Clause 5 hereof
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"Rules of Bursa Depository"	:	The Rules of Bursa Depository as issued pursuant to the Central Depositories Act or any statutory modification, amendment or re-enactment thereof for the time being in force
"SC Act"	:	Securities Commission Act, 1993 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Scheme"	:	The scheme for the grant of Options to Eligible Employees to subscribe for new FFB Shares on the terms as set out herein
"Senior Management"	:	A person holding senior managerial position within the Group who is nominated at any time and shall be subject to criteria as determined by the Option Committee from time to time
"Subscription Price"	:	In respect of each Option, the price per share at which a Grantee shall be entitled to subscribe for new FFB Shares by exercising his Option as set out in Clause 7 hereof
"Subsidiary(ies)"	:	A subsidiary company of FFB as defined in Section 5 of the Act and for the purpose of the Scheme shall exclude subsidiary(ies) which is/are dormant and/or which have been divested by FFB in the manner provided in Clause 25 hereof

1.2 In these Bye-Laws, unless the context requires otherwise, words denoting the singular shall include the plural and words denoting the masculine gender shall include the feminine and neuter gender.

1.3 Any liberty or power which may be exercised or any determination which may be made hereunder by the Option Committee may be exercised at the Option Committee's discretion.

1.4 The headings in these Bye-Laws are for convenience only and shall not be taken into account in the interpretation of these Bye-Laws.

1.5 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the next Market Day.

2. NAME OF SCHEME

This Scheme will be named the "Favelle Favco Berhad Employees' Share Option Scheme".

3. MAXIMUM NUMBER OF SHARES ALLOWABLE UNDER THE SCHEME

3.1 Subject to Clause 3.2, the maximum number of new FFB Shares which may be allotted under the Scheme shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the Duration of the Scheme.

3.2 Notwithstanding the provision of Clause 3.1 nor any other provisions herein contained, in the event the maximum number of new FFB Shares comprised in the Options granted under the Scheme exceeds the aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company as a result of the Company:

(a) purchasing its own Shares in accordance with the provision of Section 67A of the Act, whereby the shares so purchased in treasury will not be taken into account in calculating the number of its issued and paid-up share capital;

(b) cancelling any FFB Share purchased by FFB or reducing its issued and paid-up share capital and thereby diminishing its issued and paid-up capital; or

(c) undertaking any corporate proposal which diminishes its issued and paid-up share capital,

then such Options granted prior to the adjustment of the issued and paid-up capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.

However, no further Offer shall be made to any Eligible Employee as long as the aggregate shares comprised in the number of Options offered exceeds ten per cent (10%) of the issued and paid-up share capital of the Company.

3.3 The Company will, for the Duration of the Scheme, keep available sufficient authorised and unissued Shares to satisfy all outstanding Options, which may be exercisable from time to time.

4. ELIGIBILITY

4.1 Any employee (including a Director) of the FFB Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:

(a) Has attained the age of eighteen (18) years;

(b) Is employed by and is on the payroll of a company within the FFB Group;

(c) Save for a Director, is employed for a continuous period of at least one (1) year in the Group and his employment must have been confirmed on the Offer Date;

(d) If an employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a Subsidiary upon such acquisition, the employee must have completed continuous service of at least one (1) year from the date that company becomes a Subsidiary, and his employment must have been confirmed on the Offer Date; and

(e) Fulfils any other criteria as may be set by the Option Committee from time to time.

4.2 Eligibility under the Scheme does not confer on an Eligible Employee a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Employee does not acquire or have any rights over or in connection with the Options or the new FFB Shares comprised therein unless an Offer had been made by the Option Committee to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.

5. OFFER

5.1 The Option Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make an Offer to any Eligible Employee whom the Option Committee may in its sole and absolute discretion select to subscribe during the Option Period for new FFB Shares in accordance with the terms of the Scheme. A set of criteria on eligibility shall be clearly specified and all Eligible Employees shall be made aware of it through notification in writing.

5.2 Nothing herein shall prevent the Option Committee from making more than one (1) Offer to any Eligible Employee provided always that, the total aggregate number of new FFB Shares comprised in the Offers shall not be less than one thousand (1,000) new FFB Shares but not more than the Maximum Allowable Allotment as set out in Clause 6 hereof and shall always be in multiples of one thousand (1,000) FFB Shares.

5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new FFB Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new FFB Share and the closing date for acceptance of the Offer.

5.4 No Option shall be granted to any Director of the Company and/or any person connected to a Director (as defined in the Listing Requirements), who is an Eligible Employee of the Group, unless specific grant of the Option to that Director and/or person connected shall have previously been approved by the shareholders of the Company in a general meeting, save that the Option may be granted to a Director and/or person connected to a Director prior to the admission of FFB on Bursa Securities.

5.5 Unless otherwise approved in writing by the Option Committee in its absolute discretion, any Offer which has not been accepted in the manner set out in Clause 8 shall automatically lapse and be null and void in the event the Eligible Employee shall cease to be employed for any reason whatsoever by the Group, or in the event the Eligible Employee shall have died or become a bankrupt prior to the acceptance of the Offer.

5.6 The Audit Committee of the Company shall verify the allocation of the Options, as being in compliance with the criteria as required pursuant to Clause 5.1, in respect of any Offers at the end of each financial year and that a statement by the Audit Committee verifying the allocation shall be included in the Company's Annual Report.

6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT

6.1 Subject to any adjustments which may be made under Clause 14, the aggregate number of Shares comprised in the Options to be offered to an Eligible Employee in accordance with the Scheme shall be determined at the discretion of the Option Committee after taking into consideration the Eligible Employee's performance, position, seniority and the number of years in service subject to the following:

(a) that the aggregate number of Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in Clause 3.1;

(b) that not more than fifty per cent (50%) of the Shares available under the Scheme at the point in time when an Offer is made shall be allocated, in aggregate, to Directors and Senior Management; and

(c) that not more than ten per cent (10%) of the Shares available under the Scheme at the point in time when an Offer is made shall be granted to any individual Eligible Employee who, either singly or collectively through persons connected with an Eligible Employee, holds twenty per cent (20%) or more in the paid-up capital of the Company.

The term "person connected with an Eligible Employee" shall have the same meaning given in relation to persons connected with a Director or major shareholder as defined in the Listing Requirements.

6.2 In the circumstances where the maximum allowable allotment as provided in the Listing Requirements on ESOS is amended by Bursa Securities from time to time, the Option Committee shall have the discretion to make the necessary adjustments so that the number of new FFB Shares comprised in an Option that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the Listing Requirements prevailing during the Option Period.

7. SUBSCRIPTION PRICE

7.1 The price at which the Grantee is entitled to subscribe for each new Share shall be based on:

(a) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Offer Date subject to a discount of not more than ten per cent (10%); or

(b) at the par value of the Shares;

whichever is higher.

7.2 Notwithstanding Clause 7.1 above, in the event the Offer is made to the Eligible Employees prior to the admission of FFB on Bursa Securities, the Subscription Price shall be the higher of the following:

(a) public issue price of FFB Shares as shown in the Prospectus of the Company; or

(b) the par value of the FFB Shares.

7.3 The Subscription Price shall be subjected to any adjustments in accordance with Clause 14 herein.

8. ACCEPTANCE OF THE OFFER

8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty days (30) calendar days from the Offer Date or such longer period as may be determined by the Option Committee on a case-to-case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. In the event that the Eligible Employee fails to accept the Offer within the prescribed period and in the manner aforesaid, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.

8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) or such other amount and/or in such other currency as may be determined at the discretion of the Option Committee as non-refundable consideration for Option.

8.3 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.

9. EXERCISE OF OPTIONS

9.1 Subject to Clause 9.2 hereof and as long as the Option remains valid, an Option may be exercised by the Grantee by notice in writing to the Company by the Grantee or its authorised agent (subject that such authorised agent must be recognised by the Company) or in such other manner as may be determined by the Option Committee during the Option Period in respect of all or any part of the new FFB Shares comprised in the Option, PROVIDED THAT where an Option is exercised in respect of a part of the new FFB Shares comprised therein, the number of new FFB Shares of which such Option may be exercised shall not be less than one thousand (1,000) and shall be in multiples of one thousand (1,000).

9.2 Subject to Clauses 10, 14, 19, 20 and 25 hereof and all other provisions relevant to the exercise of an Option, the Options granted to an Eligible Employee are exercisable in the following manner:

		←-------------------Year Options Granted-------------------------→					
		Year 1	Year 2	Year 3	Year 4	Year 5	
Cumulative percentage of Options exercisable during the Duration of the Scheme	Year 1	-	-	-	-	-	Note: For calculation of number of Options exercisable in a particular year, the number of Shares is rounded up to the nearest 1,000 Shares.
	Year 2	33.33%	-	-	-	-	
	Year 3	66.67%	33.33%	-	-	-	
	Year 4	100.00%	66.67%	66.67%	-	-	
	Year 5	100.00%	100.00%	100.00%	100.00%	100.00%	

The Option Committee may in addition, at any time and from time to time, before or after an Option is granted, limit or vary the exercise of the Option to a maximum number of new FFB Shares and/or such percentage of the total new FFB Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier ("Exercise Condition"). The Option Committee may, at their absolute discretion, vary the Exercise Condition where the Option Committee considers it no longer appropriate. Without prejudice to the generality of the foregoing, the Option Committee may impose an Exercise Condition that the Options granted shall only be exercised in such proportions as shall be determined by the Option Committee (in its absolute discretion at any time and from time to time) and notified in writing to the Grantee.

Where the maximum percentage of an Option exercisable within a particular year of the Scheme is not fully exercised by the Grantee, the percentage unexercised shall be carried forward to the following year and the maximum percentage of the Option exercisable in that year shall not exceed the aggregate of the percentage unexercised in the previous year and the exercisable percentage of that year, provided always that no Option shall be carried forward beyond the Option Period.

9.3 Every such written notice referred to in Clause 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new FFB Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee or any other period as may be prescribed by Bursa Securities, the Company shall allot such new FFB Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of Bursa Depository.

9.4 A Grantee who exercises his Option shall provide the Option Committee with his CDS account number or the CDS account number of his authorised nominee, as the case may be, in the notice referred to in Clause 9.1. The new FFB Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his authorised nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's authorised nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.

9.5 No Options shall be exercisable on and after the expiry of the Option Period.

9.6 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), the Option Committee shall have the right, in its discretion, to suspend the Grantee's Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:

(a) in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Option Period;

(b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and

(c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the Option Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.

9.7 The Board, the Option Committee, the Company and/or any officer of the Company shall not, under any circumstances, be held liable for any costs, losses, expenses and/or damages whatsoever or howsoever arising in any event, including but not limited, to the delay on the part of the Company in allotting and issuing the new FFB Shares or in procuring Bursa Securities to list the new FFB Shares on Bursa Securities for which the Grantee is entitled to subscribe.

9.8 Unless the Option Committee shall decide otherwise, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Clauses 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.

9.9 Every Option shall be subject to the condition that no new FFB Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

9.10 The Options shall not carry any right to vote at any general meeting of the Company.

10. TERMINATION OF THE OPTION

10.1 In the event of the cessation of employment of a Grantee with the FFB Group for whatever reason prior to the exercise of his Options or prior to full exercise of his Options, such Option shall cease immediately on the date of such cessation without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Option Committee in its sole discretion, if such cessation occurs by reason of:-

(a) retirement on attaining the retirement age under the FFB Group's retirement policy;

(b) retirement before attaining the normal retirement age but with the consent of the Board;

(c) redundancy or any voluntary separation scheme;

(d) ill-health, injury, physical or mental disability; or

(e) any other circumstances which are acceptable to the Option Committee,

such Option shall remain exercisable during the Option Period.

10.2 Subject to Clause 10.1 above, upon the resignation of the Grantee from his employment with the FFB Group, his remaining unexercised Options shall cease with immediate effect on the date of such cessation.

10.3 An Option shall immediately become void and of no further effect upon the Grantee being adjudicated a bankrupt.

10.4 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.

10.5 Where a Grantee dies before the expiry of the Option Period and at the time of his death held unexercised Options, such Options shall cease immediately on the date of such death without any claim whatsoever against the Company PROVIDED ALWAYS THAT, subject to the written approval of the Option Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death provided that such exercise shall be within the Option Period and shall not be later than twelve (12) months after the date of his death.

11. TAKEOVER

Notwithstanding Clause 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities:

(a) in the event a takeover offer for the Company, under the Malaysian Code on Take-overs and Mergers 1998, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer) ("Offeror") or any person acting in concert with the Offeror, then notwithstanding Clause 9 hereof, the Grantee shall be entitled, within such period to be determined by the Option Committee, to exercise in full or in part any Option as yet unexercised and the Board shall use its best endeavours to procure that such a general offer be extended to any new FFB Shares that may be issued pursuant to the exercise of the Options under this Clause; and

(b) in the event a person becomes entitled or bound to exercise rights of compulsory acquisition of FFB Shares under the provisions of the Act or the SC Act and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specific Date"), then notwithstanding Clause 9 hereof, the Option shall remain exercisable by the Grantee in full or in part until the expiry of the Specific Date. In the foregoing circumstance if the Grantee fails to exercise his Option or elects to exercise only part of his Option by the Specific Date, then the Option, or as the case may be the Option in relation to the balance thereof, shall automatically lapse after the Specific Date and be null and void.

12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

Notwithstanding Clause 9 hereof and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, then notwithstanding Clause 9 hereof, a Grantee may be entitled to exercise all or any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and shall become null and void.

13. RETENTION PERIOD

The new FFB Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period. However, the Grantees are encouraged to hold the FFB Shares as a long-term investment rather than for any speculative purpose and/or realisation or immediate gains.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of rights issues, bonus issues, capitalisation issues, consolidation or subdivision of shares or capital reduction or any other variation of capital, or otherwise howsoever taking place:

(i) the Subscription Price; and/ or

(ii) the number of new FFB Shares comprised in the Option in so far as the Option has not been exercised,

may be adjusted, PROVIDED ALWAYS THAT:-

(a) any adjustment to the Subscription Price shall be rounded down to the nearest RM0.01 and no adjustment to the Subscription Price shall be made which would result in the new FFB Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the new FFB Shares;

(b) upon any adjustment being made pursuant to this Clause, the Option Committee shall, within ten (10) Market Days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal or personal representatives, where applicable) in writing, informing the Grantee:

(i) of the adjusted Subscription Price in effect and/or the revised number of new FFB Shares to be issued on the exercise of the Option (in so far as the Option remains unexercised);

(ii) the effective date of such adjustment; and

(iii) the event giving rise to the adjustment; and

Any adjustment pursuant to this clause shall be made in accordance with the formulas as set out in the Schedule AND shall be effective on the day as set out in the Schedule.

14.2 Notwithstanding anything to the contrary contained in the Scheme, in the event that a fraction of a new Share arising from the adjustments referred to in Clause 14.1 hereof would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number of new Shares.

14.3 The provisions of this Clause shall not apply where the alteration in the capital structure of the Company arises from:

(a) an issue of new FFB Shares or any other convertible securities into new FFB Shares in consideration or part consideration for an acquisition of any other securities, assets or business;

(b) a special issue of new FFB Shares or any other convertible securities into new FFB Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with Government policy on Bumiputera capital participation;

(c) a private placement or restricted issue of new FFB Shares or any other convertible securities into new FFB Shares, by the Company;

(d) a share buy-back arrangement by the Company;

(e) any issue of new Shares arising from the exercise of any exercise or conversion rights attached to the issue of warrants, convertible securities or other instrument; or

(f) an issue of new FFB Shares upon the exercise of Options pursuant to the Scheme.

14.4 All adjustments (other than bonus issue) must be confirmed in writing by the external auditors of the Company (acting as experts and not as arbitrators) and such certification shall be final and binding in all respects.

15. QUOTATION OF SHARES

Upon any new Shares (if any) being allotted to the Grantee pursuant to an exercise of the Options, the Company shall make the necessary application to Bursa Securities within the stipulated timeframe as prescribed by the Listing Requirements for the listing of and quotation for such new FFB Shares and use its best endeavours to obtain permission and approval for such listing and quotation.

16. RIGHTS ATTACHING TO THE NEW FFB SHARES

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank pari passu in all respects with the then issued and fully paid-up Shares except that the Shares so allotted will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new Shares and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission and otherwise of the Shares.

17. ADMINISTRATION

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme.

The Board shall have the discretion and power at any time and from time to time as it deems fit to approve, rescind and/or revoke the appointment of any person in the Option Committee.

18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

Subject to the compliance with the requirements of Bursa Securities and any other relevant authorities, the Option Committee shall have the power at any time and from time to time by resolution to amend, at the recommendation of the Option Committee, all or any provisions of the Scheme. However, no such amendment shall be made which would alter to the advantage of any Eligible Employee or Grantee in respect of matters prescribed under Appendix 6F of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting where such approval is required by applicable laws.

Where an amendment and/or modification is made to the Bye-Laws of the Scheme, the Company shall submit to Bursa Securities, the amendment and/or modification to the Bye-Laws of the Scheme and a confirmation letter that the amendment and/or modification complies with the provision of the guidelines on ESOS as stipulated under the Listing Requirements and Rules of Bursa Depository no later than 5 Market Days from the effective date of the said amendment and/or modification.

The Grantees shall be given written notice in the form prescribed by the Option Committee from time to time of any additions, amendments to and/or modifications of these Bye-Laws within 5 Market Days of any of the foregoing taking effect.

19. EFFECTIVE DATE AND DURATION OF THE SCHEME

19.1 The effective date of the commencement of the Scheme shall be the date of full compliance with the Listing Requirements in relation to ESOS including the following:

(a) submission of a final copy of the Bye-Laws to Bursa Securities pursuant to the Listing Requirements;

(b) receipt of approval-in-principle for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options from Bursa Securities;

(c) receipt of approval of the shareholders' for the Scheme;

(d) receipt of any other relevant authority whose approval is necessary in respect of the Scheme; and

(e) fulfilment of all the conditions attached to the above approvals for the Scheme.

The Scheme shall be in force for a period of five (5) years from the effective date of commencement of the Scheme ("Date of Commencement"). However, an extension to the Scheme may be effected by the Company upon the recommendation of the Option Committee and receipt of approval of the shareholders for the extension, subject to an aggregate duration of ten (10) years from the Date of Commencement (or any other duration that is allowed by the relevant authorities). In the event the Scheme is extended and implemented in accordance with the terms of these Bye-Laws, the Option Committee shall inform the relevant parties of such extension, prior to the proposed extension of the Scheme.

19.2 Subject to the approval of the relevant authorities and the shareholders, the Company may establish a new employee share option scheme after the expiry of the current Scheme or if the current Scheme has been terminated during the Duration of the Scheme. An Eligible Employee who has been granted Options under the earlier Scheme may be allowed to participate in this new scheme, subject to the then bye-laws of the new scheme.

20. TERMINATION OF THE SCHEME

Notwithstanding the provisions of Clause 19, the Scheme may be terminated by the Company at any time during the Duration of the Scheme provided the following approval / consent are obtained:

(a) the consent of the shareholders at a general meeting wherein at least a majority of the shareholders present must have voted in favour of the termination; and

(b) the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

Whereupon the Options unexercised or partially exercised shall be deemed to have been terminated and be null and void on the date on which the last of the abovementioned condition is fulfilled.

21. GOVERNING LAW AND MULTIPLE JURISDICTIONS

The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with the Bye-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

In order to facilitate the making of any grant under this Scheme, the Board may provide for such special terms to Eligible Employees who are employed by the Company or any Subsidiary in a particular jurisdiction as the Board may consider necessary or appropriate to accommodate differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Employees pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the Option Committee in the Offer.

22. DISPUTES

In the event of any dispute or difference between the Option Committee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision (without any obligation to give any reasons therefor) given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the decision by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects.

23. COMPENSATION

23.1 An Eligible Employee or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.

23.2 No Eligible Employee or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws, as may be amended from time to time in accordance with Clause 18 hereof.

24. TRANSFERS/RECRUITMENT FROM OTHER COMPANIES TO THE GROUP

In the event that:

(a) an employee or a Director who was employed in a company related to FFB pursuant to Section 6 of the Act (being a company that is not a subsidiary of the Company) and is subsequently transferred/employed from such company to any company within the Group; or

(b) an employee or a Director who was in the employment of a company which subsequently becomes a subsidiary of the Company as a result of a restructuring or acquisition or otherwise involving the Company and/or any company within the Group;

(the first mentioned company in each of (a) and (b) is hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these Bye-Laws, be eligible to be considered for the offer of Options under the Scheme for the remaining Duration of the Scheme and subject to all the terms and conditions of these Bye-Laws. The Affected Employee shall also be entitled to continue to exercise all such unexercised option(s) which were granted to him under the employee share option scheme (if any) in which he was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the bye-laws of such Previous ESOS but he shall not, upon such transfer or restructuring or acquisition as the case may be, be eligible to participate for further options of such Previous ESOS unless the Affected Employee also remains eligible to participate in Previous ESOS as stipulated in the bye-laws of the Previous Company.

25. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment with a company in the Group which was subsequently divested wholly or in part from the Group which resulted in a subsequent holding of fifty per cent (50%) or less by the Group, then such Grantee:

(a) may be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a particular time frame determined within the Option Period at the discretion of the Option Committee, failing which the right of such Grantee to subscribe for that number of new FFB Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and

(b) shall not be eligible to participate for further Options under the Scheme.

26. COSTS AND EXPENSES

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new FFB Shares upon the exercise of any Option shall be borne by the Company.

27. NOT A TERM OF EMPLOYMENT

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee of the Group.

28. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

29. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Grantees are entitled to inspect the latest audited financial statements of the Company during normal office hours on any working day at the Registered Office of the Company.

30. WINDING UP

All outstanding Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

31. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Grantee under the Scheme shall be borne by the Grantee.

THE SCHEDULE

ADJUSTMENT TO THE SUBSRIPTION PRICE OR THE NUMBER OF SHARES

The Subsription Price and/or the number of Shares to be comprised in an Option in respect of the right to subscribe for new Shares as yet unexercised to which a Grantee may be entitled shall from time to time be adjusted, calculated or determined by the Option Committee and confirmed in writing by the external auditors (other than adjustments made pursuant to bonus issues) for the time being of the Company (acting as experts and not as arbitrators) in accordance with the following relevant provisions:

(a) If and whenever the Shares by reason of any consolidation or subdivision or conversion shall have a different par value, the Subsription Price and the additional Shares comprised in the Options as yet unexercised ("Additional Shares Under Options") shall be adjusted, calculated or determined in the following manner:

$$\text{New Subsription Price} = S \times \left[\frac{\text{Revised par value for each Share}}{\text{Original par value for each Share}}\right]$$

$$\text{Additional Shares Under Options} = T \times \left[\frac{\text{Original par value for each Share}}{\text{Revised par value for each Share}}\right] - T$$

where:

S - existing Subsription Price; and

T - existing number of Shares comprised in the Options in respect of the right to subscribe for new Shares as yet unexercised

The par value shall be adjusted to the revised par value.

Each such adjustment will be effective from the close of business of the Market Day next following the date on which the consolidation or subdivision or conversion becomes effective (being the date on which the Shares are traded on Bursa Securities at the new par value) or such other date as may be prescribed by Bursa Securities.

(b) If and whenever the Company shall make any issue of Shares to shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subsription Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Subsription Price} = S \times \left[\frac{A}{A + B}\right]$$

and the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[\frac{A + B}{A}\right] - T$$

Where:

A = the aggregate number of issued and fully paid-up Shares on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund);

S = as S above; and

T = as T above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for such issue.

(c) If and whenever the Company shall make:

(1) a Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets); or

(2) any offer or invitation to shareholders whereunder they may acquire or subscribe for Shares by way of rights; or

(3) any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in any such case, the Subsription Price shall be adjusted in the following manner:

$$\text{New Subsription Price} = S \times \left[\frac{C - D}{C}\right]$$

and in respect of the case referred to in paragraph (c)(2) hereof, the Additional Shares Under Options shall be adjusted, calculated or determined in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[\frac{C}{C - D^*}\right] - T$$

where:

S = as S above;

T = as T above;

C = the Current Market Price (as defined in paragraph (h) below) of one (1) Share on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing such announcement), immediately preceding the date of announcement of the entitlement date of the Capital Distribution or, as the case may be, of the offer or invitation (where appropriate), or any relevant date as may be determined by the Company in consultation with the external auditors of the Company; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for Shares or securities convertible into Shares or with rights to acquire or subscribe for Shares under paragraphs (c)(2) and (c)(3) above, the value of rights attributable to one (1) Share (as defined below); or (bb) in the case of any other transaction falling within this paragraph (c), the fair market value, as determined by the Company in consultation with the external auditors of the Company, of that portion of the Capital Distribution attributable to one (1) Share

For the purpose of sub-paragraph (aa) of D above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

C = as C above;

E = the subscription consideration for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares, the conversion value paid for conversion into one (1) additional Share, or the exercise price paid in connection with the rights to acquire or subscribe for one (1) additional Share;

F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or to acquire or subscribe for securities convertible into one (1) additional Share or rights to acquire or subscribe for one (1) additional Share; and

D* = the value of the rights attributable to one (1) Share (as defined below)

For the purpose of definition D* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where:

C = as C above;

E* = the subscription consideration for one (1) additional Share under the terms of the offer or invitation; and

F* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share

For the purpose of this paragraph (c), "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue (not falling under paragraph (b) above) of Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for such issue.

(d) If and whenever the Company makes any allotment to its shareholders as provided in paragraph (b) above and also makes any offer or invitation to its shareholders as provided in paragraph (c)(2) or paragraph (c)(3) above and the entitlement date for the purposes of the allotment is also the entitlement date for the purpose of the offer or invitation, the Subsription Price shall be adjusted in the following manner:

$$\text{New Subsription Price} = S \times \left[\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}\right]$$

and in respect of each case referred to in paragraph (b) and paragraph (c)(2) above, the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[\frac{(G + H^* + B) \times C)}{(G \times C) + (H^* \times I^*)}\right] - T$$

where:

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up Shares on the entitlement date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares, as the case may be;

H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscription consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;

S = as S above; and

T = as T above.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the date next following the entitlement date for such issues.

(e) If and whenever the Company makes any offer or invitation to the shareholders as provided in paragraph (c)(2) above together with an offer or invitation to the shareholders as provided in paragraph (c)(3) above, the Subsription Price shall be adjusted in the following manner.

$$\text{New Subsription Price} = S \times \left[\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C}\right]$$

and the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)}\right] - T$$

where:

C = as C above;

G = as G above;

H* = as H* above;

I* = as I* above;

J = the aggregate number of Shares to be issued to its shareholders upon conversion of such securities or exercise of such rights to acquire or subscribe for Shares by the shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share;

S = as S above; and

T = as T above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transactions.

(f) If and whenever the Company makes an allotment to its shareholders as provided in paragraph (b) above and also makes an offer or invitation to its shareholders as provided in paragraph (c)(2) above together with an offer or invitation to its shareholders as provided in paragraph (c)(3) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Subsription Price shall be adjusted in the following manner:

$$\text{New Subsription Price} = S \times \left[\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C}\right]$$

and the Additional Shares Under Options shall be calculated in the following manner:

$$\text{Additional Shares Under Options} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}\right] - T$$

where:

B = as B above;

C = as C above;

G = as G above;

H* = as H* above;

I* = as I* above;

J = as J above;

K = as K above;

S = as S above; and

T = as T above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the date next following the entitlement date for the above transactions.

(g) If and whenever (otherwise than pursuant to a rights issue available to all the shareholders alike and requiring an adjustment under paragraphs (c)(2), (c)(3), (d), (e) or (f) above), the Company shall issue any Shares, any securities convertible into Shares or securities with rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the Average Price (as defined in paragraph (h) below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, then the Subsription Price shall be adjusted in the following manner:

$$\text{New Subsription Price} = S \times \left[\frac{L + M}{L + N}\right]$$

where:

L = the aggregate number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the aggregate number of Shares which the Total Effective Consideration (as defined below) would have purchased at such Current Market Price (exclusive of expenses);

N = the aggregate number of Shares so issued or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights; and

S = as S above

For the purposes of this paragraph (g), the "Total Effective Consideration" shall be as determined by the Directors of the Company in consultation with the external auditors and shall be:

(1) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or

(2) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(3) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

Each such adjustment will be effective (if appropriate, retroactively) from the close of the Market Day immediately preceding the date on which the aforesaid Shares, or securities convertible into Shares or securities with rights to acquire or subscribe for Shares are issued, as the case may be.

(h) For the purpose of paragraphs (c), (d), (e) and (f), the "Current Market Price" in relation to each Share shall be the weighted average price of the Shares as transacted on Bursa Securities for the five (5) consecutive Market Days preceding such relevant date.

For the purpose of paragraph (g), the "Average Price" means the average price of one (1) Share as derived from the last dealt price for one (1) or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

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