4. INDUSTRY OVERVIEW

4.1 The Global Economy

In 2005, global economic expansion was sustained at a strong pace of 4.3%. Growth was remarkably resilient against the backdrop of higher oil prices, rising interest rates, large balance of payment imbalances and disruptions from natural disasters. While the economies of USA and China remained major drivers of growth, the recovery in Japan and the euro area in the second-half year gained momentum, providing additional support to the global economy. Consumer spending was sustained, reinforced to a significant extent by wealth effects, particularly from robust housing markets in several major economies. Reflecting robust demand conditions, stronger corporate financial positions and rising capacity utilisation, investment spending expanded further. Meanwhile, growth in the Asian region strengthened in the second half-year as the uptrend in the global electronics cycle became evident. Overall, higher global growth was reflected in the continued expansion in world trade, which rose at a strong pace of 7%.

Strong global demand was also a key factor in driving higher global commodity prices in 2005. While the relatively tight supply conditions and Hurricane Katrina drove oil prices to new peaks in the third quarter, the strong growth performance of the global economy also sustained demand. Overall, global growth exhibited greater resilience to energy shocks, with the effects in large part offset by productivity gains, continued income growth and wealth creation in tandem with improved energy efficiency and technological improvements during the recent two decades. Hence, while higher oil prices and commodity prices did have some impact on headline inflation, the effect was relatively modest as sustained improvements in productivity, the globalisation of production and the emergence of competitive sources of supply from several regions of the world helped to mitigate the pass-through effects.

Going forward, the outlook for 2006 is for global expansion to remain positive. World output and works trade are projected to expand at a firm pace of 4.3% and 7.4%, respectively in 2006. Global growth is expected to broaden across the major economies, with the economies of Japan and Europe playing a more significant role. In line with the expected pick-up in world trade and continued favourable global environment, the projection is for growth in the East Asian region to be sustained at a strong pace of 7.0-7.2%. Growth will be supported by the recovery in the electronics sector and continued strength in domestic demand. China's growth is expected to remain strong based on the favourable export sector and government measures to rebalance growth by promoting rural development and private consumption. Growth in the other Asian countries is also projected to improve following a more positive outlook of the export sector, strengthening fundamentals and prospects for higher investment.

(Source: Bank Negara Malaysia Annual Report 2005)

4.2 The Malaysian Economy

Notwithstanding the persistently high oil prices and the downturn in the global electronics cycle, real gross domestic product (GDP) expanded by 5.3%. Growth was private-sector driven and was underpinned by supportive macroeconomic policies and favourable financial conditions. The estimates indicate that the economy was on a balanced growth path in 2005 as potential output growth was sustained at 5.7%. Growth was balanced and broad based, with most sectors of the economy, (except the construction sector) registering positive growth rates. On a gross basis, foreign direct investment (FDI) increased to RM25 billion (2004: RM23.5 billion). The FDI inflows were seen mainly in the services, oil and gas and manufacturing sectors.

The Malaysian economy is expected to strengthen further in 2006. Real GDP is projected to grow at a faster rate of 6%, driven by strengthening exports and resilient domestic demand. The global semiconductor upcycle, sustained global growth and higher prices for primary commodities are expected to have positive effects on exports, as well as private consumption and investment.

(Source: Bank Negara Malaysia Annual Report 2005)

4. INDUSTRY OVERVIEW *(Cont'd)*

Economic growth in 2005 continues to be driven by domestic demand, fuelled by private sector activities and supported by rising exports. Of importance, private sector activities have expanded and continued to play a dominant role as the engine of economic growth.

The year 2006 will face greater challenges arising from high oil prices, tightening monetary policies especially in the USA, widening global imbalances as well as continued geo-political tensions and security concerns. Nevertheless, given the resilience of major economies, the global economy is expected to expand at 4.3%, supported by China and the USA.

The Malaysian economy is expected to maintain its growth momentum in 2006 in line with sustained private sector activities, favourable external environment and Government's continuing efforts to further diversify the economy through new sources of growth. Growth is expected to be broad-based with expansion in all sectors, driven by private investment spending and strong activities in the services sector. Accordingly, real GDP growth is forecast to expand by 5.5% in 2006.

(Source: Ministry of Finance Economic Report 2005/2006)

Overview of the Malaysian oil and gas industry

The increase in global crude oil prices during the year was supported by strong fundamentals. The market was influenced by a combination of high global demand and tight supply amidst lack of spare production capacity (2005: 1.5 million bpd; 2001: 4.5 million bpd) as a result of under-investment by major oil producing countries in the last few years. According to the International Energy Agency, global demand for crude oil in 2005 rose to 83.3 million bpd, mainly fuelled by demand from the US and China, while global supply was only slightly higher at 84.1 million bpd. Despite the Organisation of Petroleum Exporting Countries (OPEC)'s decision in July 2005 to effectively suspend its output quota system among the member countries by producing at 28 million bpd, the highest level in over 25 years, prices continued to remain high. The high prices were also partly due to the lack of refining capacities in the major consuming nations, particularly in the US, which had resulted in an inability to sufficiently produce refined petroleum products (such as gasoline and distillates) to meet the high demand during the summer and winter seasons. Consequently, the market was sensitive to movements in stock levels, particularly in the US, as it was a reflection of the risk of short supply.

During the year, market sentiment was also highly susceptible to events that could potentially disrupt supply given that the major producing countries were operating at close to full capacity. Thus, when Hurricane Katrina struck the US in late August, which saw the shutdown of about 70% of the supply in the Gulf of Mexico region, oil prices (West Texas Intermediate and Tapis Blend) soared close to the USD70 per barrel threshold. Market participants also remained highly sensitive during the year to geopolitical events occurring in major producing countries. The global benchmark oil prices, namely West Texas Intermediate and North Sea Brent, averaged higher at USD56.59 and USD54.86 per barrel, respectively (2004: USD41.40 and USD38.34 per barrel, respectively). The Tapis Blend ended the year at USD62.05 per barrel, which was almost USD20 higher than the price at 1 January 2005 (USD42.11 per barrel).

The Malaysian oil and gas industry received further boost in 2005 with new discoveries of oil and gas resources following some major discoveries offshore Sabah from 2002 through 2004. During the year, seven new offshore oil fields were discovered, of which four were in Sabah, two in Sarawak and one in Peninsular Malaysia. This brought the total number of oil fields discovered in Malaysia to 153. In addition, 12 new production sharing contracts (PSCs) were signed during the year, thus resulting in the total number of PSCs in Malaysia to increase to 59. In 2005, 54 exploration wells and 78 development and production wells were drilled.

Investment in the mining sector is expected to increase strongly, attributable to higher capital spending by the private oil companies operating in Malaysia. While spending on exploration and survey are mainly led by the companies involved in deepwater and ultra deepwater discoveries, companies involved in non-deepwater discoveries are moving from exploration activities to development activities and the setting up of production facilities. With new discoveries of oil and gas fields in recent years and new production sharing contracts signed, Petronas' capital outlays continue to be dominated by its upstream investment activities.

(Source: Bank Negara Malaysia Annual Report 2005)

4.3 Description of the crane manufacturing industry

The heavy-duty cranes market are the primary growth market for the global crane manufacturing industry.

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 specialised 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 characterised by a global presence, product diversification and globally dispersed manufacturing facilities. Significant revenues from cranes manufacturing business and R&D investment are the other highlights of the crane manufacturers under this category.

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.

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

4.3.1 Industry players, competition and its position within the industry

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 crane manufacturing market.

4. INDUSTRY OVERVIEW *(Cont'd)*

Based on data generated from secondary research, direct interaction with crane manufacturers and globally recognised crane magazine publishers, Frost & Sullivan has determined the leading manufacturers in the heavy-duty cranes industry which are as listed below (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)

Despite the presence of a large number of manufacturers in the heavy-duty crane manufacturing industry, leading players (as stated above) 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.

FFB 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). FFB's capabilities to manufacture cranes for a wide range of applications with high technology and customisation 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 FFB's market share in both the Malaysian and international markets for heavy-duty cranes. However, FFB also faces competition from smaller crane manufacturing or leasing companies for less technologically-advanced and non-customised cranes due to lower costs.

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

4.3.2 Relevant laws and regulations governing the industry

The major licences, approvals and permits held by the FFB Group in respect of the crane manufacturing industry are set out in Section 9.1 of this Prospectus.

There are no relevant laws and regulations which specifically govern the crane manufacturing industry in Malaysia. The quality and safety requirements for cranes vary across different countries. Countries are becoming stringent in laws governing the quality and safety of crane 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. *(Source: Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry by Frost & Sullivan, 2006)*

4.3.3 Demand and supply conditions

The growth of the heavy-duty cranes manufacturing industry is highly dependent on the growth of the end user industries. The major application areas within the heavy-duty crane manufacturing industry namely construction, ports and offshore platforms determine 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 deepwater oil and gas production, cranes have to keep up with the needs of exploration and production. Since the offshore cranes are specialised cranes, the demand for offshore cranes is largely dependent on new offshore discoveries.

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

The key market drivers as extracted from the Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry prepared by Frost & Sullivan are as follows:

- Growth in investment for offshore exploration and production;
- Heightened construction activity in Asia Pacific especially China;
- Construction activities in Russia and Eastern European countries;
- Turnaround in North America and Western European economies;
- Investment in seaports by various countries; and
- Proliferation of deepwater offshore oil and gas platforms.

The key industry restraints as extracted from the Executive Summary of the Independent Market Research on the Heavy-duty Crane Market in the Global Crane Manufacturing Industry prepared by Frost & Sullivan are as follows:

- Need for investment in R&D due to demand for enhanced product characteristics;
- Price competition affecting industry revenues; and
- Quality and safety requirement of different countries makes crane standardisation a difficult task.

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. Globalisation and market liberalisation 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.

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

4.3.4 Substitute 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 cranes manufacturing industry. Used-cranes can be a substitute and/or competing product in the cranes manufacturing industry. The level of crane substitution largely depends upon 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. It is opined 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 is expected to require the services of cranes which are customised to the required capacity, safety, specifications and technology required.

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

4.3.5 Industry's reliance on and vulnerability to imports

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.

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

4.4 Prospects and outlook of the industry

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 the USA 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 China 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.

4. INDUSTRY OVERVIEW *(Cont'd)*

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 China is booming due to widespread commercial construction in preparation for the 2008 Olympics in Beijing as well as the ongoing urbanisation process, western region development and heavy government investment in infrastructures and its inclusion in the World Trade Organisation. 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 modernisation 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, China 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, it is opined that the setback on sales margin had a more significant impact on general cranes rather than the high-technology customised cranes. Customised cranes boast of high technology edge in crane design and operational efficiency. These customised cranes are tailored for sophisticated and specific operations. Hence, the price elasticity of customised cranes should be higher and are expected to withstand a longer gestation of low demand. In short, customised cranes are more likely to be affected by low demand due to economic slowdown rather than price competition.

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.

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

5. INFORMATION ON THE FFB GROUP

5.1 History and background

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

The Company started business on 1 June 1995. The Group is principally engaged in the design and development of lifting technologies resulting in the manufacturing, rental and maintenance of lifting equipment and components. *Favelle Favco* cranes and *Kroll* cranes are two international brand names that form the core of the Group's business.

The FFB Group's history began in 1995 when MEB, a company listed on the Main Board of Bursa Securities, acquired the business and assets carrying the *Favelle Favco* crane brand name from its Australian owners. Through this acquisition, the FFB Group became the owner of the *Favelle Favco* brand name, which includes intellectual property, technical and trade know-how, goodwill, land and building and plant and machinery in Australia, Malaysia and Singapore.

The history of the *Favelle Favco* brand name began in 1962 when the Australian operations commenced. Today, *Favelle Favco* cranes have a track record spanning over 44 years. The table below sets out some of the world-recognised structures which were constructed or currently being constructed using the *Favelle Favco* construction tower cranes:

Building (by year)	Height (metres)	Completion year / expected completion year
World Trade Center Tower 1, New York, USA	417	1972
World Trade Center Tower 2, New York, USA	415	1973
Petronas Tower 1, Kuala Lumpur, Malaysia	452	1998
Petronas Tower 2, Kuala Lumpur, Malaysia	452	1998
Jin Mao Tower, Shanghai, China	421	1998
Two International Finance Centre, Hong Kong, Special Administrative Region, China	415	2003
Taipei 101, Taipei, Taiwan *(currently the tallest building in the world)*	509	2004
Shanghai World Financial Centre, Shanghai, China	492	2007
Mega Tower, Hong Kong, Special Administrative Region, China	490	2007
Burj Dubai, United Arab Emirates	(1)	2008

Note:
(1) *Approximately 800 metres.*

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

FFB's growth in the global lifting technology industry came partly as organic growth and partly through acquisitions. In 1996, FFB acquired a major product line, Manitex, from Manitowoc Inc., a company listed on the New York Stock Exchange. This provided FFB with the opportunity to penetrate into the offshore oil market segment, particularly in the Gulf of Mexico. FFB then acquired KC in 1997 in a strategic move to penetrate into and capture European markets.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

In 1998, FFB entered into a technical agreement with Caterpillar Industrial Products Inc of the USA to introduce a new product range, the crawler crane. In 1999, FFB entered into a technology and licensing agreement with Sumitomo Heavy Industries, Ltd. (Japan) to manufacture and market another range of cranes, the rubber-tyred gantry crane, which allowed FFB to enter the port/quay business segment.

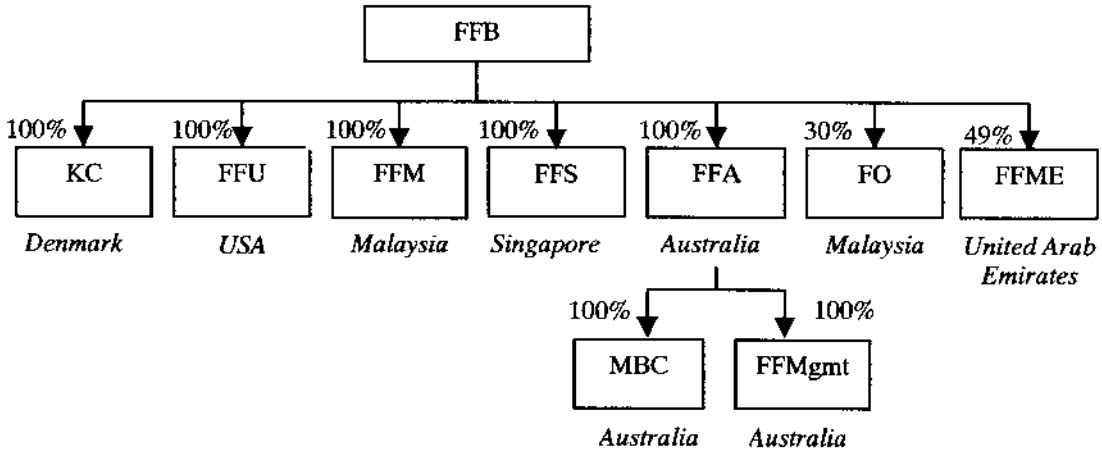
The marketing team is represented in its offices located in Malaysia, Singapore, Australia, Denmark, USA and United Kingdom. In addition, the FFB Group has its network of agents that markets its products worldwide. Its agents are located in many other countries and regions such as Brazil, China, Hong Kong, India, Indonesia, Korea, Middle East, New Zealand, Taiwan, Belgium, Netherlands, Eastern Europe and Russia.

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

The technology strength of FFB cranes is made up of the following areas of technology:

- Structural technology;
- MHP Technology; and
- Electrical, electronic and logic control technology.

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



The Company is principally an investment holding company. The table below sets out the list of its subsidiary and associated companies as well as their principal activities:

Companies	Place of incorporation/ date	Principal activities
Subsidiary companies		
KC	Denmark/ 1 September 1985	Design, manufacturing, supply, servicing, trading and rental of cranes
FFM	Malaysia/ 14 July 1995	Design, manufacturing, supply, servicing, trading and rental of cranes
FFU	USA/ 3 September 1997	Design, manufacturing, supply, servicing, trading and rental of cranes

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

Companies	Place of incorporation/ date	Principal activities
FFS	Singapore/ 2 June 1995	Sale and rental of cranes and sale of spare parts and services
FFA	Australia/ 16 December 1994	Design, manufacturing, supply, servicing and rental of cranes
held by FFA		
MBC	Australia/ 26 June 1996	Dormant
FFMgmt	Australia/ 31 May 1995	Management services
Associated companies		
FO	Malaysia/ 11 April 1995	Supply and servicing of cranes as well as rental of marine plant and equipment
FFME	United Arab Emirates/ 21 November 2004	Sale and rental of cranes and sale of spare parts and services

5.2 Flotation Scheme

FFB undertook a Flotation Scheme in conjunction with the listing of and quotation for the entire issued and paid-up share capital of FFB on the Second Board of Bursa Securities. The details of the Flotation Scheme are as follows:

(a) Settlement

The Company is settling the entire net amount owing by the FFB Group to the MEB Group which arose from trade and non-trade balances, which amounted to approximately RM34.7 million as at 31 March 2006. The non-trade balances were incurred by the FFB Group for their working capital requirements and R&D expenses.

The Settlement was effected in the following manner:

(i) amount owing to MEB of RM10,000,000 was capitalised into 10,000,000 new ordinary shares of RM1.00 each in FFB at par on 19 May 2006 as part of the Flotation Scheme;

(ii) RM8,500,000 is to be settled from proceeds to be obtained from the Public Issue; and

(iii) the remaining net amount owing of approximately RM16.2 million was settled from cash via bank borrowings on 5 June 2006.

Upon completion of the capitalisation exercise, the issued and paid-up share capital of FFB increased from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM60,000,000 comprising 60,000,000 ordinary shares of RM1.00 each.

(b) Share Split

Subsequent to the completion of the capitalisation exercise as part of the Settlement, a share split exercise involving a change in the par value of FFB's ordinary shares from RM1.00 each to RM0.50 each, by way of sub-division of the par value of each existing ordinary share of RM1.00 each in FFB, was undertaken and completed on 19 May 2006.

As a result, the share capital of FFB is RM60,000,000 comprising 120,000,000 ordinary shares of RM0.50 each.

(c) Public Issue

In conjunction with the flotation of FFB on the Second Board of Bursa Securities, the Company will issue 48,000,020 Public Issue Shares at the IPO Price, in the following manner:

(i) Restricted Issue

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

(ii) Special Issue

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

(iii) Pink Form Issue

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

(d) Offer for Sale

MEB shall also undertake an Offer for Sale of 22,000,000 Offer Shares at the IPO Price comprising:

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

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

The Offer for Sale will generate gross proceeds of RM12,100,000 which will accrue entirely to MEB.

(e) Listing

The entire enlarged issued and paid-up share capital of RM84,000,010 comprising 168,000,020 FFB Shares and such number of new FFB Shares that may be issued upon the exercise of the Options pursuant to the ESOS (details of which are set out in the following section), shall be listed and quoted on the Second Board of Bursa Securities.

5.3 ESOS

The purpose of the ESOS is to motivate, retain and reward Eligible Employees who have contributed to the growth and success of the FFB Group. The approval-in-principle from Bursa Securities has been obtained on 14 November 2005 for the listing of such number of new Shares representing up to 10% of the issued and paid-up share capital of FFB, to be issued pursuant to the exercise of Options under the ESOS.

The ESOS will allow the granting of Options to the Eligible Employees of the FFB Group to subscribe for such number of new Shares representing up to 10% of the enlarged issued and paid-up share capital of FFB at any point in time during the subsistence of the ESOS Scheme.

Based on the Listing Requirements, the effective commencement date of the ESOS shall be the date upon full compliance of the following:

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

(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) procurement of shareholders' approval for the scheme;

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

(e) fulfilment of all the conditions attached to the above approvals, if any.

The ESOS shall be in force for a period of five (5) years from the effective date, subject to any extension upon the recommendation of the Option Committee and receipt of approval from the shareholders of FFB, for a further period of five (5) years commencing from the day after the date of expiry of the original five (5) year period.

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank equally in all respects with the Company's existing issued and paid-up share capital including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment and will be subject to all the provisions of the Articles of Associations of the Company relating to the transfer, transmission and otherwise of the Shares.

Under the Listing Requirements, the exercise price of any Options that are intended to be issued as part of the listing scheme should be set at a price not lower than the initial public offer price. Accordingly, where the Options are granted before the Company is listed on Bursa Securities, the exercise price of the Option shall not be less than the IPO Price.

Where the Options are granted on or after the Company is listed on Bursa Securities, the exercise price shall be the higher of:

(i) the weighted average market price of FFB Shares for the five (5) market days immediately preceding the date at which the Options are granted to an Eligible Employee with an allowance for a discount that does not exceed 10%; or

(ii) the par value of FFB Shares.

The ESOS will be established after the issuance of the Prospectus but prior to the Listing. The Board intends to grant such number of Options comprising up to 10% of the issued and paid-up share capital of FFB prior to the Listing at an exercise price of RM0.55 per FFB Share. These Options are only exercisable one (1) year after the Options have been granted.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

In addition, the Board intends to utilise the proceeds from the exercise of the Options pursuant to the ESOS, as and when received, for working capital purposes.

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

5.4 Share capital

As at 23 May 2006, the authorised share capital of FFB is currently RM500,000,000 divided into 1,000,000,000 FFB Shares, of which RM60,000,000 comprising 120,000,000 FFB Shares are issued and fully paid-up.

The changes in the issued and paid-up share capital of FFB since incorporation and up to 23 May 2006 are as follows:

Date of allotment	No. of ordinary shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
22.09.1992	2	1.00	Cash	2
30.12.1995	11,999,998	1.00	Cash	12,000,000
10.10.1996	6,000,000	1.00	Cash	18,000,000
28.12.2001	32,000,000	1.00	Cash	50,000,000
19.05.2006	10,000,000	1.00	Capitalisation of net amount owing to MEB	60,000,000
19.05.2006	-	0.50	Split of par value	60,000,000

As at 23 May 2006, there is no outstanding warrant, option, convertible securities and uncalled capital in FFB. However, the Company is implementing the ESOS Scheme in conjunction with its IPO. See Section 5.3 above for the details of the ESOS.

5.5 Business Overview

5.5.1 Products and Services

The FFB Group is involved in the design, manufacturing, supply, servicing, trading and rental of customised cranes. The Group also offers a full range of services including conceptual design, technical advice, product support and after sales services.

(i) Customised/Engineered Cranes

The Group designs and develops engineered cranes according to certain specifications to meet its customers' unique performance requirements that may not be achieved by standard cranes. The Group supplies lifting solution to three main industries, as follows:

- Oil and gas;
- Construction; and
- Ports/wharf.

Favelle Favco engineered cranes typically have relatively high load and high-speed capabilities, as well as various failsafe and automation functions. Each model features different levels of technology, load capacity, prices and accessories or functions as these depend on customers' unique preferences.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

Although each crane is specifically configured to meet the customer's particular needs, the Group's range of products can be broadly categorised as follows:

(a) Offshore Cranes

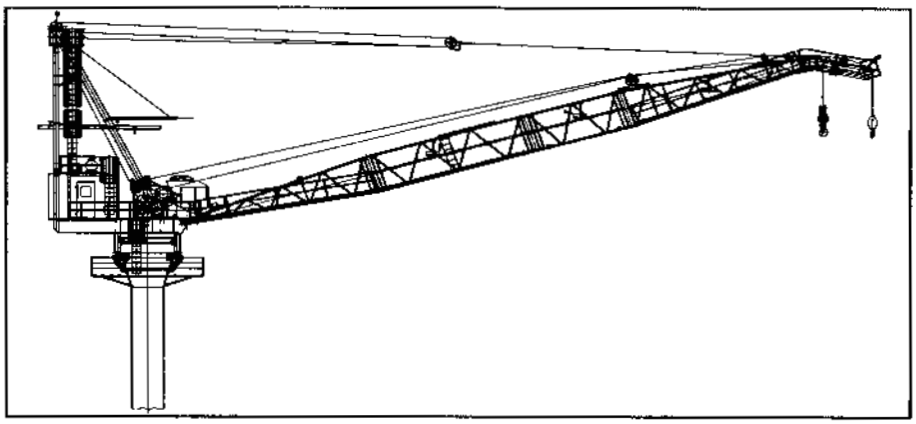
Offshore cranes are used in offshore oil and gas rigs (platform, jack-up, oil and gas vessel, etc) for exploration, drilling and production purposes. Other than lifting within the rig, it is also used for material handling between the rig and the supply vessel. Sometimes, it is used for lifting human personnel as well.

The Group designs, develops and produces a complete range of cranes to meet the demands of the offshore oil and gas industry. They range from large semi-submersible with a lifting capacity of 330 tonnes to small unmanned cranes mounted on wellhead platform with a lifting capacity of 5 tonnes. The larger cranes are used on mobile and fixed platforms. The smaller series are used as service cranes, wellhead cranes and workboat cranes.

The former Manitex range which was acquired from Manitowoc Inc. has been incorporated into the existing *Favelle Favco* range and is now marketed under the *Favelle Favco* brand name. *Favelle Favco* cranes are now in service in the Persian Gulf, Middle East, North Sea, Indonesia, Australia, North America, South America, China and South East Asia. FFB has supplied some of these cranes since early 1970s and has since been continually providing product support services to support its operations.

The offshore range of cranes is a major product line of the FFB Group. This product line contributed to approximately 50% of the total audited consolidated revenue of FFB for the FYE 2005.

The following diagram shows a typical offshore oil and gas industry crane:



Offshore Pedestal Rope Luffing Crane

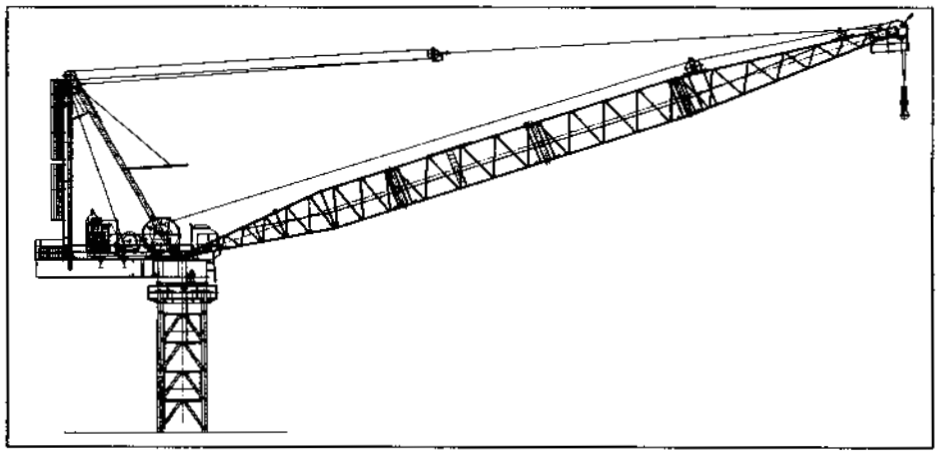
(b) Construction Tower Cranes

A construction tower crane is mainly used in construction sites to lift building materials and equipment. A steel column called towers supports the crane's upper structure. The height of the tower depends on the job site requirement, i.e. the higher the building to be constructed, the higher the tower required.

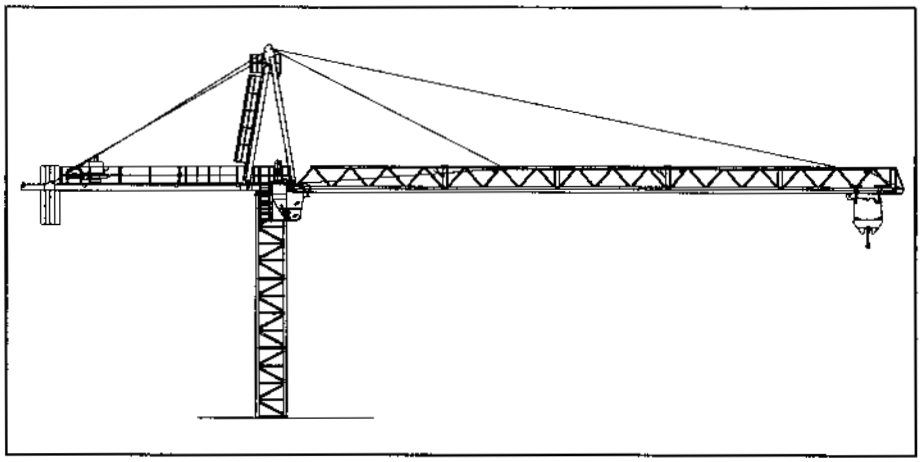
The Group's tower cranes carry either the *Favelle Favco* or *Kroll* brand names. *Favelle Favco* tower cranes are generally heavy lifting, diesel hydraulic luffing boom cranes (see the first diagram below). The standard range of lifting capacity varies from 60 mT up to 2,000 mT lifting capacity.

The standard *Kroll* engineered crane range varies from 70 mT up to 10,000 mT lifting capacity. Apart from building construction, Kroll cranes are also designed for the construction of dams and power plants and for use in shipyards.

The following diagrams show typical construction tower cranes:



Luffing Construction Tower Crane



Hammerhead Construction Tower Crane

(c) Crawler Cranes

A crawler crane is mounted on an under-carriage track and is able to travel in very rough landscapes. It is normally used in the construction industry where mobility but not height is required.

FFB's jointly developed the crawler range with Caterpillar Industrial Products Inc. from the USA. It combines the lifting technology of *Favelle Favco* cranes with Caterpillar's crawler technology.

There are five models available under this range, as follows:

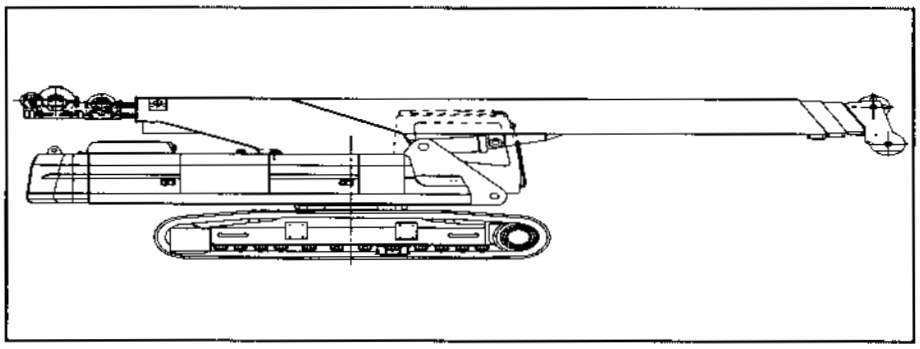
	Model	Type	Lifting capacity (tonnes)
1.	Favco30T	Telescopic boom unit	30
2.	Favco40T	Telescopic boom unit	40
3.	Favco60T	Telescopic boom unit	60
4.	Favco60L	Lattice boom crane	60
5.	Favco50PL	Pipelayer crane	50

The *Favelle Favco* range of hydraulic telescopic and lattice crawler cranes combine various technologies with a Caterpillar excavator undercarriage.

Users of *Favelle Favco* crawler cranes can benefit from the:

- access to Caterpillar's established worldwide network of services should the undercarriage require servicing due to wear and tear.
- ability of the crawler engines to penetrate rugged terrain such as that in greenfield developments and to improve safety in unstable or soft ground condition.

The following diagram shows a typical crawler crane:

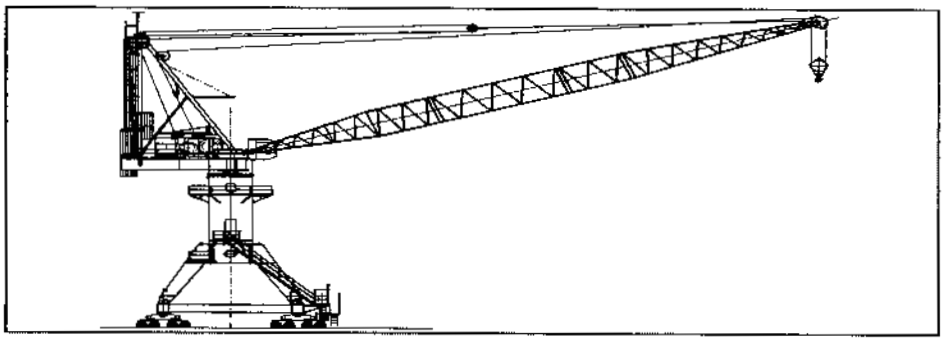


Crawler Crane

(d) Multipurpose Wharf Cranes

A multipurpose wharf crane is designed to handle a multitude of lifting duties in modern all-purpose terminals. It can be fitted with a hook, grab or spreader beam to handle unit loads, bulk materials or containers. This crane is normally fitted with a travelling base and can operate on high speed.

The following diagram shows a typical multipurpose wharf crane:

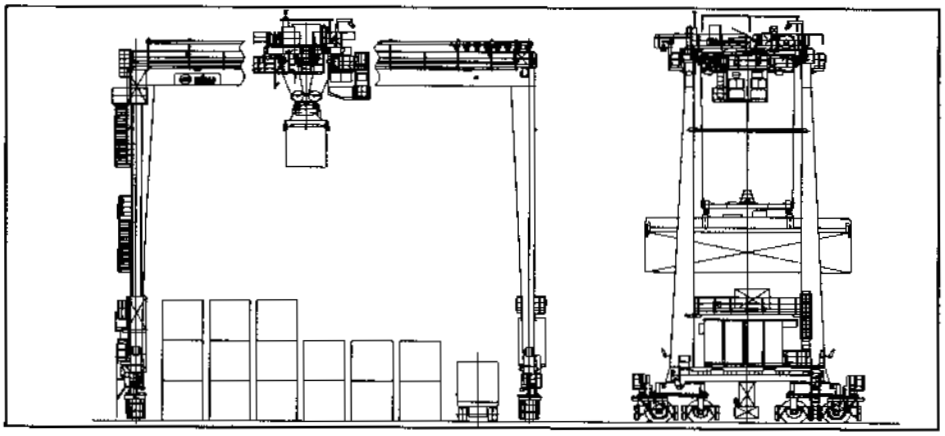


Multipurpose Wharf Crane

(e) Rubber-Tyred Gantry Cranes

A RTG crane is a gantry crane mounted on tyres for travelling. These cranes are used for the transfer of containers at ports.

The following diagram shows a typical RTG crane:



Rubber-Tyred Gantry Crane

(ii) Aftermarket Sales and Product Support Services

In addition to engineered cranes, FFB offers aftermarket sales and product support services. This aspect of the FFB Group's business involves, amongst others, the supply of crane parts and components such as boom, winches, tower sections and others, for the maintenance or upgrade of cranes produced by FFB.

FFB's aftermarket sales and product support services also include installation, assembly, repair, inspection and maintenance work on the cranes.

The business of the FFB Group or its sales is not seasonal or cyclical in nature. As at 23 May 2006, no significant new or proposed product or service was or is proposed to be introduced during FYE 2006. See Section 5.5.10 for details pertaining to R&D including present status of the R&D and timetable for proposed future R&D over the next five years.

5.5.2 Competitive strengths and advantages

The competitive strengths and advantages of the FFB Group are as follows:

(a) Customised cranes

The main strengths of the FFB Group lies on its ability to design and develop customised cranes according to certain specifications to meet the unique performance requirements requested by customers.

For example, one unit of M1250DX, which was the world's largest *Favelle Favco* luffing tower crane in 1999, was delivered to Burrinjuck Dam in Australia.

In 2003, the FFB Group had developed the M1680, which was used in the refurbishment of the Melbourne Cricket Ground in Australia while the cricket ground remained in use during the refurbishment works. This crane was the largest *Favelle Favco* luffing tower crane in the world then.

(b) Comprehensive range of services

The FFB Group is principally involved in the design, manufacturing, supply, servicing, trading and rental of customised cranes. Customers can approach the Group with their own unique specifications and requirements for cranes. The FFB Group will then design and present a design for the crane, which incorporates the specifications and requirements made by the customers. Should the customers proceed to purchase the customised crane, the FFB Group will manufacture the crane for the customers.

In addition to the engineered cranes, the FFB Group also offers a full range of services including conceptual design, technical advice, product support and after sales services. The Group has designed a comprehensive range of support services in order to keep its cranes operationally safe, efficient and reliable during the cranes' life span. These services include assembling, servicing, maintenance and repair, preventive maintenance consultancy, structural crane design and modification, hydraulic transmission winch design, contact and emergency services with a complete range of spares.

Furthermore, training services are also provided to the customers in respect of safe and efficient operations, familiarisation procedures, maintenance and repair.

(c) Range of products and capabilities

The Group designs, develops and produces a complete range of cranes. *Favelle Favco* engineered cranes typically have relatively high load and high-speed capabilities, as well as various failsafe and automation functions. Each model features different levels of technology, load capacity, prices and accessories or functions as these depend on customers' unique preferences. The standard range of lifting capacity varies from 60 mT up to 2,000 mT.

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

The cranes range from large semi-submersible with a lifting capacity of 330 tonnes to small unmanned cranes mounted on wellhead platform with a lifting capacity of 5 tonnes. The larger cranes are used on mobile and fixed platforms. The smaller series are used as service cranes, wellhead cranes and workboat cranes.

(d) Track record and international brand name

The *Favelle Favco* construction tower cranes were used in the construction of tall buildings. They were involved in the construction of eight (8) out of ten (10) world's tallest buildings. The details are as follows:

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

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

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

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

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

Note:
(1) *Approximately 800 metres.*

In recent years, the *Favelle Favco* cranes were involved in the construction of the Three Gorges Dam in China.

The offshore cranes are used in the Persian Gulf, Middle East, North Sea, Australia, North and South America, and Asia. Some of these cranes were supplied from the early 1970s and have been continually supported by the FFB Group's product support service. In addition, the FFB Group has engineered a *Kroll* crane with 10,000 mT lifting capacity, which is currently the biggest *Kroll* crane in the world.

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

(e) Quality assurance

The long track record is attributed to a stringent quality control. One of its missions is to deliver its quality products and services on time. Stringent quality controls are implemented in each process of operations to ensure that the final results meet the standards and specifications of each customer. Before delivery, the FFB Group will first calibrate and check a completed crane that it conforms to international standard as well as customers' requirements.

As a result, customers are generally satisfied with the products manufactured by the FFB Group. As such, the FFB Group has a good number of repeat customers.

(f) Marketing and distribution network

The marketing team is represented in its offices located in Malaysia, Singapore, Australia, Denmark, USA and United Kingdom. In addition, the FFB Group has its network of agents that markets its products worldwide. Its agents are located in many other countries and regions such as Brazil, China, Hong Kong, India, Indonesia, Korea, Middle East, New Zealand, Taiwan, Belgium, Netherlands, Eastern Europe and Russia.

The FFB Group believes that a strong agent network is crucial to its business. This is especially true when penetrating into markets that are unfamiliar and new to the FFB Group, which require a certain level of local knowledge.

(g) Different end user industries

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

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

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

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

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

As stated above, the growth of the heavy-duty cranes manufacturing industry is highly dependent on the growth of the end user industries. Based on the above, the industry cycles for the end user industries differ from one to the other, which can be an advantageous to the FFB Group. For the FYE 2005, the sales of the offshore and construction cranes contributed to approximately 50% and 33% of the total audited consolidated revenue, respectively.

(h) Barriers to entry for new competitors

The barriers to entry in respect of new competitors for the heavy-duty crane manufacturing industry are as follows:

- High degree of expertise required for design and development of cranes

  Crane design and development, especially customised crane manufacturing, requires a high level of expertise to meet the demanding specifications required in 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 meets 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.

- 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 utilises 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.

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

(i) **Pioneer status**

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

5.5.3 Technology used or to be used

(a) **Customised in-house designs and features**

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

The result is a customised crane capable of operating at high speed and capacity with greater efficiency and reliability while maintaining enough robustness and flexibility to be used in various industries such as oil and gas, construction and ports and shipyards.

Some of the designs in the FFB Groups portfolio include the world's largest *Kroll* tower crane (capable of lifting 10,000 mT) and the world's largest *Favelle Favco* luffing construction tower crane (capable of lifting up to 2,000 mT).

(b) **Application of technology in the FFB Group's cranes**

With continuous development of its technology, some achievements have been recorded by the FFB Group such as the following:

(i) Developed the application of "Ultra High Strength Steel" in crane design and fabrication technology. It enables crane to achieve better lifting capacity with stronger, yet lighter steel sections in structure, leading to savings in the form of overall crane weight, material and cost;

(ii) Developed welding and heat treatment procedures in fabrication to maintain steel toughness and ductility. This improves crane durability and overall service life, where crane structures are able to withstand harsh operating environment such as extremely low temperature (down to -50°C) and highly corrosive atmosphere;

(iii) Developed operation safety feature called "Wave Compensation" for offshore crane. This feature automatically synchronise the crane hook to move in vertical direction to the movement of supply boat in rough sea conditions. The crane operator would then be able to load/unload cargo onto/from supply boat safely without hitting and damaging the boat deck;

(iv) Developed ICC which employs CAN-Bus communication protocol in controlling and monitoring crane operation. The system also serves as a black-box for crane data logging by recording operation data. In the future, this can be used as forensic engineering tool to study the causes of failure in case of abuse or accident; and

(v) Redeveloped diesel hydraulic driven tower cranes up to 1,600 mT into fully electrical driven cranes to be added as a complementary product offering (now being renamed as MK Series).

5.5.4 Brand names, patents, trademarks, licences, technical assistance agreements, franchises and other intellectual property rights

(a) Brand names

The brand names that the FFB Group currently owns are *Favelle Favco* and *Kroll*.

(b) Trademarks

The Group has registered the following trademark:

FAVELLE FAVCO

in the USA, Taiwan, the Philippines, the European Union, Korea, United Arab Emirates and Australia. The Group also made an application to register the above trademark in Malaysia, Egypt, China and Russia. The application for registration has been accepted by the Registry of Trademarks in Malaysia and is pending advertisement in the government gazette. The Egyptian Trademark Office has accepted the application for registration in Egypt. The trademark was advertised for acceptance in March 2006 and would be open for a period of 3 months (until end June 2006) for opposition. Applications in China and Russia are still pending.

In addition, the Group has registered the K trademark in Denmark.

(c) Technical assistance agreement

The Group has a series of three agreements for technical assistance, two dated 21 August 1998 between Caterpillar Industrial Products, Inc. (USA), FFU and FFM, and a third dated 29 March 1999 between Caterpillar Industrial Products, Inc. and FFU, (the agreements are known as Design Ownership/Responsibility Agreements) for Caterpillar Industrial Products, Inc. to provide technical assistance in relation to cranes utilising telehandler power modules, cranes utilising standard hydraulic excavator main frames and cranes utilising custom main frames, respectively.

In addition to the above, the Group has copyrights to all the Group's designs and drawings.

Save for the abovementioned, the Group does not have any other brand names, patents, trademarks, licences, technical assistance agreements, franchises and intellectual property rights.

5.5.5 Dependency

The Group depends on the major licences/permits/approvals as disclosed in Section 9.1 for its business and operations.

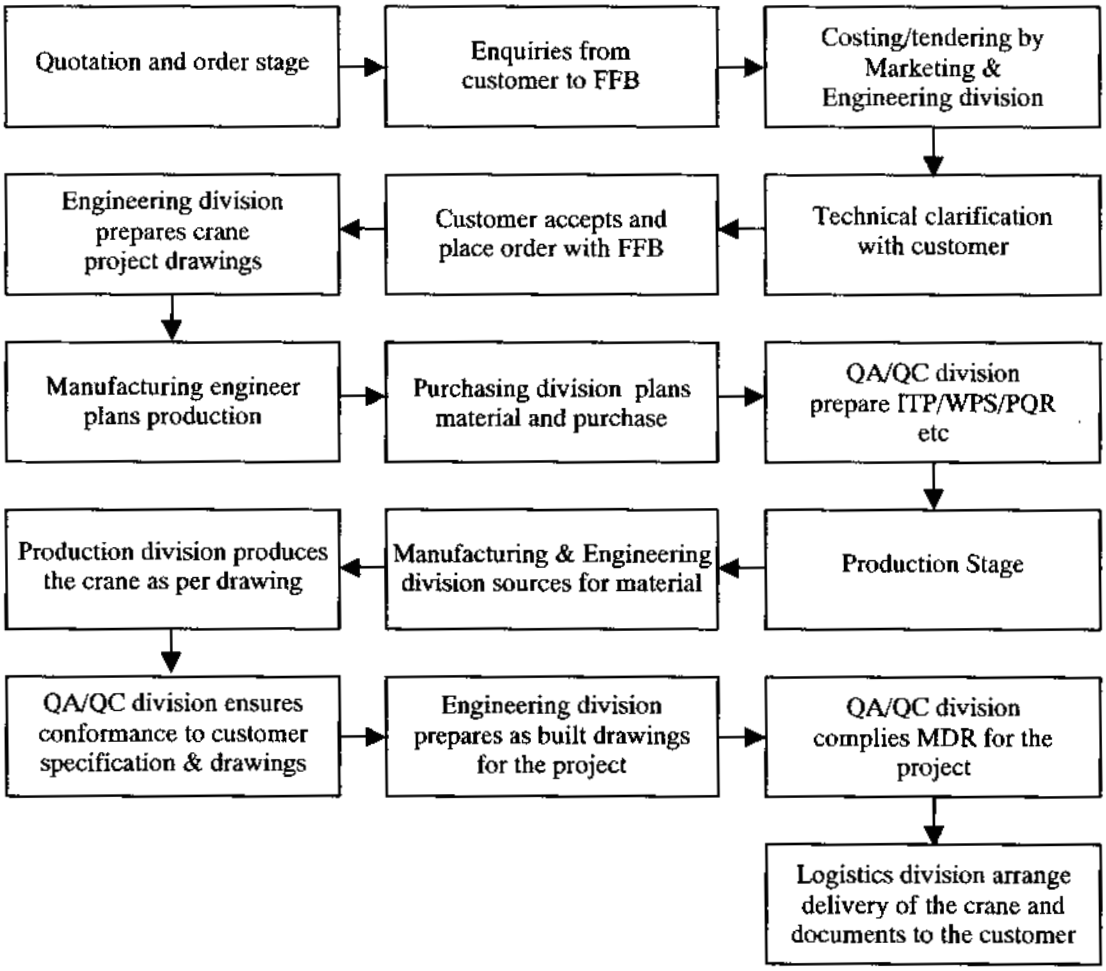
Save for as mentioned above, the Group currently does not depend on any other contract or arrangements including patents, licences, industrial, commercial or financial contracts (including specific contracts with customers or suppliers) or new manufacturing processes, which are material to the corporation's business or profitability.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

5.5.6 Operating or trading mechanisms

(a) Business process

The Group's overall business process is shown in the flowchart below. It starts from when a customer enquires about its products up to the delivery and assembly of the crane at the customer's site



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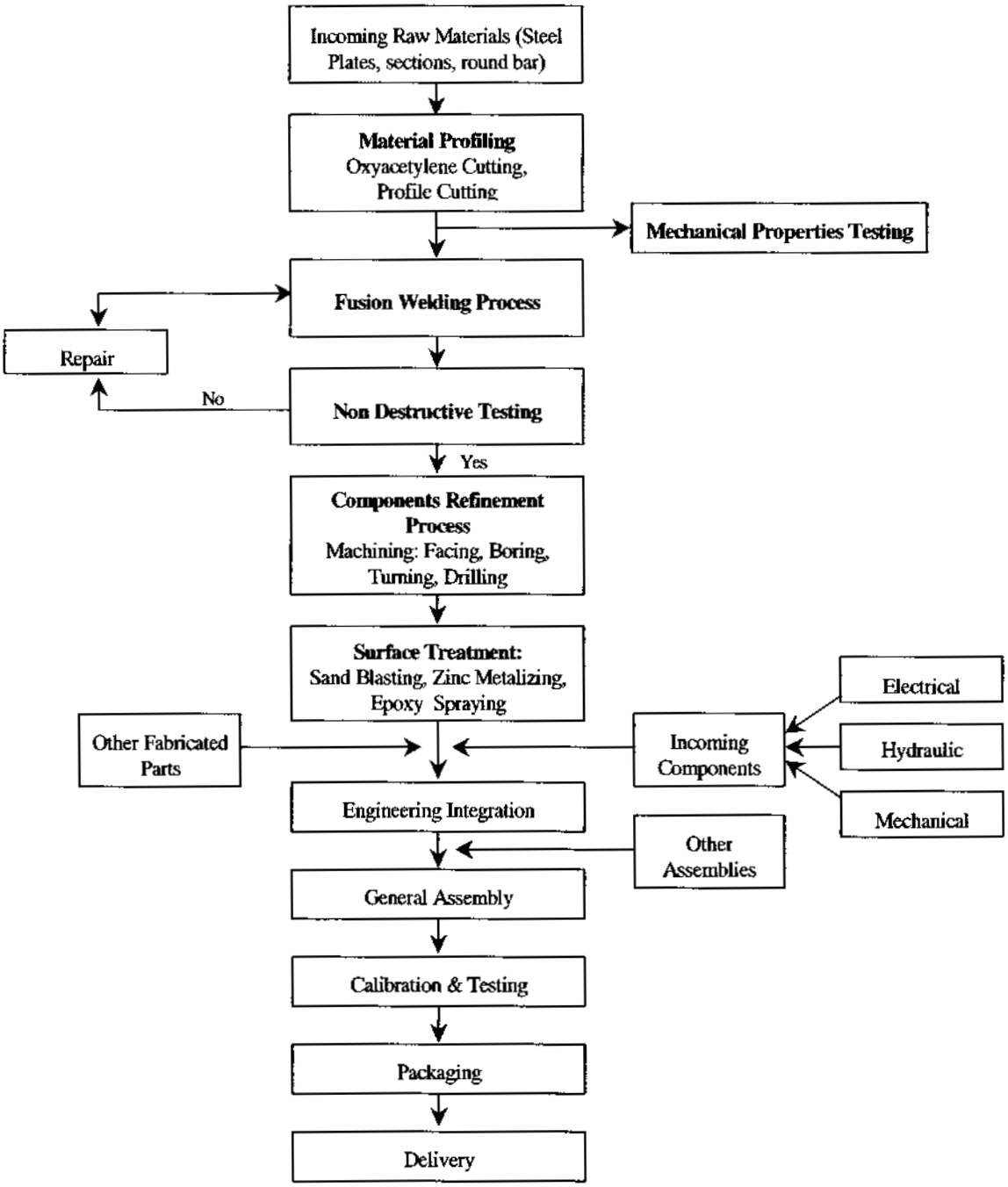
5. INFORMATION ON THE FFB GROUP *(Cont'd)*

(b) Production process

The production process of FFB's cranes involves the following procedures:



(a)	Material Profiling	-	The mother steel plates are cut into smaller pieces for fabrication purposes.
(b)	Mechanical Properties Testing	-	Quality tests are run on materials fabricated from the material profiling process to ensure that they comply with required specifications.
(c)	Fusion Welding	-	Steel materials are engineered according to the correct build up. The welded components are then subjected to strict quality control to ensure reliability and strength.
(d)	Non Destructive Testing	-	The welding is tested using magnetic particle inspection, ultrasonic testing, etc. to ensure that there is no crack and to achieve full strength at the joint.
(e)	Components Refinement	-	Facing, boring, turning and drilling is done to refine the surface of the fabricated components.
(f)	Surface Treatment	-	To prevent component corrosion, in-house developed processes including sand blasting, zinc metalising and epoxy spraying are carried out .
(g)	Engineering Integration	-	The electrical, hydraulic and mechanical components are integrated.
(h)	Calibration and Testing	-	Before delivery, the completed crane are carefully calibrated and checked that it conforms to international standard as well as client's requirements.
(i)	Packaging and Delivery	-	The fully fabricated components will then be packed and delivered to the designated destination for eventual assembly and application.

5.5.7 Principal markets and market share

The customers of the FFB Group include major oil and gas companies, construction companies and port/wharf operators. The FFB Group's cranes are sold and used in many countries and regions such as China, Vietnam, Thailand, Singapore, Korea, Indonesia, Malaysia, USA, Middle East, Mexico, Australia, New Zealand, India and Africa.

Based on the latest audited financial statements of the FFB Group for FYE 2005, the revenue derived from within Malaysia and outside Malaysia are as follows:

FYE 2005 Revenue	**Total amount RM '000**	**Inter-company elimination RM '000**	**Consolidated total RM '000**	**%**
Total within Malaysia	66,504	(6,500)	60,004	17.9
Total outside Malaysia	390,399	(114,757)	275,642	82.1
Consolidated total	456,903	(121,257)	335,646	100.0

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

The details of the sales made to countries other than Malaysia are as follows:

	Percentage of revenue %
Singapore	26.2
Macau	10.1
China	9.5
Australia	8.3
USA	7.1
Russia	7.0
Denmark	6.4
Indonesia	1.8
India	0.6
Others	5.1

5.5.8 Types, resources and availability of raw materials/input

The following are the major raw materials or components of FFB cranes:

- Structural steel made of high yield strength material;
- Mechanical components such as engines, hydraulic gear box, hydraulic components, slew rings and steel wire ropes;
- Casting materials comprising drums and sheaves; and
- Electrical components.

The FFB Group buys these raw materials mainly from overseas and some from local suppliers. For the past twelve (12) months up to 23 May 2006, the FFB Group has not experienced any significant shortage in the supply of raw material used in its manufacturing process.

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

5.5.9 Quality control procedures or quality management programmes

FFM and KC are accredited with ISO 9001:2000 for its quality management system in relation to its design, manufacture and service of cranes. FFM and FFA are also registered with the America Petroleum Institute Quality Registrar whereby they are licensed to use the official API Monogram on the offshore cranes that are manufactured by them. In addition, stringent quality controls are implemented in each process of operations to ensure that the final results meet the standards and specifications of each customer. Before delivery, the FFB Group will first calibrate and check a completed crane that it conforms to international standard as well as client's requirements.

5.5.10 R&D

(a) Policy on R&D

To continuously develop value-added products, the FFB Group constantly evaluates market developments and possible future requirements. To do this, the FFB Group focuses its R&D strategy on developing products which meet customers' future needs.

The Group's R&D process starts by identifying market needs before conceptualising how to meet them. The FFB Group takes a two-prong approach to identify market needs. At the FFB Group level, senior personnel would attend target industry conferences and/or seminars to meet and discuss with industry participants on the industry challenges and outlook. At the customer level, FFB Group's agents would conduct similar exercises.

Market information is then passed on to the R&D team of specialist technologists and engineers to conceptualise a solution. Conceptualisation involves specifying the product and assessing its commercial viability. Should the solution prove feasible and viable, it is then forwarded to the engineering team for detailed development.

The key R&D strategies of the FFB Group are as follows:

- **Continuous enhancement of existing crane technologies and development of new products**

  The FFB Group focuses on obtaining technical knowledge and understanding which will be used to enhance its existing crane and to develop new innovative lifting solutions for the market.

- **Increase R&D manpower, training and resources**

  The Group intends to increase its R&D manpower by hiring experienced engineers. The Group will also intensify its R&D training activities by participating in external and on-the-job training courses.

  The Group has always encouraged its staff to be involved in various aspects of lifting technology development. To this end, the Group has consistently encouraged secondments between the employees of its foreign and local operations.

(b) R&D facilities and personnel involved

The FFB Group has its own R&D facilities in Malaysia and Australia. The R&D activities are carried out with the aid of computer-aided design applications. They are able to design and present a design, and develop the cranes from the conceptual stage to the production stage and to the final output. In addition, computer-aided design applications enable the FFB Group to reduce time and costs in designing and modifying prototypes to suit the requirements and specifications in meeting customers' future needs.

As at 23 May 2006, there are currently eight (8) R&D personnel responsible for the two main areas of the R&D of FFB Group:

- conceptual-level crane designs; and
- improvement of existing products and new range of crane products with advance features.

The team members are as follows:

Name	Location	Functions
Ooi San Kooi	Malaysia	Senior Operations General Manager of FFB
Brendan McManus	Australia	Conceptual/ Application/ Industrial Standard & Regulation
Michael Prior	Australia	Conceptual/ Application/ Finite Element Analysis
Andrew Yan	Malaysia	Structure/ Finite Element Analysis
Peter Rettenhaber	USA	Control System Integration
Thomas Jensen	Denmark	Electronic/ Programmable Logic Control/ Frequency Inverter/ DC Converter
Grace Liew	Malaysia	Mechanical/ Hydraulic/ Product Family Heuristic
Ang Jau Shang	Malaysia	Design concept/ Mechanical (Hydraulic/ Pneumatic)

As at 23 May 2006, the R&D team is supported by a worldwide pool of approximately forty (40) in-house design engineers and engineering support team. They are located in Malaysia, USA, Australia and Denmark.

In preparation for the challenges outlined in its future R&D plans, the FFB Group intends to expand its R&D team from the current size to fourteen (14) professionals by 2009.

(c) Past achievements in R&D of new products

Year	Past achievements in R&D of new products
1998	Expanded its product mix by collaborating with Caterpillar Industrial Products Inc. in USA to develop and produce a new range of crawler cranes. Launched the completed products in 1999. Completed products were launched in 1999, and successfully introduced new concept of high performance hydraulic crane with mobility and stability of crawler unit.
1999	Designed and developed the M1250DX, which was the world's largest *Favelle Favco* luffing tower crane in 1999. One unit was delivered to Burrinjuck Dam in Australia. Two units of the same crane were also used to build Taipei 101, currently the tallest building in the world.
2002	60T telescopic crawler crane was developed for 95 feet fully extended boom reach and controlled by advance crane control system. This was the first in-house developed load and moment indicator system, which monitors all operating modes automatically for safe operation.
2003	Developed the world's largest *Favelle Favco* luffing tower crane in 2003, the M1680, which was used in the refurbishment of the Melbourne Cricket Ground. In this instance, the client required a crane that allowed the cricket ground to remain in use during the refurbishment works.
2003	Developed a crane that can withstand down to -50°C conditions.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

Year	Past achievements in R&D of new products
2003	The development of luffing tower crane MK series combined with expertise from the *Favelle Favco* and *Kroll* cranes in delivering highly cost effective product. This series consists of toughly designed steel structure from *Favelle Favco* and latest technology from *Kroll* on crane control mechanism. This product series demonstrated no compromise in crane performance while optimising the concept of *Design for Cost.*
2004	Developed Load Moment Indicator & Controller system for construction tower crane. This controller allowed better and more accurate control of crane hydraulic system, which ensure precise and safer operation for developed country, such as USA.
2004	PC150MW was developed with ergonomically designed electronic crane control system. The crane was designed for 40 tonnes capacity with extreme long boom reach of 80m. The crane travels within shipyard of approximately 400m long for maintenance and service work of all types of vessels.
2005	Completed offshore crane standardisation. With effective and flexible design data management, it facilitated high-level customisation with shortest engineering design durations and modular manufacturing processes.

(d) Present status of the R&D and the plans and timetable for proposed future R&D

The R&D and engineering teams are currently developing several new products and enhancements to their current product offering. The following are some of the major new products and product enhancements which are expected to be launched over the next few years:

Projects	Timing	Description
Construction tower cranes	Present	This involves the development of several new models of construction tower cranes and tower crane features, which may enhance their competitiveness including lifting capacity, transportability, user interface and troubleshooting abilities.
Offshore RL crane series standardisation	Present	This involves review of customisation process and redesign of their cranes which had been delivered in the past. This is undertaken in order to improve the competitive advantage of those cranes in the future.
Offshore cranes	2007 - 2008	Work is to be conducted to further improve designs of a series of cranes as well as a proposed introduction of new models of offshore crane. Their new features are intended to include criteria such as better lifting capacities. These offshore cranes are targeted for ultra-deep water oil and gas platforms.
Cost studies	2007 - 2008	Cost competition is evident in the marketplace at all times. As a pro-active measure, it is important that the FFB Group performs certain costs studies to prepare against any potential low cost competitors in the future.

(e) R&D expenditure

The following table shows the R&D expenses incurred for the past three (3) financial years:

FYE	2003	2004	2005	Total
R&D expenditure (RM'000)	4,377	3,017	3,496	10,890
Percentage of revenue (%)	2.26	1.13	1.04	1.37

The FFB Group will continue to emphasise on the R&D aspect of its business with full commitment towards expanding its R&D capabilities. The FFB Group believes that the investment in R&D will fuel the Group's development of new products in the coming years. R&D will continue to be essential and the focus of the FFB Group in the future.

5.5.11 Interruptions to operation

There has been no interruption in the business which had a significant effect on the operations of the FFB Group during the past twelve (12) months preceding 23 May 2006.

5.5.12 Key achievements/ milestones/ awards of the corporation/ group

Year	Events
1996	Designed, developed and delivered 3 units of M760D, the biggest *Favelle Favco* diesel hydraulic luffing crane at this time, to build Burj Al-Arab in Dubai, the tallest hotel in the world built on a man-made island.
	Acquired the Manitex product line.
1997	Acquired KC.
	Developed the TD133, which was customised for Asian customers' needs. Fully designed in Malaysia, it became a more cost effective solution for the cost conscious Asian market.
1998	Expanded its product mix by collaborating with Caterpillar Industrial Products Inc. in USA to develop and produce a new range of crawler cranes.
	Sold the first *Favelle Favco* tower cranes to New York since MEB's acquisition. This comprised 2 units of M440D equipped with high-speed winch.
1999	Designed and developed the M1250DX, the world's largest *Favelle Favco* luffing tower crane in 1999. One unit was delivered to Burrinjuck Dam in Australia.
	Two units of the same crane were also used to build Taipei 101, currently the tallest building in the world.
	FFB entered into a licensing agreement with Sumitomo Heavy Industries, Ltd. (Japan) to manufacture and market RTG cranes.
2000	Developed and delivered K-1800 to the Three Gorges Dam Project in China.
2002	The FFB Group's crawler crane won the "100 Innovative New Products" award issued by *Construction Equipment* magazine published in the USA.

Year	Events
2002	Received the Enterprise Award 2002 organised by Accenture (M) Sdn Bhd and the Small and Medium Industries Development Corporation (SMIDEC)
	60T telescopic crawler crane was developed for 95 feet fully extended boom reach and controlled by advance crane control system. This was the first in-house developed load and moment indicator system, which monitors all operating modes automatically for safe operation.
2003	FFB developed the M1680, the world's largest *Favelle Favco* luffing tower crane. It was used in the refurbishment of the Melbourne Cricket Ground. In this instance, the client required a crane that allowed the cricket ground to remain in use during the refurbishment works.
	Developed a crane that can withstand down to -50°C conditions.
	Also developed the MK140, its first electric luffing crane in the MK series. The development of luffing tower crane MK series combined with expertise from the *Favelle Favco* and *Kroll* cranes in delivering highly cost effective product. This series consists of toughly designed steel structure from *Favelle Favco* and latest technology from *Kroll* on crane control mechanism. This product series demonstrated no compromise in crane performance while optimising the concept of *Design for Cost*.
2004	Developed Load Moment Indicator & Controller system for construction tower crane. This controller allowed better and more accurate control of crane hydraulic system, which ensure precise and safer operation for developed country, such as USA.
	PC150MW was developed with ergonomically designed electronic crane control system. The crane was designed for 40 tonnes capacity with extreme long boom reach of 80m. The crane travels within shipyard of approximately 400m long for maintenance and service work of all types of vessels.
2005	Completed offshore crane standardisation. With effective and flexible design data management, it facilitated high-level customisation with shortest engineering design durations and modular manufacturing processes.

5.5.13 Modes of marketing/distribution/sales network

The Group's marketing and distribution strategy focuses on the direct and indirect marketing approach of its professional sales and marketing team. This team is represented in its subsidiary offices in Malaysia, Singapore, USA, Australia, Denmark and United Kingdom, as well as its network of agents that markets its products worldwide. The Group believes that a strong agent network is crucial to its business. This is especially true when penetrating into markets that are unfamiliar to the Group which require a certain level of local knowledge. FFB's agent or sales and distribution offices are located in some of the following countries or regions:

Country/regions	Principal products distributed
Australia	Tower cranes
Belgium	Crawler cranes
Brazil	Offshore cranes
China	Tower and offshore cranes
Eastern Europe	Tower, crawler and offshore cranes

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

Country/regions	Principal products distributed
Hong Kong	Tower cranes
India	Offshore cranes
Indonesia	Offshore cranes
Korea	Tower, shipyard and offshore cranes
Middle East	Tower and offshore cranes
New Zealand	Tower cranes
Russia	Tower cranes
Singapore	Offshore cranes
The Netherlands	Crawler cranes
Taiwan	Tower cranes
United Kingdom	Offshore cranes
USA	Tower, crawler and offshore cranes
Vietnam	Port and offshore cranes

In addition, the Group believes in creating a high level of brand awareness of its product brand names. This is done through, amongst others, print advertising in industrial magazines with international circulation, and participation in international trade exhibitions.

5.5.14 Production capacity

The overall production capacity from all its production facilities located in Malaysia, Australia, Denmark and USA is a sales value of approximately RM320 million for FYE 2006. The details of the annual operating output for the FYE 2005 are as follows:

	FYE 2005
Annual operating output	
- in value (RM '000)	280,854
- no. of crane units*	91
- utilisation rate (%)	61

Note:

* *Based on the number of cranes which had been completed and delivered to the customers during FYE 2005 and cranes which had been completed by 70% or more as at 31 December 2005. The reason for 70% or more completed cranes being included was due to the number of cranes produced which differs year-on-year due to the size, specifications, customisation features required by each customer and other factors. In addition, the sales value of each crane is accounted for in each financial year based on the percentage of completion method.*

As at 23 May 2006, the production utilisation rate is approximately 70% of its production capacity (based on the amount of outstanding secured order book for cranes) and there is no constraint on its production or operating capacities save for the additional workers required to be hired in order to increase the production utilisation rate.

5.5.15 Principal place of business and location of principal assets

(a) Principal assets

Based on the audited consolidated financial statements for FYE 2005, the FFB Group maintains majority of its tangible and intangible assets in Malaysia. Its remaining assets are located in its subsidiary offices and production facilities around the world.

(b) Production facilities

Its production facilities are located in Malaysia, Australia, Denmark and the USA. The Group has its main production facility in Senawang, Seremban, Negeri Sembilan, Malaysia.

Plant location	Sydney (Australia)	Texas (USA)	Copenhagen (Denmark)	Senawang (Malaysia)	Total
Type of services offered	Manufacturing / parts and services	Manufacturing / parts and services/ rental	Manufacturing / parts and services/ rental	Manufacturing/ parts and services/ rental	N/A
Types of products manufactured	Offshore, wharf and construction cranes	Pedestal and crawler cranes	Construction and wharf cranes	Offshore, wharf, crawler, construction and RTG cranes	N/A
Current site area (square metres)	46,943	68,796	59,525	68,846	244,110

(c) Principal place of business

The Group regards its headquarters in Malaysia as its principal place of business. The various business division in its headquarters are administration, accounts, sales, services and parts, engineering, production quality assurance/quality control and project purchasing; each with distinct responsibilities to ensure the smooth running of the Group's business.

5.5.16 Major customers

Based on the latest financial statements for the past three (3) financial years ended ("FYE") 31 December 2005, the customers that had contributed to 10% or more of the Group's audited consolidated revenue ("major customers") are as follows:

Percentage of sales	FYE 2003 %	FYE 2004 %	FYE 2005 %
Keppel Fels Limited ("Keppel")	2	19	19
Dragages Construction (Macau) Limited ("Dragages")	-	-	12
Azerbaijian International Operating Company ("AIOC")	3	14	3
Transport Equipment Sales Inc. ("TES")	7	10	3

Based on the foregoing, it may appear that the FFB Group is dependent on the four (4) major customers namely Keppel, Dragages, AIOC and TES in any one or more of the financial years under review. Keppel and AIOC purchased offshore cranes from the FFB Group and they have been customers of the FFB Group since 1999 and 2001, respectively. Due to the recent increase in oil exploration activities, Keppel has been a major customer of the FFB Group for the last two (2) financial years under review.

Both Dragages and TES purchased construction tower cranes from the FFB Group. Dragages was a new major customer during the last financial year under review as they purchased construction tower cranes for construction of a hotel development project in Macau. TES has been a customer of the FFB Group since 1999.

Based on the foregoing, the FFB Group does not consider itself as dependent on the four (4) major customers. This is mainly due to the fact that the FFB Group has built a strong customer base from different industries and geographical areas. In addition, as interests in oil exploration activities intensifies, more orders for offshore cranes are expected to be received from the customers operating in oil and gas industry.

5.5.17 Major suppliers

Based on the latest audited financial statements for the past three (3) financial years ended 31 December 2005, major suppliers namely suppliers that had contributed to 10% or more of the Group's audited consolidated purchases are as follows:

	FYE 2003		FYE 2004		FYE 2005	
	RM '000	%	RM '000	%	RM '000	%
Steel Plate & Section Limited	-	-	4,027	2	24,801	10

Steel Plate & Section Limited has been supplying raw materials to the FFB Group since 1997. During the financial years under review, the FFB Group did not purchase any raw materials from Steel Plate & Section Limited in FYE 2003.

The Group maintains strong relationship with a large number of suppliers, both domestically and abroad. Substantially all of the materials purchased by the Group are available from a variety of sources within the country of manufacture. Based on the above, the FFB Group does not consider itself as dependent on the major supplier.

5.6 Subsidiary and associated companies

As at 23 May 2006, the details of the subsidiary and associated companies of FFB, are as follows:

5.6.1 KC

(a) History

KC was incorporated in Denmark as a private limited company on 1 September 1985. It is principally involved in design, manufacturing, supply, servicing, trading and rental of cranes. The company commenced business on 1 September 1985.

(b) Share capital

There is no requirement of an authorised share capital under the laws of Denmark. The issued and paid-up capital of KC is DKK20,000,000 comprising 1 ordinary share of DKK20,000,000.

The changes in the issued and paid-up share capital of KC since its incorporation are as follows:

Date of allotment/ reduction	No. of shares allotted/ (cancelled)	Par value (DKK)	Consideration	Cumulative issued and paid-up share capital (DKK)
01.09.85	1	20,000,000	Cash/others	20,000,000
27.03.87	1	10,000,000	Cash	30,000,000
17.12.93	1	1,000,000	Cash/others	31,000,000
17.12.93	(1)	(11,000,000)	Capital reduction	20,000,000

There is no outstanding warrant, option, convertible securities and uncalled capital in KC.

(c) Substantial shareholders

KC is wholly owned by FFB. See Section 6 for information on FFB's shareholders.

(d) Subsidiary and associated companies

KC has no subsidiary or associated company.

5.6.2 FFM

(a) History

FFM was incorporated in Malaysia under the Act as a private limited company on 14 July 1995. It is principally involved in design, manufacturing, supply, servicing, trading and rental of cranes. The company commenced business on 15 September 1995.

(b) Share capital

The present authorised share capital of FFM is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of FFM since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
14.07.95	2	1.00	Cash	2
03.11.95	78,839	1.00	Cash	78,841
03.11.95	121,159	1.00	Otherwise than cash	200,000
13.01.97	800,000	1.00	Cash	1,000,000
31.12.00	9,000,000	1.00	Cash	10,000,000

There is no outstanding warrant, option, convertible securities and uncalled capital in FFM.

(c) **Substantial shareholders**

FFM is wholly owned by FFB. See Section 6 for information on FFB's shareholders.

(d) **Subsidiary and associated companies**

FFM has no subsidiary or associated company.

5.6.3 FFU

(a) **History**

FFU was incorporated in the USA under the Laws of the State of Texas as a corporation on 3 September 1997. It is involved in design, manufacturing, supply, servicing, trading and rental of cranes. The company commenced business on 10 October 1997.

(b) **Share capital**

The present authorised share capital of FFU is 100,000 common shares whilst the present issued share capital is 100,000 common shares and paid-up share capital is USD21,000,000.

The changes in the issued and paid-up share capital of FFU since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital* (USD)
04.09.97	10,000	Cash	1,000
29.11.97	-	Cash/others	501,000 #
01.10.98	-	Cash	1,000,000 #
30.11.01	50,000	Cash	6,000,000
03.01.06	40,000	Cash	21,000,000

Notes:

* *There is no par value for the common shares of FFU.*

\# *The value of the issued and paid-up share capital was increased without any issue of new shares.*

There is no outstanding warrant, option, convertible securities and uncalled capital in FFU.

(c) **Substantial shareholders**

FFU is wholly owned by FFB. See Section 6 for information on FFB's shareholders.

(d) **Subsidiary and associated companies**

FFU has no subsidiary or associated company.

5.6.4 FFS

(a) **History**

FFS was incorporated in Singapore under the Companies Act, Chapter 50 as a private limited company on 2 June 1995. Its principal activity is sale and rental of cranes and sale of spare parts and services. The company commenced business on 2 August 1995.

(b) Share capital

The present authorised share capital of FFS is SGD3,000,000 comprising 3,000,000 ordinary shares of SGD1.00 each, of which SGD3,000,000 comprising 3,000,000 ordinary shares of SGD1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of FFS since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (SGD)	Consideration	Cumulative issued and paid-up share capital (SGD)
02.06.95	2	1.00	Cash	2
22.06.95	999,998	1.00	Cash	1,000,000
29.08.99	2,000,000	1.00	Cash	3,000,000

There is no outstanding warrant, option, convertible securities and uncalled capital in FFS.

(c) Substantial shareholders

FFS is wholly owned by FFB. See Section 6 for information on FFB's shareholders.

(d) Subsidiary and associated companies

FFS has no subsidiary or associated company.

5.6.5 FFA

(a) History

FFA was incorporated in Australia under the Corporation Law as a private limited company on 16 December 1994 under the name Favelle Favco Cranes International Pty Ltd. The company assumed its current name on 1 June 1995. Its principal activity is design, manufacturing, supply, servicing and rental of cranes. The company commenced business on 1 June 1995.

(b) Share capital

The present authorised share capital of FFA is AUD10,000,000 comprising 10,000,000 ordinary shares of AUD1.00 each, of which AUD5,400,000 comprising 5,400,000 ordinary shares of AUD1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of FFA since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (AUD)	Consideration	Cumulative issued and paid-up share capital (AUD)
16.12.94	200	1.00	Cash	200
31.12.95	2,399,800	1.00	Cash	2,400,000
28.05.02	3,000,000	1.00	Cash	5,400,000

There is no outstanding warrant, option, convertible securities and uncalled capital in FFA.

(c) Substantial shareholders

FFA is wholly owned by FFB. See Section 6 for information on FFB's shareholders.

(d) Subsidiary and associated companies

FFA has no associated company. The subsidiary companies of FFA are as follows:

Name	Date/ Place of incorporation	Issued and paid-up share capital (AUD)	Effective interest (%)	Principal activities
FFMgmt	31 May 1995/ Australia	2	100	Management services
MBC	26 June 1996/ Australia	1,291,792	100	Dormant

5.6.6 FFMgmt

(a) History

FFMgmt was incorporated in Australia under the Corporation Law as a private limited company on 31 May 1995. It is principally involved in management services and had commenced business on 1 June 1995.

(b) Share capital

The present authorised share capital of FFMgmt is AUD2 divided into 2 ordinary shares of AUD1.00 each, of which AUD2 comprising 2 ordinary shares of AUD1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of FFMgmt since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (AUD)	Consideration	Cumulative issued and paid-up share capital (AUD)
31.05.95	2	1.00	Cash	2

There is no outstanding warrant, option, convertible securities and uncalled capital in FFMgmt.

(c) Substantial shareholders

FFMgmt is a wholly-owned subsidiary of FFA, which in turn is a wholly-owned subsidiary of FFB. See Section 6 for information on FFB's shareholders.

(d) Subsidiary and associated companies

FFMgmt has no subsidiary or associated company.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

5.6.7 MBC

(a) History

MBC was incorporated in Australia under the Corporation Law as a private limited company on 26 June 1996 under the same name. It had commenced business in 1996 and was previously involved in blasting and coating of steel. The company is currently dormant as it has ceased operations since 2001.

(b) Share capital

The present authorised share capital of MBC is AUD10,000,000 divided into 10,000,000 ordinary shares of AUD1.00 each, of which AUD1,291,792 comprising 1,291,792 ordinary shares of AUD1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of MBC since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (AUD)	Consideration	Cumulative issued and paid-up share capital (AUD)
26.06.96	2	1.00	Cash	2
31.12.96	1,291,790	1.00	Cash	1,291,792

There is no outstanding warrant, option, convertible securities and uncalled capital in MBC.

(c) Substantial shareholders

MBC is a wholly-owned subsidiary of FFA, which in turn is a wholly-owned subsidiary of FFB. See Section 6 for information on FFB's shareholders.

(d) Subsidiary and associated companies

MBC has no subsidiary or associated company.

5.6.8 FO

(a) History

FO was incorporated in Malaysia under the Act as a private limited company on 11 April 1995 under the name Parkmax Property Sdn Bhd. The company assumed its current name on 25 April 1997. It is principally involved in the supply and servicing of cranes as well as rental of marine plant and equipment. The company commenced business on 10 September 1998.

(b) Share capital

The present authorised share capital of FO is RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each, of which RM600,000 comprising 600,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of FO since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
11.04.95	2	1.00	Cash	2
10.09.98	99,998	1.00	Cash	100,000
23.10.98	150,000	1.00	Cash	250,000
23.10.98	350,000	1.00	(1)	600,000

Note:

(1) *Allotment of shares made for the acquisition of plant and machinery, furniture, office equipment and motor vehicles*

There is no outstanding warrant, option, convertible securities and uncalled capital in FO.

(c) Substantial shareholders

The substantial shareholders of FO are as follows:

Name	Nationality/ Country of incorporation	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
Mazlan bin Abdul Hamid	Malaysian	420,000	70	-	-
FFB	Malaysia	180,000	30	-	-
MEB	Malaysia	-	-	180,000 (1)	30
Mac Ngan Boon @ Mac Yin Boon	Malaysian	-	-	180,000 (2)	30

Notes:

(1) *Deemed interested by virtue of its shareholding in FFB pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his shareholdings in MEB pursuant to Section 6A of the Act.*

(d) Subsidiary and associated companies

FO has no subsidiary or associated company.

5.6.9 FFME

(a) History

FFME was incorporated in the United Arab Emirates under the laws of the United Arab Emirates and is registered with the Abu Dhabi Chamber of Commerce & Industry as a limited liability company on 21 November 2004. FFME is principally involved in the sale and rental of cranes and sale of spare parts and services and had commenced business on 21 November 2004.

(b) Share capital

The present authorised share capital of FFME is AED150,000 divided into 100 ordinary shares of AED1,500 each, of which AED150,000 comprising 100 ordinary shares of AED1,500 each have been issued and fully paid-up.

5. INFORMATION ON THE FFB GROUP *(Cont'd)*

The changes in the issued and paid-up share capital of FFME since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (AED)	Consideration	Cumulative issued and paid-up share capital (AED)
21.11.2004	100	1,500	Cash	150,000

There is no outstanding warrant, option, convertible securities and uncalled capital in FFME.

(c) Substantial shareholders

The substantial shareholders of FFME are as follows:

Name	Nationality/ Country of incorporation	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
Euro Gulf (L.L.C)	United Arab Emirates	51	51	-	-
FFB	Malaysia	49	49	-	-
MEB	Malaysia	-	-	49 [1]	49
Mac Ngan Boon @ Mac Yin Boon	Malaysian	-	-	49 [2]	49

Notes:
[1] *Deemed interested by virtue of its shareholding in FFB pursuant to Section 6A of the Act.*
[2] *Deemed interested by virtue of his shareholdings in MEB pursuant to Section 6A of the Act.*

(d) Subsidiary and associated companies

FFME has no subsidiary or associated company.

5.7 Prospects and future plans

5.7.1 Business Intent

The FFB Group has a vision to be the leading provider of material handling solutions within the chosen market segment. One of its missions is to create innovative and cost effective material handling solutions that make its customers' more competitive.

5.7.2 Future plans and business strategy

In order to achieve its vision and maintain its competitive strength, the Group's intends to utilise the following strategies as part of its future plans for the next three (3) to five (5) years:

(a) Product innovation

The Group will focus on the significant enhancement of its existing crane technologies and the development of innovative engineered lifting solutions in the market through continuous R&D efforts and spending, selected investments in high-technology companies and joint venture with high-technology partners.

(b) Focused growth

The Group will expand its sales and marketing network, and increase the range of products to reduce the risk of exposure to any one particular geographical location or industry. Markets that have been penetrated successfully in the past five (5) years include USA, Mexico, Azerbaijan and the surrounding countries of the North Sea. See Section 5.5.10(c) – "Past achievements in R&D of new products" and Section 5.5.12 – "Key achievements/ milestones/ awards of the corporation/group" for details of the key achievements of products of the FFB Group.

In the next three (3) to five (5) years, FFB Group intends to build on its past success and experiences. The Group had identified new markets in countries and regions such as Russia, Brazil and the Middle East. The Group also intends to increase its presence into growth markets such as China as well as intensify sales and marketing efforts in its niche markets. Cranes for tall buildings and deeper water drilling are some examples of niche markets where the Group has always excelled in, and the Group intends to maintain its edge in these high value and high margin segments.

(c) Focus on customisation

The Group will continue to focus on customisation to maintain its competitive edge. It intends to maintain its position as a niche player in the crane industry by producing highly engineered and customised cranes.

(d) Improve human resource competency

In order to achieve its vision, FFB Group realises that competent human resource is of key importance and it can be achieved through continuous training for all level of staff in the Group. FFB Group's training program comes in the form of external training seminars as well as internal training. In particular, the Group is constantly exchanging knowledge amongst its engineers by rotating them through the various disciplines and through various offices/production facilities which the Group has around the world. The goal is to continuously develop the knowledge base of its engineers and technology specialists in the field of lifting technology.

(e) Focus on operating efficiency

The Group intends to increase its operating efficiency in order to counter the effect of competitive pricing and the higher cost of producing customised and specialised cranes. The demand for greater customisation has resulted in an escalation of production costs due to non-standard input components. This factor is expected to remain challenging to crane manufacturers in the long term. To this end, the Group will focus on modularisation to increase operating efficiency.

In line with its production strategy, the modules of a crane which are developed through in-house R&D allows for the Group to build each of them at a different production facility, and combine or assemble them at any location. This enables the Group to find lower cost base and localise production in any country. This operating concept allows the Group to further increase its production capacity beyond its own actual physical factory capacities, thus truly drawing on its technological strength.

5.7.3 Prospects of the FFB Group

Premised on the foregoing, the prospects and outlook of the industry as set out in Section 4.4 of this Prospectus and the most significant recent trend information as set out in Section 12.4 of this Prospectus, the Board is of the view that the Group is expected to enjoy positive growth and favourable prospects in the long term.