

FAVELLE FAVCO BHD (249243-W)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED BALANCE SHEETS
FOR THE SECOND QUARTER ENDED 30 JUNE 2006

	Unaudited Current year quarter 30.6.2006 RM'000	Audited As at 31.12.2005 RM'000
Non-Current Assets		
Property, plant and equipment	62,576	61,855
Investment in associates	279	312
Development costs	5,225	6,362
Deferred expenditure	1,052	350
Other intangible assets	1,230	1,356
	70,362	70,235
Current Assets		
Inventories	79,737	72,850
Amount due from contract customers	168,501	147,258
Trade and other receivables	104,265	81,185
Tax recoverable	2,528	1,799
Cash and cash equivalents	11,801	17,564
	366,832	320,656
Current Liabilities		
Amount due to contract customers	12,950	20,385
Trade and other payables	156,875	125,932
Bills payables	82,848	73,302
Short term borrowings	51,834	44,560
Taxation	590	-
Provisions	7,410	10,406
	312,507	274,585
Net Current Assets	54,325	46,071
	124,687	116,306
Financed by:		
Share capital	60,000	50,000
Reserves	26,268	20,351
Total Equity Attributable to Shareholders of the Company	86,268	70,351
Non-Current Liabilities		
Long term advances due to holding company	8,521	25,521
Long term borrowings	28,451	18,983
Deferred tax liabilities	1,447	1,451
	124,687	116,306
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.72	1.41

Note 1

Note:

- Net assets per share as at 30 June 2006 is arrived at based on the Group's Net Assets of RM86.268 million over the number of ordinary share of 120,000,000 shares of RM 0.50 each. Net assets per share as at 31 December 2005 was arrived at based on the Group's Net Assets of RM70.351 million over the number of ordinary shares of 50,000,000 shares of RM 1.00 each.
- The condensed consolidated balance sheet should be read in conjunction with the Notes to the Interim Financial Report and the Group's audited financial statement for the financial year ended 31 December 2005 as disclosed in the Prospectus dated 30 June 2006.

FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
		30.6.2006 RM'000	30.6.2005* RM'000	30.6.2006 RM'000	30.6.2005* RM'000
Revenue	A9	74,657	N/A	171,151	N/A
Cost of sales		(61,250)	N/A	(141,745)	N/A
Gross profit		13,407	N/A	29,406	N/A
Other income					
Distribution expenses		(998)	N/A	(2,476)	N/A
Administrative expenses		(7,894)	N/A	(15,389)	N/A
Other expenses		66	N/A	(2,984)	N/A
Profit from operations		4,581	N/A	8,557	N/A
Interest expense		(1,463)	N/A	(3,230)	N/A
Interest income		56	N/A	339	N/A
Share of profit/(loss) after tax and minority interest of associates		(21)	N/A	(33)	N/A
Profit before taxation		3,153	N/A	5,633	N/A
Income tax expense	B5	(591)	N/A	(591)	N/A
Profit after taxation		2,562	N/A	5,042	N/A
Attributable to:					
Equity holders of the parent		2,562	N/A	5,042	N/A
Minority interests		N/A	N/A	N/A	N/A
		2,562	N/A	5,042	N/A
Earnings per share					
Basic (Sen)	B11	2.35	N/A	4.82	N/A
Diluted (Sen)		N/A	N/A	N/A	N/A

Note:

This is prepared based on the consolidated results of the Group for the financial period ended 30 June 2006 and is to be read in conjunction with the Notes to the Interim Financial Report and the Prospectus dated 30 June 2006.

* This is the first Interim Financial Statements on the consolidated results for the financial period ended 30 June 2006 announced by the Company in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") requirements in conjunction with the admission of the Company to the Second Board of Bursa Securities. As this is the first quarterly report being drawn up, there are no comparative figures for the preceding year's corresponding quarter.



FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SECOND QUARTER ENDED 30 JUNE 2006

(The figures have not been audited)

	Reserves					Total RM'000
	Share Capital RM'000	Reserve Attributable to Capital RM'000	Reserve Attributable to Revenue RM'000	Retained Profit RM'000	Sub-total RM'000	
As at 1 January 2005	50,000	2,145	15,025	598	17,768	67,768
Change in accounting policy - Effect of adopting FRS 3		(2,145)		2,145	-	-
Restated balance	50,000	-	15,025	2,743	17,768	67,768
Exchange differences on translation of the financial statements of foreign entities			(4,597)		(4,597)	(4,597)
Net profit for the year	-	-	-	7,180	7,180	7,180
As at 31 December 2005/1 January 2006	50,000	-	10,428	9,923	20,351	70,351
Addition	10,000				-	10,000
Exchange differences on translation of the financial statements of foreign entities	-	-	875	-	875	875
Net profit for the year	-	-	-	5,042	5,042	5,042
As at 30 June 2006	60,000	-	11,303	14,965	26,268	86,268

Note:

The condensed consolidated statement of changes in equity should be read in conjunction with the Notes to the Interim Financial Report and the Group's audited financial statement for the financial year ended 31 December 2005 and the Prospectus dated 30 June 2006.



FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

(The figures have not been audited)

	Current Year To date 30.6.2006 RM'000	Preceding Year To date* 30.6.2005 RM'000
Net cash generated from/(used in) operating activities	(10,102)	N/A
Net cash generated from/(used in) investing activities	(3,244)	N/A
Net cash generated from/(used in) financing activities	6,618	N/A
Net increase/(decrease) in cash and cash equivalents	(6,728)	N/A
Cash and cash equivalents at 1 January	5,069	N/A
Currency translation differences	150	N/A
Cash and cash equivalents at 30 June	(1,509)	N/A

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	30.6.2006 RM'000	30.6.2005 RM'000
Cash and cash equivalents per balance sheet	11,801	N/A
Bank overdrafts	(13,310)	N/A
	(1,509)	N/A

Note:

The condensed consolidated statement of changes in equity should be read in conjunction with the Notes to the Interim Financial Report and the Group's audited financial statement for the financial year ended 31 December 2005 and the Prospectus dated 30 June 2006. Prospectus dated 30 June 2006.

- * This is the first Interim Financial Statements on the consolidated results for the financial period ended 30 June 2006 announced by the Company in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") requirements in conjunction with the admission of the Company to the Second Board of Bursa Securities. As this is the first quarterly report being drawn up, there are no comparative figures for the preceding year's corresponding quarter.



FAVELLE FAVCO BHD (249243-W)

(Incorporated in Malaysia)

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

A NOTES TO THE INTERIM FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements"), including compliance with Financial Reporting Standards (FRS) 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2005 audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 audited financial statements.

Details of these changes in accounting policies are set out in Note A2. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005 and the Prospectus dated 30 June 2006.

A2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2006:

FRS 101	Presentation of financial statements
FRS 102	Inventories
FRS 108	Accounting policies, changes in estimates and errors
FRS 110	Events after the balance sheet date
FRS 116	Property, plant and equipment
FRS 121	The effects of changes in foreign exchange rates
FRS 127	Consolidated and separate financial statements
FRS 128	Investments in associates
FRS 132	Financial instruments: disclosure and presentation
FRS 133	Earnings per share

The following FRS effective for financial period beginning 1 January 2006, were adopted by the Group during the financial year ended 31 December 2005:

FRS 3	Business combinations
FRS 136	Impairment of assets
FRS 138	Intangible assets

The adoption of FRS 102, 108, 110, 116, 121, 127, 128, 132 and 133 during the financial period does not have significant impact on the Group.

The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are summarised below:

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

FRS 101: Presentation of financial statements and FRS 127 : Consolidated and Separate Financial Statements

The adoption of the revised FRS 101 and FRS 127 have effected the presentation of share of results after tax and minority interest of associates and other disclosures.

Accounting treatment in prior years:

- i) share of results of associates were shown as share of gross results of the associates before tax and minority interests.

Accounting treatment with effect from 1 January 2006, complied with FRS 101 and FRS 127:

- i) share of results of associates are shown as share of net results after tax and minority interest of associates.

The presentation of investment in associates, share of net results of associates and tax expense for the audited financial statements of the Group for the year ended 31 December 2005 has been restated accordingly.

The following comparative figures have been restated:

	As Restated 31.12.2005 RM'000	As Previously Stated 31.12.2005 RM'000
1) Consolidated Balance Sheet		
i) Investment in associates	312	312
2) Consolidated Income Statement		
i) Share of loss of associates	(78)	(73)
ii) Tax expense	(1,698)	(1,703)

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The audited financial statements of the Company for the preceding year ended 31 December 2005 were not subject to any qualification.

A4. EXPLANATORY COMMENT ON SEASONALITY OR CYCLICALITY

The Group is strengthening in tandem with the growth in the global oil and gas industry, and has been generating consistent growth in the sale of offshore oil and gas cranes.

A5. EXCEPTIONAL/UNUSUAL ITEMS

There are no exceptional/unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

A6. CHANGE IN ESTIMATES

There are no material changes in estimates of amounts that have material effect in the current quarter.

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A7. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the current quarter under review:

Date of issue	Par value (RM)	No. of ordinary shares (‘000)	Consideration received RM'000
19 May 2006	1.00	10,000	* 10,000
19 May 2006	0.50	120,000	# -

* **New ordinary shares**

The new ordinary shares issued to holding company, Muhibbah Engineering (M) Bhd ("MEB") by way of capitalisation of net amount owing to MEB.

Share split

The share split involves a change in the par value of current ordinary shares from RM1.00 each to RM0.50 each, by way of sub-division of the par value for each existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each.

Employees' Share Option Scheme ("ESOS")

The approval-in-principle from Bursa Malaysia Securities Bhd ("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 the Company, to be issued pursuant to the exercise of options under the ESOS. Subsequently, the Company's ESOS was approved by the shareholders of Muhibbah Engineering (M) Bhd, its holding company at an Extraordinary General Meeting ("EGM") held on 19 May 2006.

The Company had effectively implemented the ESOS on 30 June 2006 pursuant to paragraph 6.30H of the Listing Requirements .

The total number of approved unissued ordinary shares of R0.50 each available under the Company's ESOS is subject to maximum of 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS.

The following options were granted under the ESOS to eligible employees and executive directors of the Company:

Date of offer	No. of options over ordinary shares of RM0.50 each	Exercise price	Expiry date
30 June 2006	11,803,000	RM 0.55	29 June 2011

The main features of the ESOS are as follows:

- i) Eligible employees are those confirmed full time employees of the group and who have served for at least one year on the offer date;
- ii) The option is personal to the grantee and is non-assignable or otherwise disposed of by the grantee save and except in the event of the death of the grantee PROVIDED ALWAYS THAT, subject to the written approval of the option committee in its discretion, such unexercised options may be exercised in full by the legal or personal representatives of the grantee after the date of his death provided that such exercised shall be within the option period and shall not be later than twelve (12) months after the date of his death;

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A7. DEBT AND EQUITY SECURITIES (Cont'd)

iii) A grantee shall be allowed to exercise the options granted to him/her subject to the following percentage limits based on his/her respective entitlement granted at the discretion of the ESOS committee:

		<-----Year option is granted----->				
		Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative % of options exercisable during the option period in:	Year 1	-	-	-	-	-
	Year 2	33.33%	-	-	-	-
	Year 3	66.67%	33.33%	-	-	-
	Year 4	100.00%	66.67%	66.67%	-	-
	Year 5	100.00%	100.00%	100.00%	100.00%	100.00%

iv) These options are only exercisable one (1) years after the options have been granted. The options granted which are exercisable in a particular year may be exercised in full or in any lesser number of ordinary shares provided that the number shall be in multiple of 1,000 shares; and

v) Under the Listing Requirements, the exercise price shall 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 set at at IPO Price.

A8. DIVIDENDS

The directors did not declare any interim dividend for the financial quarter under review.

There is no dividend paid for the financial quarter under review.

A9. SEGMENTAL INFORMATION

The financial information by business segment is not presented as the Group's activities are primarily in the manufacturing and supplying of cranes.

Inside Malaysia RM'000	Outside Malaysia RM'000	Eliminations RM'000	Consolidated RM'000
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GEOGRAPHICAL SEGMENTS

Revenue from external customers	75,377	95,774	-	171,151
Inter-segment revenue	76,775	65,126	(141,901)	-
Total revenue	152,152	160,900	(141,901)	171,151
Operating profit	5,249	1,221	2,087	8,557
Interest expense	(3,049)	(1,060)	879	(3,230)
Interest income	235	988	(884)	339
Share of profit/(loss) after tax and minority interest of associates	(33)	-	-	(33)
Profit before taxation	2,402	1,149	2,082	5,633

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A9. SEGMENTAL INFORMATION (Cont'd)

	Inside Malaysia RM'000	Outside Malaysia RM'000	Elimina- tions RM'000	Conso- lidated RM'000
Segment assets	360,944	237,953	(161,982)	436,915
Investments in associates	279	-	-	279
Investments in joint ventures	-	-	-	-
Total assets	361,223	237,953	(161,982)	437,194
Segments liabilities	257,363	193,344	(99,781)	350,926

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment of the Group and the Company are stated at cost less accumulated depreciation and accumulated impairment losses, if any. None of the property, plant and equipment are stated at valuation.

A11. MATERIAL SUBSEQUENT EVENT

Save as disclosed below, there were no material event subsequent to the current financial quarter ended 30 June 2006 up to the date of this report, which is likely to substantially affect the results of the operations of the Company.

Initial Public Offering (IPO)

(a) On 30 June 2006, the Company issued a prospectus for its Initial Public Offering involving a public issue of 48,000,020 ordinary shares of RM0.50 each ("Shares") and an offer for sale of 22,000,000 Shares at an issue/offer price of RM0.55 per ordinary share, payable in full on application, in conjunction with its listing on the Second Board of Bursa Securities.

(b) The Company is expected to be listed on the Second Board of Bursa Securities on 15 August 2006.

A12. CHANGES IN THE GROUP'S COMPOSITION

There were no change in the Group's composition as at 30 June 2006.

A13. CONTINGENT LIABILITIES/ASSETS AS AT 30 JUNE 2006

There were no contingent liabilities/assets as at 30 June 2006.

A14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 June 2006 and up to the date of this report.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. REVIEW OF THE GROUP PERFORMANCE

For the current period ended 30 June 2006, the Group recorded revenue of RM171.15 million attributed to the increase customers order from export market as well as successful marketing efforts. In line with the revenue recorded, the Group recorded a profit before taxation of RM5.63 million.

The effective tax rate of the Group is also lower as the profits from crane revenue in Malaysia are enjoying tax exemption from pioneer status.

The improvement in net profit of the Group is also contributed by the increase in order books of the Group, in tandem with the growth in global oil and gas industry.

B2. COMPARISON WITH PRECEDING QUARTER RESULT

There were no comparative figures in the preceding quarter as this is the Group's first quarterly announcement in conjunction with the listing and quotation of the Company on the Second Board of Bursa Securities scheduled on 15 August 2006.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (Cont'd)

B3. GROUP'S CURRENT YEAR PROSPECT

In view of the present secured crane order books, the Group expects improved results in year 2006.

B4. PROFIT FORECAST

The Group had submitted a profit forecast for the financial year ending 31 December 2006 to the Securities Commission in conjunction with the approved listing on the Second Board of Bursa Securities, as mentioned in Note A11 of this Interim Financial Statements.

B5. TAX CHARGES

The effective tax rate of the Group for the year ended 31 December 2005 is lower than the local statutory tax rate mainly due to tax exempt income from pioneer status granted by the relevant authorities.

B6. PROFIT ON SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES

There is no profit on sale of investment and/or properties during the period under review.

B7. CORPORATE PROPOSAL

Please refer to Note A11 above.

B8. GROUP BORROWINGS AND DEBT SECURITIES

a) Short term borrowings
Secured

Unsecured

b) Hire purchase and finance lease

Total short term borrowings

a) Long term borrowings
Secured
Unsecured

b) Hire purchase and finance lease

Total long term borrowings

Total borrowings

Foreign currency		RM'000
Currency	Amount	
RM	2,112	2,112
USD	424	1,558
DKK	13,444	8,390
Sub-total		12,060
RM	32,284	32,284
AUD	725	1,971
USD	1,406	5,166
Sub-total		39,421
RM	141	141
USD	3	11
AUD	74	201
Sub-total		353
		51,834
RM	17,418	17,418
RM	10,200	10,200
Sub-total		27,618
RM	574	574
AUD	35	129
USD	48	130
Sub-total		833
		28,451
		80,285

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (Cont'd)

B9. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The following foreign currency forward contracts are outstanding as at 4 August 2006:

Currency to be received ('000)	Currency to be paid ('000)	Contractual rate	Maturity date
RM 48,804	USD 13,300	1 USD = RM3.6506 to RM3.6870	August 06
AUD 3,938	USD 3,000	1 AUD = USD0.7618	September 06

Transactions in foreign currencies during the period are recorded in Ringgit Malaysia at rates ruling on transaction dates or at contracted rates where applicable. All gain and losses are dealt with through the income statement upon maturity. However, the exposure to foreign exchange risks is mitigated by way natural hedging via borrowing in the same currency of the revenue receivable and is monitored by management from time to time.

B10. LITIGATIONS

There are no material litigations that have material effect to the Group for the current quarter.

B11. EARNING PER SHARE ("EPS")

Group's net profit after tax used as numerator in the calculation of basic EPS

Weighted average number of shares used as denominator in the calculation of basic EPS (based on ordinary share of RM0.50 each)

Basic EPS (sen)

Current Quarter 30.6.2006 RM'000	Cumulative Qtr To-date 30.6.2006 RM'000
2,562	5,042
109,231	104,641
2.35	4.82

Diluted earnings per share is not disclosed herein as the potential shares are dilutive only when the average market price for the ordinary shares during the period exceeds the exercise price of the options. Since, the ESOS option price and fair value is same, hence there is no dilution impact arising from ESOS.

B12. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 August 2006.

BY ORDER OF THE BOARD

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TUAN HAJI MOHAMED TAIB BIN IBRAHIM

Chairman

Klang

11 August 2006