Since 1967

# LFE CORPORATION BERHAD

(579343-A)

ANNUAL REPORT 2017

# Table of Contents

# MANAGING DIRECTOR'S STATEMENT

## *DEAR VALUED SHAREHOLDERS*

***On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of LFE Corporation Berhad ("LFE" or the "Group") for the financial year ended 31 July 2017.***

### UPLIFTMENT OF PN 17 STATUS

Upon the successful completion of the Group's restructuring exercise, the PN 17 status was uplifted on 5 January 2017, marking a very significant milestone for the financial year ended 31 July 2017 (FYE 2017). This signifies a new era for the Group in reshaping its new business model implemented as part of the corporate restructuring and business turnaround exercise towards a more sustainable performance.

### BUSINESS ENVIRONMENT

The Group faced yet another challenging year amidst the volatility of the domestic and global market fluctuating commodity price, in particular energy prices. The unexpected political outcomes around the world has resulted in softened property prices across major economies, coupled with uncertainties in the global financial market that has resulted in a significant reversal of capital flows from emerging economies. This in turn has negative impact on the source of supply of capital fund for the construction of sizable projects in the local business environment.

### MOVING AHEAD AND OPERATIONAL STRATEGIES FOR 2018

The Group will remain committed to further strengthen the balance sheet and operational efficiency and strive for sustainable growth.

The mechanical, electrical and plumbing (MEP) division and construction division will continue to create earnings by actively bidding for contracts to increase the Group's order book, both in the public and private sectors.

The management anticipates that the construction sector in Malaysia will remain very competitive and robust and the Group will remain vigilant and proactive by monitoring the progress and evaluating the ongoing risks of any operational and financial impacts at all time.

For the coming years, the Group will continue to pursue its long term strategies of strengthening the domestic growth agenda, growing its recurrent income base and will continue to explore more viable and profitable business opportunities through strategic alliances and partnership with well- established organisation to enhance the shareholders' value and strengthen its financial foundations.

### FINANCIAL PERFORMANCE

For the financial year ended 31 July 2017 (FYE 2017), the Group registered a lower consolidated revenue of RM13.38 million, a decrease of RM9.48 million or 41.47% as compared to the previous year's revenue of RM22.86 million. The decrease in revenue is due to near completion of Ponderosa Projects in Johor Bahru, Kiara Kertieh project in Terengganu and near completion of the upgrading and refurbishment of Campbell Complex in Kuala Lumpur.

Further analysis on the Group's financial performance is set out in the "Management Discussion and Analysis" on pages 4 to 6 of the Annual Report

# MANAGING DIRECTOR'S STATEMENT
(cont'd)

## CORPORATE GOVERNANCE

LFE strives to maintain high standards of corporate governance, compliance, business conduct, safety and environmental management which are vital to the Group's performance. We believe that good corporate governance supports long term value creation for our stakeholders. Our Corporate Governance Statement is set out on pages 13 to 19.

## IN APPRECIATION

Many thanks to my fellow Board members and the Audit Committee for their precious contribution and invaluable advice which have skilfully guided the Group out of the PN 17 Status.

On behalf of the Board, I wish to express our gratitude and utmost appreciation to the Securities Commission, Bursa Malaysia Securities Berhad and other authorities for their invaluable advice and assistance. And also to our shareholders for their continuous support and confidence in the Group.

**LIEW KIAM WOON**
Managing Director

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET OVERVIEW

Global growth in 2016 moderated to 3.1% as compared to 3.2% the year before mainly due to subdued investment growth across major economies and economic rebalancing in China from an investment –driven growth model towards a consumption –led one. Global financial markets remained volatile in 2016 and were still facing the challenges from the legacies of the 2008/2009 global financial crisis and the ongoing structural reforms in major economies. The unexpected political developments in the UK and the US have exacerbated uncertainties in the global financial market, all of these factors have resulted a significant reversal of capital flows from emerging economies since 2016.

The domestic economy had been challenging due to the dampened business and consumer sentiments, affected by international financial market volatility, rising inflation due to weaker Ringgit, higher cost of living amid soft employment conditions. Despite these challenges, the Malaysian economy registered a growth of 4.2% in 2016 and the construction sector grew at moderate pace of 7.4%. The faster pace of expansion in the civil engineering and residential sub-sectors have off-set the slower activity in the non -residential sub-sector, particularly commercial office and retail space.

## FINANCIAL PERFORMANCE

For FYE 2017, the Group registered a lower consolidated revenue of RM13.38 million, a decrease of RM9.48 million or 41.47% as compared to the previous year's revenue of RM22.86 million with MEP and construction being the major revenue contributors for the year.

The group recorded aggregate revenue of RM 13.38 million and LAT of RM 1.70 million for the financial year to date ended 31 July 2017. The LAT for current year was the result of incurring three items of expenses which were "one-off " amounted to RM3.82 million; these were the written-off of advances given to an associate amounted to RM0.77 million, impairment of advances given to another associated company amounted to RM1.38 million whilst pending for negotiation of its final account and the written-off of a trade receivable amounted to RM1.67 million.

## REVENUE

The decrease in revenue is due to near completion of Ponderosa Projects in Johor Bahru, Kiara Kertieh project in Terengganu and near completion of the upgrading and refurbishment of Campbell Complex in Kuala Lumpur.

At the same time, the construction of the mixed development project at Precinct 2, Putrajaya has not taken off as scheduled as the estimated construction cost of the Hotel development component has turned out to be very high to in relation to its anticipated Gross Development Value. Hence the developer is currently reviewing the hotel design as well as exploring alternative commercial use of the building to enhance its viability.

As for the London project, the Planning Submission to the Local Authority has been rejected in May 2017, as there were comments from the Local Authority that the proposed building would affect the neighbouring properties from receiving sufficient sunlight. Hence, the consultants are currently revising the building design to comply with the Local Authority's requirement and it is anticipated to appeal in November 2017.

The construction of three units of detached house, these projects have not commenced as the owners' design brief have not been finalised.

The other project regarding feasibility studies for on-shore terminal has been deferred by the owners due to low crude oil prices.

The project on the mechanical, electrical engineering and plumbing works for office and retails units at Taman Teknologi Malaysia, Bukit Jalil, Kuala Lumpur has not commenced due to softened property market condition as well as a glut in the office space in Kuala Lumpur region.

# MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

As an alternative, the Group has secured the mechanical and electrical engineering works, valued at RM15 million for a hotel cum services apartment project known as the " RUMA" project in Kuala Lumpur. The RUMA project is currently at the peak of its construction stage.

The Group has managed to secure a higher contract value of RM20 million for the 54 units of apartments at the Bukit Serdang, Selangor known as the Bukit Serdang Apartments Project. It is anticipated to commence in FYE 2018.

The Group is also currently in the midst of preparing for final negotiation for few new projects and anticipated that these projects will enhance the sustainability of the business operation.

## COST OF SALES

The Group managed to achieve a lower cost of sales of RM9.09 million or 67.94 % of the revenue for the FYE 2017 due to few reasons; certain projects were completed during the year and achieved lower overall cost of sales then budgeted as additional revenue was recognised without further cost incurred on the finalising of account. Whereas for other project, the project management services were carry out by existing managerial staff, with no further incremental cost incurred in the cost of sales since their salaries have already been absorbed in the business unit's operating cost since project inception.

## GROSS PROFIT

The Group managed to achieve a higher Gross Profit (GP) margin of 32.06% for the current FYE 2017. The higher GP margin was achieved by certain projects which has GP margin of above the 10% industrial norm as well as a lower cost of sales for some other projects.

## OTHER OPERATING INCOME

The Group managed to achieve Other Operating Income of RM1.84 million for the current FYE 2017.

The other operating income for the year was mainly received from discount amounted to RM0.55 million, defect liability compensation amounted to RM 0.23 million, revision of general provision for RM0.07 million and revision of provisional cost for RM 0.99 million.

## ADMINISTRATIVE EXPENSES

The actual administrative cost for the current FYE 2017 is RM4.23 million. The administrative cost has decreased mainly due to the measures taken on overhead cost reduction.

## OTHER OPERATING EXPENSES

The Other Operating Expenses for the current FYE 2017 is RM3.89 million. The loss from applying FRS 139 for the retention sum of trade receivable and payable are minimal, amounted to RM0.07 million due to the delay in the commencement of projects. The other operating expenses incurred also consist of an amount of RM0.77 million for the written-off of advances provided to an associate and the impairment of RM1.38 million for another associate company whilst pending for negotiation of its final accounts, another amount for RM1.67 million relates to the written off a trade receivable.

# MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

## FINANCE COST

The actual finance cost for the current FYE 2017 is RM0.079 million. However, there were additional finance cost incurred in respect of the interest charged by Consortium members amounted to RM 1.16 million for the joint ventures in Abu Dhabi. Due to the low crude oil price and softened property market condition, certain properties remained unsold at FYE 2017. This has resulted the balances owing to Consortium members still outstanding and continuously incurring interest.

## TAXATION

The tax liabilities incurred was in respect of an under provision made by a subsidiary company for the early years.

However, there is no tax liability for the current year due to sufficient accumulated tax losses brought forward from previous years to off-set against the profit of the current period.

## LOSS AFTER TAX

The Group registered actual Loss after Tax (LAT) of RM1.70 million for FYE 2017

The LAT was the result of incurring three items which were " one- off" expenses amounted to RM 3.82 in total. These were the written off advances given to an associate company amounted to RM0.77 million, impairment of RM1.38 million for advances given to another associate company whilst pending for negotiation of its final accounts with the main contractor and the written off of a trade receivable amounted to RM1.67 million. The Group, however has a lower effective taxation rate due to the utilisation of unabsorbed business loss brought forward from previous years to set off current year profit for certain subsidiaries.

## GEARING

The Group's outstanding bank borrowing has been reduced to RM1.13 million and shareholders' equity was RM44.32 million, achieving debt/ equity ratio of 0.03 for FYE 2017. The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholders' value.

## CONCLUSION

In carrying out the operation, the Group is aware of the inherent risks in managing the operations in the current uncertain economic environment and the management reports regularly to the Board on any material events which will impact the Group's operations, performance and financial conditions of the projects. Any known risks are highlighted with strategies and proposed solutions put in place to mitigate the impact or outcome of uncertainties.

We will continue to focus on enhancing operational efficiency and productivity as well as to increase the book order. We have taken steps to safeguard the Group's assets and financial position with prudence and discipline.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Liew Kiam Woon**
*Managing Director*

**Dato' Sri Haji Shafiz Dato' Haji Shahrani**
*Executive Director*

**Dato' Rosthman Bin Ibrahim**
*Executive Director*
*(Resigned on 24 May 2017)*

**Kok Tong Yong**
*Executive Director*

**Juliana Quah Kooi Hong**
*Executive Director*

**David Low Teck Wee**
*Senior Independent Non-Executive Director*

**Loo Thin Tuck**
*Independent Non-Executive Director*

**Tunku Azlan Bin Tunku Aziz**
*Independent Non-Executive Director*

### AUDIT COMMITTEE

David Low Teck Wee *(Chairman)*
Loo Thin Tuck
Tunku Azlan Bin Tunku Aziz

### REMUNERATION COMMITTEE

Loo Thin Tuck *(Chairman)*
David Low Teck Wee
Liew Kiam Woon

### NOMINATION COMMITTEE

Tunku Azlan Bin Tunku Aziz *(Chairman)*
Loo Thin Tuck
David Low Teck Wee

### RISK MANAGEMENT COMMITTEE

Liew Kiam Woon *(Chairman)*
Juliana Quah Kooi Hong
Tunku Azlan Bin Tunku Aziz

### COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

### AUDITORS

Messrs Morison Anuarul Azizan Chew
(AF 001977)
Chartered Accountants

### REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 603-22415800
Fax : 603-22825022

### SHARE REGISTRAR
### SYMPHONY SHARE REGISTRARS SDN BHD

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Malaysia
Tel : 603-78418000
Fax : 603-78418008
Website : www.symphony.com.my

### PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

### LISTING

Main Market of
Bursa Malaysia Securities Berhad
Stock Name : LFECORP
Stock Code : 7170

### PRINCIPAL OFFICES
### KUALA LUMPUR, MALAYSIA
### LFE ENGINEERING SDN BHD

Suite 11.01, 11th Floor
Campbell Complex
98, Jalan Dang Wangi
50100 Kuala Lumpur
Tel : 603-26948899
Fax : 603-26948833
Website : www.lfe.com.my
Email : lfe@lfe.com.my

### JOHOR BAHRU, MALAYSIA
### LFE ENGINEERING (JB) SDN BHD

No. 1, Jalan Temenggong 1
Off Jalan Kangkar Tebrau,
81100 Johor Bahru, Malaysia
Tel : 607-3352285
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### VIETNAM
### LFE ENGINEERING (VIETNAM) COMPANY LIMITED

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### ABU DHABI, UNITED ARAB EMIRATES
### LFE ENGINEERING SDN BHD - ABU DHABI BRANCH

Ali & Sons Co. Building
Zayed The 2nd Street
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Fax: + 971 2 650 1071 – ISZL site
Email: dwon@lfe.com.my

### QATAR
### LFE ENGINEERING QATAR WITH LIMITED LIABILITY

P.O. Box 47055, Doha
State of Qatar
Email : lfe@lfe.com.my

# GROUP STRUCTURE
As At 27 October 2017

## LFE Corporation Berhad

- 100% **LFE Engineering Sdn Bhd**
  *(LFE Engineering Sdn Bhd Abu Dhabi Branch)*
  - 100% **LFE Engineering (JB) Sdn Bhd**
  - 100% **LFE Engineering (Vietnam) Company Limited** (2
  - 49% **LFE Engineering Qatar With Limited Liability** (3)
- 100% **LFE Technology Sdn Bhd**
- 100% **LFE International Limited** (1)
- 100% **LFE Builder Sdn Bhd**
- 100% **Teratai Megah Sdn Bhd**
- 100% **Lynex Construction Sdn Bhd**
- 25.5% **Mediaforte Holdings Sdn Bhd**
  - 100% **Mediaforte (Malaysia) Sdn Bhd**

*(1) Incorporated in The British Virgin Islands*
*(2) Incorporated in The Socialist Republic of Vietnam and disposed on 15 November 2017*
*(3) Incorporated in Qatar*

# DIRECTORS' PROFILE

**MR LIEW KIAM WOON**
*Managing Director &*
*Chairman of Risk Management Committee*

Mr Liew Kiam Woon, male, aged 54, a Malaysian, has been an Executive Director of the Company since his appointment to the Board on 15 September 2003 and was subsequently re-designated as Managing Director on 28 September 2010. Currently he is also the Chairman of the Risk Management Committee, a member of the Remuneration Committee, the Managing Director of LFE Engineering Sdn Bhd ("LFEE") and sits on the boards of all of the Company's subsidiaries. He is also actively involved in Master Builders Association of Malaysia and currently sits in the Council as Treasurer General.

He graduated from the University of Oregon, United States of America in 1987 with a Bachelor of Arts Degree, majoring in Business Administration and has completed a basic mechanical and electrical engineering course conducted by the Association of Consulting Engineers Malaysia. Upon graduation, he joined MBF Factors Sdn Bhd as a Business Development Executive. In 1990, he joined LFEE as a Project Coordinator and has since then progressed himself to his current position. He is currently not a director of any other public company.

**DATO' SRI HAJI SHAFIZ DATO' HAJI SHAHRANI**
*Executive Director*

Dato' Sri Haji Shafiz Dato' Haji Shahrani, male, aged 38, a Malaysian, has been the Executive Director for the Company since his appointment to the Board on 27th November, 2015.

He has attended several management programmes with established Institutes in Malaysia including from Government related bodies. He started his career as Business Development Executive with Shapadu Corporation Sdn Bhd in year 2000 and moved on to various positions such as Executive Director, Commercial within Shapadu Group. He is currently leading Shapadu Group as the Group Managing Director and not a director of any Public Company.

**MR KOK TONG YONG**
*Executive Director*

Mr Kok Tong Yong, male, aged 61, a Malaysian, has been the Executive Director of the Company since his appointment to the Board on 19 October 2010.

He holds a Bachelor of Science (Mechanical Engineering) Degree from the Teesside Polytechnic, UK in 1981 and is a Chartered Professional Engineer with the Institute of Engineers, Australia. He was previously the Chief Operating Officer of LFE Engineering Sdn Bhd, a wholly-owned subsidiary of the Company. He has 29 years extensive working experience in the construction industry beginning as a design engineer with a consulting firm and leading to experiences as a mechanical and electrical engineer, having held various managerial positions with established main contractors and developers.

Prior to joining the Company and the Group, he was a Director of Mechanical & Electrical in Ireka Engineering and Construction Sdn Bhd and was responsible for the execution of all mechanical and electrical works that were undertaken by Ireka Group throughout his tenure. He is currently not a director of any other public company.

# DIRECTORS' PROFILE
(cont'd)

**MS JULIANA QUAH KOOI HONG**
*Executive Director*

Ms Juliana Quah Kooi Hong, female, aged 48, a Malaysian, has been the Executive Director of the Company since her appointment to the Board on 19 October 2010. She is currently also a member of the Risk Management Committee.

She graduated with an LL.B (Honours) Degree from the University of London in 1993. She joined the Company as its Group Corporate Legal Manager in 2007 and was subsequently promoted to the position of Director, Legal and Corporate Affairs prior to her appointment as Executive Director. She was admitted to the Malaysian Bar in 1996 and immediately practised as an Advocate & Solicitor in the chambers of Kumar Jaspal Quah & Aishah and subsequently in A. Zahari Kanapathy Thulasi. In 1999, she became a Partner in Bryan Perera Quah & Partners and continued in the said partnership until 2007 when she joined the Company. She is currently not a director of any other public company.

**MR DAVID LOW TECK WEE**
*Senior Independent Non-Executive Director*
*& Chairman of Audit Committee*

Mr David Low Teck Wee, male, aged 46, a Malaysian, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. He was subsequently re-designated as Senior Independent Non-Executive Director on 31 July 2010. Currently, he is also the Chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

He holds a Bachelor's Degree in Commerce & Finance from the University of Western Australia. He is a member of both the CPA Australia and Malaysian Institute of Accountants. He started his career in 1994 as an audit assistant with Deloitte Touche Tohmatsu, Kuala Lumpur and progressed himself up to the position of Audit Manager by year 2000. In 2003 he joined another audit firm, RSM Robert Teo, Kuan & Co, as a Senior Audit Manager until year 2005 when he left to join LFL Resources Sdn Bhd as an Executive Director, a position that he is still currently holding. His area of expertise and experience includes the provision of financial advisory and consultancy services, business valuations as well as mergers and acquisitions. He is currently not a director of any other public company.

**MR LOO THIN TUCK**
*Independent Non-Executive Director &*
*Chairman of Remuneration Committee*

Mr Loo Thin Tuck, a Malaysian, male, aged 52, a Malaysian, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. Currently he is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee.

An accountant by profession, he is also a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants, the Chartered Tax Institute of Malaysia and Malaysian Association of Company Secretaries. He has more than 22 years of extensive experience in the areas of taxation, management, accounting, corporate strategic management, secretarial, auditing and operational management in diverse industry sectors.

He is currently the Managing Partner of Loo Thin Tuck & Co., Managing Director of Infotax Planning Sdn Bhd. and a director of Jets Management (M) Sdn Bhd and a lecturer in Universiti Tunku Adbul Rahman. He is currently not a director of any other public company.

# DIRECTORS' PROFILE
(cont'd)

**YM TUNKU AZLAN BIN TUNKU AZIZ**
*Independent Non-Executive Director &*
*Chairman of Nomination Committee*

YM Tunku Azlan Bin Tunku Aziz, male, aged 49, a Malaysian, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 5 October 2009. He is also the Chairman of the Nomination Committee and a member of both the Audit Committee and Risk Management Committee.

He is a Chartered Accountant of the Malaysia Institute of Accountants. He started his career in 1996 as a Business Development Officer with Sincere Leasing Sdn Bhd and in 1997, he joined Aseambankers (M) Berhad. In 1999, he was attached with Pengurusan Danaharta Nasional Berhad until 2005. Thereafter, he was the Group Chief Financial Officer of ARK Resources Berhad until 2009. He is currently an Independent Non-Executive Director of ARK Resources Berhad.

He was appointed as Chief Financial Officer of Shapadu Engineering Sdn Bhd in 2010 and presently, he is the Chief Executive Officer of Shapadu Marine Sdn Bhd.

Other Information

1) Save for Dato' Sri Haji Shafiz Dato' Haji Shahrani, there are no family relationships amongst the Directors and / or major shareholders of the Company.
2) None of the Directors has any conflict of interest with the Company.
3) None of the Directors of the Company has been convicted of any offence other than traffic offences, within the past 5 years.

# SENIOR MANAGEMENT'S PROFILE

**ENCIK MOKHTAR BIN MOHD IDRIS**
*Chief Financial Officer*

Encik Mokhtar Bin Mohd Idris, male, aged 49, a Malaysian, was appointed as Chief Financial Officer of LFE on 3 January 2017.

Encik Mokhtar completed his Chartered Institute of Management Accountant (CIMA) at Emile Woolf College of Accountancy, London United Kingdom. He is an Associate Member of CIMA and a Member of the Malaysian Institute of Accountant.

Encik Mokhtar has 25 years experiences in Finance and Accounts Management for public and private companies. Prior to joining LFE Corporation Berhad, he is the Senior Manager, Treasury of Shapadu Energy & Engineering Sdn. Bhd., the flagship company under the Shapadu Group of Companies which is primarily involved in the Oil & Gas and Petrochemical industries undertaking several projects with scopes of works that include project management, pipeline construction, hook-up and commissioning, operation and maintenance, provision of marine services and material and equipment supplies for local and overseas clients that include Petronas, ESSO, Murphy Sarawak Limited, British Gas India, Hindustan Oil and Tailsman Malaysia Limited.

# STATEMENT ON CORPORATE GOVERNANCE

*The Board of Directors ("the Directors" or "the Board") of LFE Corporation Berhad ("LFE" or "the Company") remains committed to ensure that the sound principles of corporate governance set out in the Malaysian Code on Corporate Governance ("the Code") are practiced with the ultimate objective of protecting and enhancing shareholders' value. To this end, the Board is pleased to report in this statement, which is made in compliance with Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the application of the principles of good governance and the extent of compliance by the Company with the best practices as set out in the Code.*

## BOARD OF DIRECTORS

### Board Composition

The Board currently has 7 members comprising 1 Managing Director, 3 Executive Directors, and 3 Independent Non-Executive Directors, thus complying with the Listing Requirements of Bursa Securities for a minimum of 1/3 of the Board to be independent directors. The Directors bring to the Company a broad mix of business, legal, financial, marketing, project management and technical skills and experience. The Board believes that its existing composition has the required collective skills for the Board to provide clear and effective leadership for the LFE Group ("the Group").

### Board Balance

The Board currently has 4 Directors with executive functions and who are responsible for the making of day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities amongst them in order to maintain a balance of control, power and authority within the Management.

The Independent Non-Executive Directors play a key supporting role, contributing their skills and knowledge in all major matters and issues referred to the Board for consideration and approval. Their responsibilities and contributions will provide an element of objectivity, independent judgment and balance on the Board. All Independent Non-Executive Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgment. Mr David Low Teck Wee was designated as the Senior Independent Non-Executive Director on 31 July 2009.

### Board Responsibilities

The Board Committees are entrusted with specific duties and responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("TOR"). Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairman of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings. The Board reviews the respective Board Committees' authority and TOR from time to time to ensure their relevance and enhance its efficiency.

The Board retains control of the Company and is committed to take full responsibility for the overall corporate governance of the Group, including its strategic business direction and overall well-being. It has reserved for itself a schedule of matters for consideration and decision which include inter alia, the Group's business strategy, risk management, acquisition, divestment, capital expenditure, investor relation and internal control policies, significant financial matters, related party transactions and review of financial and operating results and performance of the Group.

# STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

**Board Meetings**

The Board conducted 5 meetings for the financial year ended 31 July 2017, at which a variety of matters including amongst others, the Group's financial results, the Group's overall performance, challenges faced by the Group, business development activities, internal control issues and related party transactions were considered and deliberated upon. Details of attendance of the Directors at the Board meetings are as follows:-

| Director | No. of Meeting Attended |
|---|---|
| Liew Kiam Woon | 5 out of 5 |
| Dato' Sri Haji Shafiz Dato' Haji Shahrani | 5 out of 5 |
| Dato' Rosthman Bin Ibrahim (Resigned on 24 May 2017) | 4 out of 4 |
| Kok Tong Yong | 5 out of 5 |
| Juliana Quah Kooi Hong | 4 out of 5 |
| David Low Teck Wee | 5 out of 5 |
| Loo Thin Tuck | 5 out of 5 |
| Tunku Azlan Bin Tunku Aziz | 5 out of 5 |

In addition, the Board has exercised control on matters that required the Board's approval during the intervals between the scheduled Board meetings through the circulation of Directors' Circular Resolutions prepared from time to time by the Company Secretary.

**Board Committees**

The Board has delegated certain of its functions to the following Board Committees in order to enhance business and operational efficiency and to comply with the Listing Requirements of Bursa Securities as well as in line with the best practices prescribed in the Code:-

**Audit Committee**
*(comprising entirely Independent Non-Executive Directors)*

David Low Teck Wee
*(member of the Malaysian Institute of Accountants)* - Chairman

Loo Thin Tuck
*(member of the Malaysian Institute of Accountants)* - Member

Tunku Azlan Bin Tunku Aziz
*(member of the Malaysian Institute of Accountants)* - Member

**Nomination Committee**
*(comprising entirely Independent Non-Executive Directors)*

Tunku Azlan Bin Tunku Aziz - Chairman
Loo Thin Tuck - Member
David Low Teck Wee - Member

**Remuneration Committee**
*(comprising mainly Independent Non-Executive Directors)*

Loo Thin Tuck - Chairman
David Low Teck Wee - Member
Liew Kiam Woon - Member

## STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

**Risk Management Committee**
Liew Kiam Woon - Chairman
Tunku Azlan Bin Tunku Aziz - Member
Juliana Quah Kooi Hong - Member

**Supply of Information**

The Management has the responsibility and duty to provide the entire Board with all the information, of which it is aware, to facilitate the effective discharge of the Board's duties. Matters specifically reserved for the Board's consideration and decisions were dealt with at the Board meetings. Prior to the Board meetings, all Directors received the Board papers in advance together with the notice calling for each meeting. The Board papers were comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made by the Directors at the meetings. All Board members, whether as a full Board or in their individual capacity, have access to the advice and services of the Company Secretary and Auditors and all information relating to the Group to assist them in the furtherance of their duties.

The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company's expense.

**Appointments to the Board**

The Code endorses as a good practice, a formal procedure for appointments to the Board based on the recommendation of a Nomination Committee. As such, the Nomination Committee was established and is charged with the duty to assess and review the suitability of candidates nominated for appointment to the Board based on the candidates' qualifications, skills and experience. The Nomination Committee also keeps in view the need to maintain the required mix of skills and experience of the board members for the effective discharge of duties. The Nomination Committee will then make its recommendations to the Board and the final decision on the appointment lies with the entire Board.

**Re-election of Directors**

According to the Company's Articles of Association ("the Articles"), any Director who is appointed during the year shall retire at the Company's annual general meeting following his appointment and 1/3 of the Board who do not retire as aforesaid, will retire by rotation at every annual general meeting. The Articles further provide that every Director is subject to retirement once in every 3 calendar years and all retiring Directors are eligible for re-election.

**Directors' Training**

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") as prescribed by the Listing Requirements.

The Company does not have a formalised orientation programme for new directors. The new Director is briefed by the Executive Directors on the operations of the Group.

The external auditors briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year. In addition, the Board is briefed at every Board meeting on any significant changes in laws and regulations that are relevant by the Company Secretary. The Directors' are also encouraged to attend appropriate external trainings on subject matter that aids the Directors in the discharge of their duties as Directors.

# STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

During the financial year ended 31 July 2017, the Directors have attended various training programmes, seminars, conferences and evening talks, which include topics, amongst others, relating to corporate governance, finance, project, risk management and audit. Details of the Directors' participation are as follows:-

| Directors | Seminars/Conferences/Training | Date |
|---|---|---|
| Kenneth Liew Kiam Woon | - International Federation of Asian and Western Pacific Contractors' Associations Convention | 30 May - 2 June 2017 |
| Juliana Quah Kooi Hong | - Key Digital Evidence in Large-Scale and Investigations, or How to win cases with Data | 25 July 2017 |
| Tony Kok Tong Yong | - Talk on "Construction Arbitration Two Ways:<br>1) Practical and Strategic Considerations for Managing Construction-Related Contract and Treaty Arbitration;<br>2) Latest Trend on Dispute Handling.<br>- The Edge Investment Forum on Real Estate 2017 (Have we hit rock bottom? What's next?) | 20 February 2017<br><br><br><br>25 March 2017 |
| David Low Teck Wee | - Domestic Spending a Key Catalyst for 2017 by RHB Investment Bank<br>- CIMB 11th Annual Indonesia Conference | 19 January 2017<br><br>4 May 2017 |
| Loo Thin Tuck | - National Tax Conference 2016<br>- 4th International Conference on Business, Accounting, Financial and Economics<br>- Seminar Percukaian Kebangsaan 2016<br>- Updates on GST<br>- National GST Conference 2017 | 9 August 2016<br>4 October 2016<br><br>3 November 2016<br>14 November 2016<br>28 February 2017 |
| Tunku Azlan Bin Tunku Aziz | - Role of the Chairman and Independent Directors | 28 September 2016 |

The Directors will continue to attend training courses to ensure that they obtain the relevant training as they deem appropriate to further equip themselves and to keep abreast with relevant developments in corporate matters as well as industry practices for them to discharge their duties more effectively.

## DIRECTORS' REMUNERATION

The Board adopts a formal and transparent procedure to assess and determine the remuneration packages offered by the Group to individual Directors. In general, the component parts of the remuneration of Executive Directors are structured so as to link rewards to corporate and individual performances taking into account prevailing market rates and the Company's financial standing. This structure is to ensure that the Company is able to attract and retain Directors of the calibre needed to run the Group successfully. Independent Non-Executive Directors, on the other hand, receive Director's fees that are approved by shareholders at annual general meetings pursuant to the Articles of Association of the Company. The Company also reimburses the Directors with allowances for expenses necessarily incurred by them for attendance at Board meetings, general meetings and any other meetings in connection with the business of the Company. The Directors are also paid for all travelling and other expenses properly and necessarily incurred by them in and about the business of the Company.

The Board, upon the recommendation of the Remuneration Committee, will determine the remuneration package of each Director of the Board. However, the Directors do not participate in decisions regarding their own remuneration packages.

# STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

The remuneration of the Directors was mainly derived from the Group for the financial year ended 31 July 2017 as follows:-

| **Type of Remuneration** | **Executive Directors RM** | **Non - Executive Directors RM** | **Total RM** |
|---|---|---|---|
| Fees | – | 72,000 | 72,000 |
| Salaries, wages, bonus and allowances | 1,083,600 | 12,000 | 1,095,600 |
| Defined contribution plan | 125,280 | – | 125,280 |
| Benefits-in-kind | 6,996 | – | 6,996 |
| Total | 1,215,876 | 84,000 | 1,299,876 |

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 July 2017 are as follows:-

| | **Number of Directors** | | |
|---|---|---|---|
| **Remuneration Band (RM per annum)** | **Executive Directors** | **Non - Executive Directors** | **Total** |
| Below 50,000 | – | 3 | 3 |
| 100,001 to 150,000 | – | – | – |
| 150,001 to 200,000 | – | – | – |
| 200,001 to 250,000 | – | – | – |
| 250,001 to 300,000 | – | – | – |
| 300,001 to 350,000 | 1 | – | 1 |
| 350,001 to 400,000 | 1 | – | 1 |
| 401,000 to 450,000 | – | – | – |
| 450,001 to 500,000 | 1 | – | 1 |
| TOTAL | 3 | 3 | 6 |

**Board Charter**

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties and to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities, the Board has established the Board Charter as a source of reference to the Board in the fulfilment of its roles, duties and responsibilities and which will be in line with the principles of good corporate governance and provide insights to prospective Board members and Senior Management.

The Board will update the Board Charter periodically to reflect changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. Salient terms of the Board Charter are made available at the Company's website at www.lfe.com.my.

# STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

**Formalising Ethical Standards Through Code of Ethics**

The Board will be guided by the Code of Conduct for Directors, Management and Officers of the Group, to promote the corporate culture which engenders ethical conduct that permeates throughout the Group, to be in line with MCCG 2012. The Board will also be guided by the Company's Code of Ethics for Directors and Employees in discharging its oversight role effectively. The Code of Ethics will require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. The Board will take measures to put in place a process to ensure its compliance.

## SHAREHOLDERS

The Board recognises the importance of clear and effective communication with shareholders and investors, and hence, has ensured that information concerning the Group's performances, corporate developments and matters affecting shareholders' interests are conveyed to shareholders and investors on a timely basis. The Company's annual reports, financial results, announcements made to Bursa Securities, circulars to shareholders and the Group's website are some of the main channels of communication to enable shareholders to have an overview of the Group's performances and operations.

Annual general meetings, held once a year, will be the principal forum for dialogue between the Board and shareholders. Shareholders are encouraged to participate in the question and answer sessions during these meetings where the Directors will respond to shareholders' questions to ensure a high level of accountability and transparency on the business operations, strategy and goals of the Group.

## CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES ("CSR")

The Group recognised that CSR is key to global sustainability. As such, the Group continuously embeds corporate responsibility in every aspect of its business, aligning it to the Group's culture and strategy.

Employees are the most valuable asset of the Company and thus their interest and safety are always in first priority. The Group has in place policies and procedures to ensure workplace safety and health issues are regularly updated and communicated to the employees. Workshop and courses are always provided to constantly upgrade the employees' skills and to create motivation and self-confidence of the employees.

Mutual understanding and closer relationship is cultivated among the employees through organised events such as festive gathering and luncheons which are participated by the employees within the Group.

The main subsidiary, LFE Engineering Sdn Bhd has achieved ISO 9001:2008 certification for having implemented a quality management system to consistently maintain high product quality.

As a responsible corporate citizen, the Group also believes in contributing to the communities in which it operates particularly in the area of education. The Group continues to support the Master Builders Association Malaysia Education Fund Scholarship for students who are studying Construction Management through cash donations and providing vocational training.

**Risk Management and Internal Control**

The Board acknowledges and is committed to its responsibility for the Group's risk management framework and internal control systems. These are components of the strong foundation for sound corporate governance. The system of internal control, designed to manage risk and increase the likelihood of achieving the Group's goals, encompasses controls including those of a financial, operations, environmental and compliance nature. The risk management framework identifies, assesses and responds to risks within the Group.

# STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

The Risk Management Committee is to assist the Board in identifying and assessing the risk and control measures within the Group.

The Audit Committee, in addition to the duties and responsibilities set under its terms of reference, acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control. The members, composition and terms of reference of the Audit Committee are laid down at the Report of the Audit Committee.

It should be noted, however, that such systems are designed to minimise and manage the risk of failure to achieve business objectives.

Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control.

**Relationship with the Auditors**

The Board has maintained a formal and transparent relationship with the Company's External Auditors, Messrs Morison Anuarul Azizan Chew, in seeking professional advice and ensuring compliance with the relevant laws and applicable approved accounting standards in Malaysia. The final quarter results for the year were discussed in the Audit Committee meeting with the presence of the External Auditors and members of the Board and then approved by the Board before announcement to Bursa Securities. The Audit Committee also had the opportunity to consult the External Auditors in the absence of the Executive Directors and the Management before arriving at its independent findings and recommendations. The Board was also assisted by the Audit Committee in the review of the audit plans and audit findings of the External Auditors.

**Compliance Statement**

The Company has, in all material aspects, complied with the recommendations of the Code throughout the financial year, save for the following:-

a) The Chairman of the Board must be an independent non-executive director;
b) Details of remuneration of each directors;
c) Absence of strategic plan;
d) Absence of succession planning process;
e) Corporate disclosure policy.

The Board feels that Liew Kiam Woon's vast experience in the industry and entrepreneurship skills, the arrangement to maintain him as the Executive Chairman cum Managing Director is in the best interest of the Company for the time being. Further, the presence of the Independent Directors who forms a majority number of the Board members, is sufficient to provide the necessary checks and balances on the decision making process of the Board. The significant contribution of the Independent Directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

Whilst the Code prescribes for disclosure of directors' remuneration on individual basis, the Board is of the opinion that transparency and accountability principles of the Code in relation to Directors' remuneration are appropriately and adequately addressed by disclosure on band basis.

The Board has established whistle-blowing policy on 8 June 2017.

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the MMLR of Bursa Securities, and to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

# AUDIT COMMITTEE REPORT

## COMPOSITION

The Audit Committee of LFE Corporation Berhad ("LFE" or "the Company"), chaired by an Independent Director, comprises three members, all of whom are Independent Non-Executive Director. The current composition meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Audit Committee currently comprises the following Independent Non-Executive Directors, namely:-

David Low Teck Wee - Chairman
Loo Thin Tuck - Member
Tunku Azlan Bin Tunku Aziz - Member

The Audit Committee is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information pertaining to the Group, from the internal and external auditors, Management and all employees.

## MEETINGS

During the financial year, the Audit Committee conducted 5 meetings of which all were duly convened with sufficient notices given to all Audit Committee members together with the agenda, report and proposals for deliberation at the meetings. The Executive Directors were invited to all Audit Committee meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors and Internal Auditors, as the case may be, and the Accountant were in attendance to present the relevant reports and proposals to the Audit Committee at the meetings which included inter alia, the Auditors' audit plans and audit reports, the quarterly results of the Company and the audited financial statements for the financial year ended 31 July 2017.

In the Audit Committee meetings, the external auditors were given opportunities to raise any matters and gave unrestricted access to the external auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the Audit Committee meetings were tabled for confirmation at the following Audit Committee meeting and subsequently presented to the Board for notation.

During the financial year under review, the Audit Committee was updated by the Risk Management Committee on key risk management issues. The Audit Committee also reviewed the key risk assessment of core business processes, operational risk and mitigation measures as well as process for identifying, evaluating and managing risk through ERM framework as to ensure that the risk management process and culture are embedded throughout the Group.

Details of attendance of the Audit Committee members at the Audit Committee meetings during the financial year are as follows:

| Name of Audit Committee Member | No. of Audit Committee Meetings |
|---|---|
| David Low Teck Wee | 5 out of 5 |
| Loo Thin Tuck | 5 out of 5 |
| Tunku Azlan Bin Tunku Aziz | 5 out of 5 |

# AUDIT COMMITTEE REPORT
(cont'd)

**SUMMARY ACTIVITIES**

The Audit Committees' activities during the financial year under review comprised the following:-

**Quarterly Financial Statements and Audited Financial Statements**

- review the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and
- review the unaudited financial results before recommending them for Board's approval, focusing particularly on:-
  - Any change in accounting policies
  - Significant adjustments arising from audit
  - Compliance with accounting standards and other legal requirements

**External Auditors**

- review external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- review external audit review memorandum and the response from the Management;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- review the performance and effectiveness of the external auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of external auditors; and
- review and evaluation factors relating to the independence of the external auditors.

The Audit Committee had recommended to the Board for approval of the audit fee of RM102,865.00 in respect of the financial year ended 31 July 2017 and the Board had approved the audit fee based on the recommendation of the Audit Committee.

**Internal Auditors**

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Report directly to the Audit Committee, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

The Audit Committee had reviewed:-

- internal audit's resource requirements, scope, adequacy and function; and
- suggestion on improvement opportunities in the areas of internal controls, systems and efficiency improvements.

**Internal Control and Risk Management**

- facilitation of the ERM establishment and review on adequacy and effectiveness thereof from time to time;
- assessment on the resources and knowledge of the Management and employees involved in the risk management process;
- review and monitoring of principal risks which may affect the Group directly or indirectly, and if deemed necessary; and
- monitoring and communication of the risk assessment results to the Board.

# AUDIT COMMITTEE REPORT
(cont'd)

## RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions ("RPT") and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The Audit Committee review the RPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The Audit Committee also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

## INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit function is to provide the Board, through the Audit Committee, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of internal auditors are fully discharged, the Audit Committee reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The Internal Auditors also highlighted to the Audit Committee the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

All Internal Audit activities in financial year ended 31 July 2017 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM27,000.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out the principle that the Board of Directors ("Board") of a listed company should establish a sound risk management framework and internal control system to safeguard shareholders' investment and assets of the Group.

The Statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Principles and Recommendations relating to risk management and internal control provided in the Code.

## BOARD RESPONSIBILITIES

The Board recognises and affirms its overall responsibility for the Group's system of risk management and internal control practices for good corporate governance. The Board, through its various committees, has continuously reviewed the adequacy and effectiveness of the system in particular on financial, operational, as well as compliance aspects of the Group throughout the financial year.

There is an ongoing process for identifying, evaluating and managing the key risks faced by the Group in its achievement of business objectives. The process has been in place during the year up to the date of approval of this statement and is subject to review by the Board. The Board recognised that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, the Board noted that these systems can only provide reasonable but not absolute assurance against any material misstatement, losses or fraud.

The Board is assisted by Senior Management in implementing the Board approved policies and procedures to assure that the Group's risk management and internal controls systems are operating adequately and effectively by:

a.Identifying and analysing risk information;
b.Designing and operating suitable internal controls to manage these risks; and
c.Monitoring risk changes and the appropriate action plans.

The key features of the risk management and internal control system are described below.

## RISK MANAGEMENT

the Group continues to adopt its Enterprise Risk Management (ERM) methodology which is in line with the ISO 31000:2009, Risk Management – Principles and Guidelines, mainly promoting the risk ownership and continuous monitoring of key risks identified.

The Group has maintained a database of risks and controls information captured in the format of risk registers. The risks associated with key business units are identified, assessed and categorised to highlight the root causes of risks, their impacts and the likelihood of occurrence. Risk profiles for the key business units are presented to the Risk Management Committee and Board for deliberation and approval for adoption. Comprehensive action plans are developed to address key risks identified by Management.

The risk profile of the key business units of the Group are being monitored by its respective Senior Management. The risks identified for the Group were considered in formulating the strategies and plans. The strategies and plans are monitored and revised as the need arises. These processes are embedded within the Group's overall business operations and guided by the documented policies and procedures.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

**INTERNAL CONTROL**

The Board receives and reviews regular reports from the Management on key financial data, performance indicators and regulatory matters. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Further, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

There is a comprehensive budgeting system that requires preparation of the annual budget by all key business units. The annual budget which contains financial, operating targets and performance indicators are reviewed and approved by the Managing Director, together with the Senior Management before being presented to the Board for final review and approval.

Issues relating to the business operations are brought to the Board's attention during Board meetings. Further independent assessment is provided by the Group internal audit function and the Audit Committee. The Audit Committee reviews internal control matters and updates the Board on any significant control gaps for the Board's attention and action.

The other salient features of the Group's system of internal control are as follows:-

- The Board meets at least once every quarter and has an agenda to bring to the Board's attention significant matters related to internal controls, ensuring that it maintains full and effective supervision over appropriate controls;

- Executive Directors participate actively in the daily operations of the Group and regular operational meetings were held with heads of departments. The heads of departments are delegated with the responsibility to ensure that the systems of internal controls are put into place accordingly;

- Representations from the Company in consortium or joint venture are responsible to oversee the administration, operation and performance of the consortium or joint venture and are further responsible to provide on a regular basis, financial and operational information of the consortium or joint venture to the Management of the Company;

- Quarterly review of financial results by the Board and the Audit Committee before announcement to Bursa Malaysia Securities Berhad;

- An organisational structure with defined lines of responsibilities and delegation of authority within which the Management operates;

- The principal operating subsidiary, LFE Engineering Sdn Bhd, has a formalised Quality Procedure Manual ISO 9001:2008 ("ISO") to inter-alia provide guidance to employees in carrying out daily tasks to ensure that there is a clear understanding of the operations of the Group, to continually improve the effectiveness of our Quality Management System so as to provide our customers with superior products and services;

- Scheduled in-house ISO internal audit is held once a year to ensure full compliance with the ISO requirements, where findings are discussed during the Management Review Committee meetings.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

## INTERNAL AUDIT

The Board acknowledges the importance of the internal audit function and has previously outsourced its internal audit function to a professional service firm, as part of its efforts in ensuring that the Group's system of internal controls are adequate and effective. At the date of this report, the internal audit activities of the Group were carried out according to an annual audit plan approved by the Audit Committee. The internal audit function adopted a risk-based approach and prepared its audit plans based on key risks identified. The internal audit provided an assessment of the adequacy and effectiveness of the Group's system of internal control, and provided recommendations, if any, for the improvement of the control policies and procedures. The results of the internal audit assessments were reported to the Audit Committee.

High priority observations were highlighted to the management and suggested mitigation plans with reasonable implementation time frame were adopted by the respective department. In addition, the implementation status of corrective actions to address control weaknesses was followed up by the internal auditors to verify that these actions have been satisfactorily implemented by management. In addition, management relied on the ISO internal audit.

## REVIEW BY BOARD

The Board's review of risk management and internal control effectiveness is based on information from Senior Management within the organisation who are responsible for the development and maintenance of the risk management and internal control system.

The Board monitors the implementation status of key risk action plans for the identified internal control weakness to ensure continuous process improvement. In addition, the Audit Committee and the Board will continuously review the adequacy and effectiveness of the Group's risk management and internal control system.

The Board considered the systems of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment.

The Board and Senior Management will continue to strengthen the risk and control environment and monitor the health of the risk and internal controls framework.

The Group's internal control system does not apply to its associate companies, which fall within the control of their majority shareholders. Nonetheless, the Group's interests are served through representation on the Board of Directors and Senior Management posting(s) to the associate companies as well as through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

The Board also received assurance from the Managing Director and CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the established risk management and internal control system of the Group in accordance with the guidance as outlined in Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

In addition, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

## CONCLUSION

For the financial year under review and up to the date of approval of this Statement on Risk Management and Internal Control, the Board is satisfied that the risk management and internal control system are in place as it has not resulted in any material loss, contingency or uncertainty. The Board has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control system.

The above statement is made in accordance with the resolution of the Board dated 27 November 2017.

# STATEMENT ON DIRECTORS' RESPONSIBILITIES

*This statement made pursuant to 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad, is to explain the responsibilities of the Board of Directors ("the Directors" or "the Board") of LFE Corporation Berhad ("LFE" or "the Company") in relation to the preparation of the Company's annual financial statements. The Directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the LFE Group ("the Group") at the end of the financial year and the profit and loss account of the Company and the Group for the financial year. Further, the Board is required to ensure that the financial statements have been prepared in compliance with the Act, the Listing Requirements and in accordance with the applicable approved accounting standards in Malaysia.*

In preparing the financial statements for the financial year ended 31 July 2017 ("the Financial Statements"), the Directors have, with the advice from the external auditors:

a) adopted the suitable accounting policies and have applied them consistently;
b) made judgments and estimates that are prudent and reasonable;
c) ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
d) prepared the Financial Statements on a going concern basis.

The Directors also confirm that, after making reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would render any statement or information contained in the Financial Statements misleading.

The Directors had, upon the request and advice of the External Auditors, took the necessary steps and undertaken the necessary inspections for the purpose of enabling the External Auditors to give their audit report for the Financial Statements. The Board will ensure that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the Company's financial statements comply with the Act.

This statement was reviewed and approved by the Board on 27 November 2017.

# ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

   As at the date of this report, the status of utilization of proceed raised from the Proposed Private Placement is as follows:-

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Intended Timeframe for Utilisation (from listing date) |
|---|---|---|---|
| Working capital | 1,000 | 1,000 | Completed |
| Total gross proceeds | 1,000 | 1,000 | Completed |

2. Related Party Transactions

   The aggregate value of the Related Party Transactions for the financial year ended 31 July 2017 is set out in Note 29 of the Audited Financial Statements.

3. Non-audit Fees

   There were no non-audit fees payable to the External Auditors for the financial year ended 31 July 2017.

4. Material Contracts

   There were no other material contracts (not being contracts entered into in the ordinary course of business) either subsisting or entered into during the financial year ended 31 July 2017, by the Company and its subsidiaries which involved the interest of the Directors and substantial shareholders.

5. Revaluation of Landed Properties

   The Group adopts a revaluation policy whereby investment properties are subject to a fair value measurement as at every financial year end whilst non-investment properties that have been classified as "property, plant and equipment" are not included in the revaluation policy.

# Financial Statements

# DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are stated in Note 20 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

## FINANCIAL RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss for the financial year | (1,697,757) | (1,233,056) |

## DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year under review.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review other than as disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

There were no issuances of shares or debentures during the financial year.

## DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

YBhg. Dato' Sri Haji Shafiz Bin Dato' Haji Shahrani
Liew Kiam Woon
David Low Teck Wee
Loo Thin Tuck
YM Tunku Azlan Bin Tunku Aziz
Juliana Quah Kooi Hong
Kok Tong Yong
YBhg. Dato' Rosthman Bin Ibrahim (Resigned on 24 May 2017)

# DIRECTORS' REPORT
(cont'd)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.8.2016** | **Acquired** | **Disposed** | **At 31.7.2017** |
| **Interest in the Company** | | | | |
| Direct interest: | | | | |
| Liew Kiam Woon | 7,656,288 | 9,531,720 | – | 17,188,008 |
| Kok Tong Yong | 32,500 | – | – | 32,500 |
| Indirect interest: | | | | |
| Liew Kiam Woon^ | 8,529,958 | – | – | 8,529,958 |
| YBhg. Dato' Sri Haji Shafiz Bin Dato' Haji Shahrani# | 58,677,250 | – | – | 58,677,250 |

^ Deemed interested pursuant to Section 8 of Companies Act, 2016.

# Deemed interested by virtue of his substantial shareholding in Shapadu Corporation Sdn. Bhd pursuant to Section 8 of Companies Act, 2016.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

By virtue of their interest in shares of the Company, Liew Kiam Woon, Kok Tong Yong and YBhg. Dato' Sri Haji Shafiz Bin Dato' Haji Shahrani are also deemed to have interest in the shares of the subsidiaries to the extent that the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its subsidiaries during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# DIRECTORS' REPORT
(cont'd)

**DIRECTORS' REMUNERATION**

Details of Directors' remuneration are disclosed in Note 29(b) to the financial statements.

**SUBSIDIARY COMPANIES**

Details of the subsidiary companies are disclosed in Note 20 to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are disclosed in Note 24 to the financial statements.

**OTHER STATUTORY INFORMATION**

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for impairment losses on receivables; and

 (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of Company have been written down to an amount which the current assets might be expected so to realised.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

 (i) the amount written off for bad debts or the additional provision for doubtful debts in the financial statement of the Group and of the Company inadequate to any substantial extent; or

 (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

 (iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

 (iv) any amount stated in the financial statements of the Group and of the Company misleading.

(c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

(d) At the date of this report, there does not exist:

 (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

 (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

# DIRECTORS' REPORT
(cont'd)

## OTHER STATUTORY INFORMATION (CONTINUED)

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 32 to the financial statements.

## AUDITORS

The auditors, Messrs. Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

**LIEW KIAM WOON**

**YBHG. DATO' SRI HAJI SHAFIZ BIN DATO' HAJI SHAHRANI**

KUALA LUMPUR
27 November 2017

# STATEMENT BY DIRECTORS
## Pursuant to Section 251(2) of the Companies Act, 2016

We, LIEW KIAM WOON and YBHG. DATO' SRI HAJI SHAFIZ BIN DATO' HAJI SHAHRANI, being two of the Directors of LFE CORPORATION BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 39 to 104 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 105 to the financial statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

**LIEW KIAM WOON**

**YBHG. DATO' SRI HAJI SHAFIZ BIN DATO' HAJI SHAHRANI**

KUALA LUMPUR
27 November 2017

# STATUTORY DECLARATION
## Pursuant to Section 251(1) of the Companies Act, 2016

I, LIEW KIAM WOON, being the Director primarily responsible for the financial management of LFE CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 39 to 104 and the supplementary information set out on page 105 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed LIEW KIAM WOON )
at Kuala Lumpur )
on this date of 27 November 2017 )

**LIEW KIAM WOON**

Before me,

**COMMISSIONER FOR OATHS**

# INDEPENDENT AUDITORS' REPORT
to the members of LFE Corporation Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of LFE Corporation Berhad, which comprise the statements of financial position as at 31 July 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial statements, which indicates that the Group and the Company incurred a net loss of RM1,697,757 and RM1,233,056 respectively during the financial year ended 31 July 2017. In addition, the Group and the Company have delayed in meeting their operational obligation.

The ability of the Group and of the Company to continue as a going concern is dependent on the timely and successful completion of its existing project, the timely collection of the trade receivables from companies in which a Director of the Company has vested interest, amount owing by an associate company, LFE Engineering (Qatar) W.L.L. and the timely completion of the planned disposal of LFE Engineering Vietnam Company Limited. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

# INDEPENDENT AUDITORS' REPORT
to the members of LFE Corporation Berhad
(cont'd)

**Key Audit Matters (continued)**

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Revenue recognition on construction contract (Refer to Note 3(g), 4(a) and 22 to the financial statements)**<br><br>We focused on this area because the revenue and related costs recognised in the construction business require the Directors to apply significant accounting estimates.<br><br>The revenue and related costs recognised in profit or loss by using the stage of completion method is determined by reference to costs incurred for work performed to date against the estimated total costs for each project.<br><br>The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events. | Our audit procedures on a sample of major projects included, among others:<br><br>• Evaluating the design and assessing the implementation of controls over the Group's process in recording project costs, preparing project budget and calculating the stage of completion;<br>• Review management's critical assumptions by comparing to contractual terms, historical margin and our understanding gathered from the analysis of changes in assumptions from previous year;<br>• Discussing the progress of the projects and expected outcome with the respective project directors to obtain an understanding of the basis on which the estimates are made;<br>• Assessing the reasonableness of computed stage of completion for identified projects against architect certificate or progress report and the physical completion;<br>• Checked the extent of costs incurred to date on significant projects by agreeing a sample of costs incurred to supporting documentation;<br>• Testing the mathematical computation of the recognised revenue and expenses during the financial year; and<br>• Conducted site visit on significant projects. |
| **Valuation of investment in joint ventures (Refer to Notes 3(i), 4(d) and 8 to the financial statements)**<br><br>The Group has investment in joint ventures which are located in Abu Dhabi, United Arab Emirates. As at 31 July 2017, the carrying amount of investment in joint ventures amounted to RM38,888,166, which represented approximately 54% of the Group's total assets. These joint ventures own leasehold land and office floor buildings held for sale amounting to RM54,023,747.<br><br>Significant estimates are used by management in order to determine the valuation and recoverability of these leasehold land and office floor building and its resultant effect on the Group's investment in joint ventures. | Our procedures in relation to the valuation of interests in joint ventures included:<br><br>• Involvement and communicate with the component auditors on their work performed on these joint ventures;<br>• Discuss with the Management and component auditors on the use of the independent valuer's work on the valuation of the leasehold land and building; and<br>• Assessing the reasonableness of key inputs and assumptions used by the independent valuer's in their estimation of the recoverable amounts. |

# INDEPENDENT AUDITORS' REPORT
to the members of LFE Corporation Berhad
(cont'd)

**Key Audit Matters (continued)**

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Impairment of trade receivables (Refer to Notes 3(h), 4(c) and 10 to the financial statement)** | |
| As at 31 July 2017, the Group's trade receivables stood at RM11,901,189.<br><br>We focused on this area due to the inherent subjectivity in making judgements in relation to credit risk exposures in determining the recoverability of trade receivables. | We obtained an understanding on the Group's credit control and analysed the trade receivables ageing.<br><br>Our audit procedures on long outstanding of customer included, among others:<br><br>• Scrutinised the trade receivables ageing and investigate unusual trends and conditions;<br>• Reviewed long outstanding receivables with consideration of subsequent collections after the end of the reporting period;<br>• For exceptions noted, evaluated and challenged management's judgements on assessing their recoverability and impairment assessment, taking into account specific known customer circumstances and correspondence, including status updates on reconciliation process; and<br>• Assessing the adequacy of the Group and the Company's disclosures in respect of credit risk. |

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and the remaining parts of the Annual Report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT
to the members of LFE Corporation Berhad
(cont'd)

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITORS' REPORT
To The Members Of LFE Corporation Berhad
(cont'd)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 20 to the financial statements.

**Other Reporting Responsibilities**

The supplementary information set out in page 105 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

**MORISON ANUARUL AZIZAN CHEW**
Firm Number: AF 001977
Chartered Accountants

**MUHAMAD HAFIZ BIN CHE YUSOF**
Approved Number: 3125/06/18 (J)
Chartered Accountant

KUALA LUMPUR
27 November 2017

# STATEMENTS OF FINANCIAL POSITION
## As At 31 July 2017

| | Note | 31.7.2017 RM | Group 31.7.2016 RM Restated | 1.8.2015 RM Restated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 5 | 760,521 | 364,414 | 365,093 |
| Investment property | 6 | 265,471 | 265,471 | 265,471 |
| Investment in associate companies | 7 | 182,068 | 171,822 | 152,760 |
| Investment in joint ventures | 8 | 38,888,166 | 35,797,301 | 30,841,224 |
| | | 40,096,226 | 36,599,008 | 31,624,548 |
| **Current Assets** | | | | |
| Amount owing by customers on contracts | 9 | 8,081,479 | 15,187,536 | 10,428,414 |
| Trade receivables | 10 | 11,901,189 | 15,948,152 | 12,158,336 |
| Other receivables | 11 | 2,193,841 | 1,278,177 | 3,119,919 |
| Amount owing by associate companies | 12 | 2,440,662 | 4,505,702 | 4,219,048 |
| Tax recoverable | | – | 99,943 | 101,150 |
| Fixed deposits placed with licensed banks | | – | – | 9,069 |
| Cash and bank balances | | 173,873 | 165,057 | 3,362,940 |
| | | 24,791,044 | 37,184,567 | 33,398,876 |
| Assets directly associated with non-current assets classified as held-for-sale | 13 | 7,173,444 | – | – |
| | | 31,964,488 | 37,184,567 | 33,398,876 |
| **TOTAL ASSETS** | | 72,060,714 | 73,783,575 | 65,023,424 |

# STATEMENTS OF FINANCIAL POSITION
As At 31 July 2017
(cont'd)

| | Note | 31.7.2017 RM | Group 31.7.2016 RM Restated | 1.8.2015 RM Restated |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 14 | 54,469,711 | 54,469,711 | 84,900,002 |
| Reserves | 15 | (10,146,381) | (10,763,689) | (71,735,241) |
| | | 44,323,330 | 43,706,022 | 13,164,761 |
| **Non-Current Liabilities** | | | | |
| Finance lease liability | 16 | 43,313 | 60,427 | – |
| Bank borrowings | 17 | – | – | 4,644,643 |
| Deferred tax liabilities | | – | – | 14,800 |
| | | 43,313 | 60,427 | 4,659,443 |
| **Current Liabilities** | | | | |
| Amount owing to customers on contracts | 9 | 7,822 | 1,911,686 | 3,480,261 |
| Trade payables | 18 | 3,181,738 | 14,578,574 | 13,939,326 |
| Other payables | 19 | 16,075,853 | 11,516,376 | 18,873,554 |
| Provision for taxation | | 64,364 | 29,000 | – |
| Finance lease liability | 16 | 17,113 | 16,236 | – |
| Bank borrowings | 17 | 1,135,815 | 1,965,254 | 10,906,079 |
| | | 20,482,705 | 30,017,126 | 47,199,220 |
| Liabilities directly associated with non-current assets classified as held-for-sale | 13 | 7,211,366 | – | – |
| **Total Liabilities** | | 27,737,384 | 30,077,553 | 51,858,663 |
| **TOTAL EQUITY AND LIABILITIES** | | 72,060,714 | 73,783,575 | 65,023,424 |

# STATEMENTS OF FINANCIAL POSITION
As At 31 July 2017
(cont'd)

| | | Company | |
|---|---|---|---|
| | **Note** | **2017 RM** | **2016 RM** |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Investment in subsidiary companies | 20 | 25,576,086 | 25,576,086 |
| Investment in associate companies | 7 | 25,500 | 25,500 |
| | | 25,601,586 | 25,601,586 |
| **Current Assets** | | | |
| Amount owing by subsidiary companies | 21 | 44,834,093 | 45,078,330 |
| Amount owing by associate company | 12 | – | 769,813 |
| Cash and bank balances | | 26 | 6,694 |
| **Total current assets** | | 44,834,119 | 45,854,837 |
| **TOTAL ASSETS** | | 70,435,705 | 71,456,423 |
| **EQUITY AND LIABILITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 14 | 54,469,711 | 54,469,711 |
| Reserves | 15 | 15,450,071 | 16,683,127 |
| | | 69,919,782 | 71,152,838 |
| **Current Liability** | | | |
| Other payables | 19 | 515,923 | 303,585 |
| **TOTAL EQUITY AND LIABILITY** | | 70,435,705 | 71,456,423 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Financial Year Ended 31 July 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM | 2016 RM Restated | 2017 RM | 2016 RM |
| Revenue | 22 | 13,379,218 | 22,861,913 | – | – |
| Cost of sales | | (9,088,396) | (20,616,819) | – | – |
| Gross profit | | 4,290,822 | 2,245,094 | – | – |
| Other operating income | | 1,840,120 | 1,070,101 | – | 15,045 |
| Administrative expenses | | (4,228,660) | (4,418,231) | (463,243) | (899,743) |
| Other operating expenses | | (3,891,635) | (13,743) | (769,813) | – |
| Finance costs | 23 | (79,422) | (1,008,111) | – | – |
| Loss from operations | | (2,068,775) | (2,124,890) | (1,233,056) | (884,698) |
| Share of profit of associate companies | | 10,246 | 19,062 | – | – |
| Share of profit of joint ventures | | 432,605 | 3,125,710 | – | – |
| (Loss)/Profit before taxation | 24 | (1,625,924) | 1,019,882 | (1,233,056) | (884,698) |
| Taxation | 25 | (71,833) | (84,293) | – | – |
| Net (loss)/profit for the financial year | | (1,697,757) | 935,589 | (1,233,056) | (884,698) |
| Other comprehensive income: Exchange differences arising from translation of foreign operations | | 2,315,065 | 605,962 | – | – |
| Total comprehensive income/ (loss) for the financial year | | 617,308 | 1,541,551 | (1,233,056) | (884,698) |

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Financial Year Ended 31 July 2017
(cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM | 2016 RM Restated | 2017 RM | 2016 RM |
| (Loss)/Profit for the financial year attributable to: | | | | | |
| Owners of the Company | | (1,697,757) | 935,589 | (1,233,056) | (884,698) |
| Total comprehensive income/(loss) for the financial year attributable to: | | | | | |
| Owners of the Company | | 617,308 | 1,541,551 | (1,233,056) | (884,698) |
| (Loss)/Earnings per share attributable to Owners of the Company (sen) | | | | | |
| - Basic | 26 | (0.94) | 0.63 | | |
| - Diluted | 26 | (0.94) | 0.63 | | |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY
## For The Financial Year Ended 31 July 2017

| Group | Note | Attributable to Owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | | | Non-distributable | | | |
| | | Share Capital RM | Capital Reserve RM | Foreign Exchange Translation Reserve RM | Accumulated Losses RM | Total Equity RM |
| At 1 August 2016 | | 54,469,711 | 17,567,825 | 1,208,245 | (29,539,759) | 43,706,022 |
| Loss for the financial year | | – | – | – | (1,697,757) | (1,697,757 |
| Other comprehensive income: | | | | | | |
| Exchange differences arising from translation of foreign operations | | – | – | 2,315,065 | – | 2,315,065 |
| Total comprehensive income for the financial year | | – | – | 2,315,065 | (1,697,757) | 617,308 |
| At 31 July 2017 | | 54,469,711 | 17,567,825 | 3,523,310 | (31,237,516) | 44,323,330 |

## STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 July 2017
(cont'd)

| | | Attributable to Owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | |
| Group | Note | Share Capital RM | Share Premium RM | Foreign Exchange Capital Reserve RM | Translation Reserve RM Restated | Accumulated Losses RM Restated | Total Equity RM |
| At 1 August 2015 | | | | | | | |
| As previously stated | | 84,900,002 | 5,218,125 | – | 2,510,165 | (77,539,436) | 15,088,856 |
| Prior year adjustments | 34 | – | – | – | (1,907,882) | (16,213) | (1,924,095) |
| As restated | | 84,900,002 | 5,218,125 | – | 602,283 | (77,555,649) | 13,164,761 |
| Reduction in par value of share capital | 14 | (59,430,001) | – | 12,349,700 | – | 47,080,301 | – |
| Reduction in share premium | | – | (5,218,125) | 5,218,125 | – | – | – |
| Issuance of shares during the financial year: | 14 | | | | | | |
| - Private Placement | | 20,000,000 | – | – | – | – | 20,000,000 |
| - Rights Issue | | 5,640,575 | – | – | – | – | 5,640,575 |
| - Debt Settlement | | 3,359,135 | – | – | – | – | 3,359,135 |
| | | (30,430,291) | (5,218,125) | 17,567,825 | – | 47,080,301 | 28,999,710 |
| | | 54,469,711 | – | 17,567,825 | 602,283 | (30,475,348) | 42,164,471 |
| Profit for the financial year | | – | – | – | – | 935,589 | 935,589 |
| Other comprehensive income: | | | | | | | |
| Exchange differences arising from translation of foreign operations | | – | – | – | 605,962 | – | 605,962 |
| Total comprehensive income for the financial year | | – | – | – | 605,962 | 935,589 | 1,541,551 |
| At 31 July 2016 | | 54,469,711 | – | 17,567,825 | 1,208,245 | (29,539,759) | 43,706,022 |

# STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 July 2017
(cont'd)

| Company | Note | Share Capital RM | Capital Premium RM | Share Reserve RM | Accumulated Losses RM | Total Equity RM |
|---|---|---|---|---|---|---|
| At 1 August 2016 | | 54,469,711 | – | 17,567,825 | (884,698) | 71,152,838 |
| Total comprehensive loss for the financial year | | – | – | – | (1,233,056) | (1,233,056) |
| At 31 July 2017 | | 54,469,711 | – | 17,567,825 | (2,117,754) | 69,919,782 |
| At 1 August 2015 | | 84,900,002 | 5,218,125 | – | (47,080,301) | 43,037,826 |
| Reduction in par value of share capital | 14 | (59,430,001) | – | 12,349,700 | 47,080,301 | – |
| Reduction in share premium | | – | (5,218,125) | 5,218,125 | – | – |
| Issuance of shares during the financial year: | 14 | | | | | |
| - Private Placement | | 20,000,000 | – | – | – | 20,000,000 |
| - Rights Issue | | 5,640,575 | – | – | – | 5,640,575 |
| - Debt Settlement | | 3,359,135 | – | – | – | 3,359,135 |
| | | (30,430,291) | (5,218,125) | 17,567,825 | 47,080,301 | 28,999,710 |
| Total comprehensive loss for the financial year | | – | – | – | (884,698) | (884,698) |
| At 31 July 2016 | | 54,469,711 | – | 17,567,825 | (884,698) | 71,152,838 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS
## For The Financial Year Ended 31 July 2017

| | Note | Group 2017 RM | Group 2016 RM Restated | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| (Loss)/Profit before taxation | | (1,625,924) | 1,019,882 | (1,233,056) | (884,698) |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | | 112,936 | 71,927 | – | – |
| Unrealised loss on foreign exchange | | 90,314 | 249 | – | – |
| Share of profit in associate companies | | (10,246) | (19,062) | – | – |
| Share of profit in joint ventures | | (432,605) | (3,125,710) | – | – |
| Fair value adjustments on: | | | | | |
| - trade receivables | | (155) | (20,644) | – | – |
| - trade payables | | 74,079 | (61,593) | – | – |
| Impairment loss on:- | | | | | |
| - amount owing by associate companies | | 2,144,557 | – | 769,813 | – |
| - trade receivables | | 1,673,000 | – | – | – |
| Property, plant and equipment written off | | – | 552 | – | – |
| Gain on disposal of property, plant and equipment | | – | (32,193) | – | – |
| Interest expenses | | 79,422 | 1,008,111 | – | – |
| Interest income | | (16) | (10,869) | – | – |
| Operating profit/(loss) before changes in working capital | | 2,105,362 | (1,169,350) | (463,243) | (884,698) |

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 July 2017
(cont'd)

| | Note | Group 2017 RM | Group 2016 RM Restated | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| Changes in working capital: | | | | | |
| Amount owing by/to customers on contract | | (1,842,533) | (6,327,697) | – | – |
| Trade and other receivables | | 2,493,742 | (1,927,430) | – | – |
| Trade and other payables | | (940,349) | (6,656,337) | 212,338 | – |
| Amount owing by subsidiary companies | | – | – | 244,237 | (27,689,202) |
| Amount owing by/to associate companies | | (79,517) | (286,654) | – | (420,517) |
| | | (368,657) | (15,198,118) | 456,575 | (28,109,719) |
| Cash generated from/(used in) operations | | 1,736,705 | (16,367,468) | (6,668) | (28,994,417) |
| Interest received | | 16 | 10,869 | – | – |
| Interest paid | | (79,422) | (1,008,111) | – | – |
| Tax refunded | | 99,943 | 11,114 | – | – |
| Tax paid | | (36,469) | (80,000) | – | – |
| | | (15,932) | (1,066,128) | – | – |
| Net cash generated from/(used in) operating activities | | 1,720,773 | (17,433,596) | (6,668) | (28,994,417) |
| **Cash Flows From Investing Activities** | | | | | |
| Purchase of property, plant and equipment | 27 | (509,028) | (27,574) | – | – |
| Proceeds from disposal of property, plant and equipment | | – | 75,000 | – | – |
| Net cash (used in)/generated from investing activities | | (509,028) | 47,426 | – | – |

# STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 July 2017
(cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017<br>RM | 2016<br>RM<br>Restated | 2017<br>RM | 2016<br>RM |
| **Cash Flows From Financing Activities** | | | | | |
| Decrease in fixed deposits pledged | | – | 9,069 | – | – |
| Proceeds from issuance of share capital | | – | 28,999,710 | – | 28,999,710 |
| Repayment of bank borrowings | | (1,069,591) | (11,673,163) | – | – |
| Repayment of finance lease liability | | (16,237) | (10,337) | – | – |
| Net cash (used in)/generated from financing activities | | (1,085,828) | 17,325,279 | – | 28,999,710 |
| **Net increase/(decrease) in cash and cash equivalents** | | 125,917 | (60,891) | (6,668) | 5,293 |
| **Effect of exchange rate changes** | | (343,210) | (1,224,687) | – | – |
| **Cash and cash equivalents at the beginning of the financial year** | | 165,057 | 1,450,635 | 6,694 | 1,401 |
| **Cash and bank balances from asset held-for-sale** | | (14,043) | – | – | – |
| **Cash and cash equivalents at the end of the financial year** | | (66,279) | 165,057 | 26 | 6,694 |
| **Cash and cash equivalents at the end of the financial year comprises:** | | | | | |
| Cash and bank balances | | 187,916 | 165,057 | 26 | 6,694 |
| Cash and bank balances from asset held-for-sale | | (14,043) | – | – | – |
| Bank overdrafts | | (240,152) | – | – | – |
| | | (66,279) | 165,057 | 26 | 6,694 |

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 20 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business is located at Suite 11.01, 11th Floor, Campbell Complex, 98, Jalan Dang Wangi, 50100 Kuala Lumpur.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

## 2. BASIS OF PREPARATION

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The Group and the Company incurred a net loss of RM1,697,757 and RM1,233,056 respectively during the financial year ended 31 July 2017. In addition, the Group and the Company have delayed in meeting their operational obligation.

The ability of the Group and of the Company to continue as a going concern is dependent on the timely and successful completion of its existing project, the timely collection of the trade receivables from companies in which a Director of the Company has vested interest, amount owing by an associate company, LFE Engineering (Qatar) W.L.L. and the timely completion of the planned disposal of LFE Engineering Vietnam Company Limited.

In view of the abovementioned, the Directors consider that it is appropriate to prepare the financial statements of the Group and of the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to amounts and classification of liabilities that may be necessary should the going concern basis for the preparation of the financial statements of the Group and of the Company be not appropriate.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group and the Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgemental or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**2. BASIS OF PREPARATION (CONTINUED)**

(a) Basis of preparation (continued)

Accounting standards and amendments to accounting standards that are effective for the Company's financial year beginning on or after 1 August 2016 are as follows:

- MFRS 14, "Regulatory Deferral Accounts"
- Amendment to MFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, "Financial Instruments: Disclosures" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128, "Investment Entities: Applying the Consolidation Exception"
- Amendment to MFRS 134, "Interim Financial Reporting" (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 11, "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to MFRS 101, "Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138, "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 116 and MFRS 141, "Agriculture: Bearer Plants"
- Amendment to MFRS 119, "Employee Benefits" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, "Equity Method in Separate Financial Statements"

The above accounting standards and amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Group and of the Company.

(b) Standard issued but not yet effective

Accounting standards and amendments to accounting standards and IC Interpretation that are applicable for the Group and the Company in the following periods but are not yet effective:

***Annual periods beginning on/after 1 January 2017***

- Amendments to MFRS 12, "Disclosure of Interest in Other Entities" (Annual Improvements 2014-2016 cycle)
- Amendments to MFRS 107, "Disclosure Initiative"
- Amendments to MFRS 112, "Recognition of Deferred Tax Assets for Unrealised Losses"

***Annual periods beginning on/after 1 January 2018***

- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, "Classification and Measurement of Share-Based Payment Transactions"
- Amendments to MFRS 4, "Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract"
- MFRS 9, "Financial Instruments"
- MFRS 15, "Revenue from Contracts with Customers"
- Amendments to MFRS 140, "Transfer of investment property"
- IC Interpretation 22, "Foreign Currency Transaction and Advance Consideration"

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**2. BASIS OF PREPARATION (CONTINUED)**

(b) Standard issued but not yet effective (continued)

***Annual periods beginning on/after 1 January 2019***

- MFRS 16, "Leases"

***Effective date yet to be determined by the Malaysian Accounting Standards Board***

- Amendments to MFRS 10, "Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures"

The above accounting standards, amendments to accounting standards and IC Interpretation which may have a significant impact to the financial statements are as follows:

MFRS 9 Financial Instruments

This Standard addresses the classification, measurement and recognition of financial assets and financial liabilities.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The Standard introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. If a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through statement of profit or loss and other comprehensive income. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the statement of profit or loss and other comprehensive income and in the statement of financial position.

The Standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

In addition, the Standard introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. As a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**2. BASIS OF PREPARATION (CONTINUED)**

(b) Standard issued but not yet effective (continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customer.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principal in MFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to the customer in an amount that reflects the consideration to which the entity expects to entitled in exchange for those goods and services.

A new five-steps process is applied before revenue can be recognised:
- Identify contracts with customers;
- Identify the separate performance obligation;
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligation; and
- Recognise the revenue as each performance obligation is satisfied.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency at the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency.

(b) Basis of consolidation

(i) Subsidiary companies

Subsidiaries are entities, including structured entities, controlled by the Group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiary companies (continued)

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

(ii) Associates

An associate is a company in which the Group has a long term equity interest between 20% to 50% and where the Group is in a position to exercise significant influence over the financial and operating policies of the investee company.

Investments in associates are accounted for in the consolidated financial statements using the equity method. The Group's interests in the associates are stated at cost plus adjustments to reflect changes in the Group's share of profits and losses in the associates. The Group's share of results and reserves in the associates acquired are included in the consolidated financial statements from the effective date of acquisition.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Associates (continued)

The most recent available financial statements of the associate are used by the Group in applying the equity method. Where the reporting dates of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in reporting dates is no more than three months. Adjustments are made for the effects of any insignificant transactions or events that occur between the intervening period.

(iii) Joint arrangement

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

(c) Investment in subsidiary companies and associates

Investment in subsidiary companies and associates in the separate financial statements is stated at cost less accumulated impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 3(i) to the financial statements.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the profit or loss.

(d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognized in profit or loss for the period in which they arise. Cost includes purchase price and any directly attributable costs to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognized on its disposal or which it is permanently withdrawn form use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognized in profit or lost in the period in which the item is derecognized.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

(iii) Depreciation

Depreciation is recognised in the profit or loss on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Plant and machinery | 2 - 3 years |
| Motor vehicles | 5 years |
| Furniture, fittings and equipment | 10 years |
| Air conditioners and renovation | 5 - 10 years |

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each reporting period, and adjusted as appropriate.

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the profit or loss.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 3(i) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight line basis over the lease period.

(g) Construction contracts

Construction contracts are stated at cost plus the attributable profits less applicable progress billings and provision for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the proportion that contract cost incurred for the work performed to date as a percentage of the estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) Financial assets

(i) Classification

The Company classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

(iii) Subsequent measurement

Gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged decline in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a financial asset measured at amortised cost and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) Financial assets (continued)

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(i) Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial liabilities

Short-term borrowings, trade and other payables are classified as financial liabilities in the statement of financial position as there is a contractual obligation to make cash payments to another entity and is contractually obliged to settle the liabilities in cash.

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or less are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Fair Value Through Profit and Loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(m) Provisions for liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(n) Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(p) Foreign currency transaction and balances

(i) Foreign currency transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(ii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit and loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the foreign exchange translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income through the foreign exchange translation reserve.

The closing exchange rates used for each unit of the main foreign currency in the Group is:

| | **2017 RM** | **2016 RM** |
|---|---|---|
| United States Dollar (USD) | 4.2816 | 4.0702 |
| 100 Vietnamese Dong (VND) | 0.0188 | 0.0183 |
| UAE Dirhams (AED) | 1.1656 | 1.0958 |
| Qatari Riyal (QAR) | 1.1763 | 1.1182 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(q) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, based on the following:

(i) Construction contracts

Revenue from work done on construction contracts is recognised based on the percentage of completion method. The stage of completion is determined based on the total costs incurred to date over the estimated total project costs.

Allowance for foreseeable losses is made in the financial statements when such losses can be determined.

(ii) Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the profit or loss when significant risks and rewards of the ownership have been transferred to the customers.

Revenue from services rendered is recognised in the profit or loss upon performance of services and is measured at the fair value of the consideration receivable.

(iii) Interest income

Interest income is accounted for on an accrual basis.

(r) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences.

Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(s) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognisation of an asset or liability transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilized.

Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognisation of asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Directors that makes strategic decisions.

(u) Equity instruments

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the statement of comprehensive income on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost of disposal.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Revenue recognition of construction contracts

The Group recognises construction and other project implementation contract revenue and expenses by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Significant judgement is required in determining the stage of completion of the contract, the extent of contract costs incurred, estimated total contract revenue and costs, as well as the recoverability of the contract amount. In making these judgements, the Group evaluates based on past experience and by relying on the work of specialists.

(b) Fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts) adjusted to reflect those differences; or

(ii) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(c) Impairment of financial assets

The impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators exist, recoverable amounts of the cash-generating unit are determined based on the value-in-use calculation. These calculations require the estimation of the expected future cash flows from the cash generating unit and a suitable discount rate is applied in order to calculate the present value of those cash flows.

(e) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a reducing balance basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 3(e) to the financial statements. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(f) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | Plant and machinery RM | Motor vehicles RM | Furniture, fittings and equipment RM | Air conditioners and renovation RM | Total RM |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **Cost** | | | | | |
| At 1 August 2016 | 110,852 | 290,828 | 492,168 | 206,987 | 1,100,835 |
| Additions | – | – | 17,313 | 491,715 | 509,028 |
| Foreign exchange adjustment | – | – | (3,149) | – | (3,149) |
| At 31 July 2017 | 110,852 | 290,828 | 506,332 | 698,702 | 1,606,714 |
| **Accumulated depreciation** | | | | | |
| At 1 August 2016 | 99,297 | 135,854 | 383,825 | 117,445 | 736,421 |
| Charge for the financial year | 1,155 | 30,994 | 22,431 | 58,356 | 112,936 |
| Foreign exchange adjustment | – | – | (3,164) | – | (3,164) |
| At 31 July 2017 | 100,452 | 166,848 | 403,092 | 175,801 | 846,193 |
| **Carrying amount** | | | | | |
| At 31 July 2017 | 10,400 | 123,980 | 103,240 | 522,901 | 760,521 |

| Group | Note | Plant and machinery RM | Motor vehicles RM | Furniture, fittings and equipment RM | Air conditioners and renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Cost** | | | | | | |
| At 1 August 2015 | | | | | | |
| As stated | | 2,702,792 | 698,095 | 483,349 | 214,648 | 4,098,884 |
| Prior year adjustments | 34 | (2,591,940) | (212,503) | (6,624) | – | (2,811,067) |
| As restated | | 110,852 | 485,592 | 476,725 | 214,648 | 1,287,817 |
| Additions | | – | 99,204 | 15,370 | – | 114,574 |
| Disposal | | – | (293,968) | – | – | (293,968) |
| Written off | | – | – | – | (7,661) | (7,661) |
| Foreign exchange adjustment | | – | – | 73 | – | 73 |
| At 31 July 2016 | | 110,852 | 290,828 | 492,168 | 206,987 | 1,100,835 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Note | Plant and machinery RM | Motor vehicles RM | Furniture, fittings and equipment RM | Air conditioners and renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | |
| At 1 August 2015 | | | | | | |
| As stated | | 2,689,943 | 564,039 | 365,475 | 114,313 | 3,733,770 |
| Prior year adjustments | 34 | (2,591,930) | (212,507) | (6,610) | – | (2,811,047) |
| As restated | | 98,013 | 351,532 | 358,865 | 114,313 | 922,723 |
| Charge for the financial year | | 1,284 | 35,482 | 24,920 | 10,241 | 71,927 |
| Disposal | | – | (251,160) | – | – | (251,160) |
| Written off | | – | – | – | (7,109) | (7,109) |
| Foreign exchange adjustment | | – | – | 40 | – | 40 |
| At 31 July 2016 | | 99,297 | 135,854 | 383,825 | 117,445 | 736,421 |
| **Carrying amount** | | | | | | |
| At 31 July 2016 | | 11,555 | 154,974 | 108,343 | 89,542 | 364,414 |

The carrying amount of property, plant and equipment of the Group and of the Company acquired under finance lease are as follow:

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Motor vehicles | 66,136 | 82,670 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 6. INVESTMENT PROPERTY

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| **At fair value** | | |
| Long term leasehold land and building | | |
| At 1 August/31 July | 265,471 | 265,471 |

(a) The entire investment property of the Group has been pledged to a licensed bank to secure the banking facility as disclosed in Note 17 to the financial statements.

(b) Fair value of investment property is categorised as follows:

| | Group 2017 Level 1 RM | Level 2 RM | Level 3 RM |
|---|---|---|---|
| Investment property | – | – | 265,471 |

| | Group 2016 Level 1 RM | Level 2 RM | Level 3 RM |
|---|---|---|---|
| Investment property | – | – | 265,471 |

**Policy on Transfer between Levels**

The fair value on an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Level 1 Fair Value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical properties that the entity can access at the measurement date.

**Level 2 Fair Value**

Level 2 fair value is estimate using inputs other than quoted prices included within Level 1 that are observable for the property, either directly or indirectly.

Level 2 fair value of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

There were no transfer between Level 1 and Level 2 fair values during the financial year.

**Level 3 Fair Value**

Level 3 fair value is estimated using unobservable inputs for the investment property.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 7. INVESTMENT IN ASSOCIATE COMPANIES

(a) Investment in associate companies

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Unquoted shares, at cost | 25,500 | 119,840 | 25,500 | 25,500 |
| Less: Accumulated impairment loss | – | (94,340) | – | – |
| | 25,500 | 25,500 | 25,500 | 25,500 |
| Share of profit in associate companies | 156,568 | 146,322 | – | – |
| | 182,068 | 171,822 | 25,500 | 25,500 |

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| <u>Accumulated impairment loss:</u> | | |
| At 1 August | 94,340 | 94,340 |
| Less: Written off | (94,340) | – |
| At 31 July | – | 94,340 |

(a) Details of the associate companies are as follows:

| Name of companies | Principal place of business/ Country of incorporation | Effective ownership and voting interest 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| **Direct holding:** | | | | |
| Mediaforte Holdings Sdn. Bhd. | Malaysia | 25.5 | 25.5 | Investment holding |
| **Indirect holding:** | | | | |
| LFE Engineering (Qatar) W.L.L* | Qatar | 49.0 | 49.0 | Provision of mechanical and electrical works and general building contracting |

* Audited by a firm of auditors other than Messrs. Morison Anuarul Azizan Chew

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 7. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)

(b) The summarised financial information of the associate companies are as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| Assets and liabilities: | | |
| Total assets | 4,639,771 | 3,675,609 |
| Total liabilities | 4,081,763 | 3,158,586 |
| Results: | | |
| Revenue | 10,468,425 | 5,098,352 |
| Profit for the year | 40,985 | 76,248 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 8. INVESTMENTS IN JOINT VENTURES

(a) Investment in joint ventures

| | Group | | |
|---|---|---|---|
| | 31.7.2017<br>RM | 31.7.2016<br>RM<br>Restated | 1.8.2015<br>RM<br>Restated |
| Balance at the beginning of the year | 35,797,301 | 30,841,224 | 26,843,640 |
| Share of profit during the year | 432,605 | 3,125,710 | (14,455) |
| Exchange differences arising from translation of joint ventures | 2,658,260 | 1,830,367 | 4,012,039 |
| Balance as at the end of the year | 38,888,166 | 35,797,301 | 30,841,224 |

(b) The details of the unincorporated joint ventures are as follows:

| Name of joint ventures | Principal place of business/ Country of incorporation | Effective ownership and voting interest 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| IJM Construction Sdn. Bhd. - Sunway Builders Sdn. Bhd. - Zelan Holdings (M) Sdn. Bhd. - LFE Engineering Sdn. Bhd. Consortium ("ISZL")* | Abu Dhabi, United Arab Emirates | 25 | 25 | Designing, execution and completion of Zone C, Phase 1, Plot 1, Al Reem Island Development, consisting of five towers with an associated podium and villas |
| IJM Construction Sdn. Bhd. (Abu Dhabi Branch) - LFE Engineering Sdn. Bhd. (Abu Dhabi Branch) Joint Venture ("IJM-LFE")* | Abu Dhabi, United Arab Emirates | 30 | 30 | Execution and completion of Zone E2 Hotel Development, Phase 1, Plot 1, Al Reem Island |

* Audited by a firm other than Messrs. Morison Anuarul Azizan Chew

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

(c) The Group's share of the summarised financial information of the joint ventures are as follows:

| | Group 31.7.2017 RM | 31.7.2016 RM Restated | 1.8.2015 RM Restated |
|---|---|---|---|
| Assets and liabilities: | | | |
| Current assets | 61,638,065 | 58,774,985 | 71,340,875 |
| Non-current assets | – | 23 | 21 |
| Total assets | 61,638,065 | 58,775,008 | 71,340,896 |
| Total liabilities | 22,749,899 | 22,977,707 | 40,499,672 |
| Net assets | 38,888,166 | 35,797,301 | 30,841,224 |
| Results: | | | |
| Share of profit during the year | 432,605 | 3,125,710 | (14,455) |
| Exchange differences arising from translation of joint ventures | 2,658,260 | 1,830,367 | 4,012,039 |

## 9. AMOUNT OWING BY/(TO) CUSTOMERS ON CONTRACTS

| | Group 31.7.2017 RM | 31.7.2016 RM Restated | 1.8.2015 RM Restated |
|---|---|---|---|
| Contract costs incurred to date | 52,647,938 | 88,415,841 | 106,611,705 |
| Add: Attributable profits | 7,845,885 | 12,474,372 | 14,082,029 |
| | 60,493,823 | 100,890,213 | 120,693,734 |
| Less: Progress billings including retention sum | (52,420,166) | (87,614,363) | (113,745,579) |
| | 8,073,657 | 13,275,850 | 6,948,153 |
| Represented by: | | | |
| Amount owing by customers on contracts | 8,081,479 | 15,187,536 | 10,428,414 |
| Amount owing to customers on contracts | (7,822) | (1,911,686) | (3,480,261) |
| | 8,073,657 | 13,275,850 | 6,948,153 |

Included in amount owing by contract customers on contract of Group is an amount of RM7,604,134 (2016: RM7,607,272) owing by companies in which a Director of the Company has vested interest.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 10. TRADE RECEIVABLES

| | Group | | |
|---|---|---|---|
| | 31.7.2017 RM | 31.7.2016 RM Restated | 1.8.2015 RM Restated |
| Trade receivables | 9,032,430 | 14,973,314 | 17,272,480 |
| Retention sum receivables | 2,868,759 | 3,414,919 | 3,829,841 |
| | 11,901,189 | 18,388,233 | 21,102,321 |
| Less: Accumulated impairment loss | – | (2,440,081) | (8,943,985) |
| | 11,901,189 | 15,948,152 | 12,158,336 |

The Group's normal trade credit terms range from 60 to 90 days (2016: 60 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group | | |
|---|---|---|---|
| | 31.7.2017 RM | 31.7.2016 RM Restated | 1.8.2015 RM Restated |
| Neither past due nor impaired | 6,669,777 | 8,541,053 | 1,915,746 |
| 1 - 90 days past due but not impaired | 1,687,018 | 1,150,521 | 2,177,333 |
| 91 - 180 days past due but not impaired | 371,280 | 224,205 | 2,227,606 |
| More than 1 year past due but not impaired | 3,173,114 | 6,032,373 | 5,837,650 |
| | 5,231,412 | 7,407,099 | 10,242,589 |
| Individually impaired | – | 2,440,081 | 8,943,985 |
| | 11,901,189 | 18,388,233 | 21,102,321 |
| Accumulated impairment loss: | | | |
| At 1 August | 2,440,081 | 8,943,985 | 9,865,434 |
| Add: Impairment loss during the year | 1,673,000 | – | – |
| Less: Written off | (4,113,081) | (6,503,904) | (921,449) |
| At 31 July | – | 2,440,081 | 8,943,985 |

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The Group's trade receivables that are past due at the reporting date but not impaired are unsecured. These balances relate mainly from companies in which a Director of the Company has vested interest.

Included in trade receivables of Group is an amount of RM8,102,846 (2016: RM10,615,781) owing by companies in a Director of the Company has vested interest. These amount are subject to normal trade term.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 11. OTHER RECEIVABLES

| | | Group | |
|---|---|---|---|
| | 31.7.2017<br>RM | 31.7.2016<br>RM<br>Restated | 1.8.2015<br>RM<br>Restated |
| Other receivables | 1,770,360 | 1,183,297 | 2,678,256 |
| Deposits | 230,128 | 76,921 | 420,540 |
| Prepayments | 193,353 | 17,959 | 21,123 |
| | 2,193,841 | 1,278,177 | 3,119,119 |

Included in other receivables of Group and Company is an amount of RM195,532 (2016: Nil) owing by company in which a Director of the Company has vested interest.

## 12. AMOUNT OWING BY ASSOCIATE COMPANIES

Group and company

This represents unsecured, interest free advances and are repayable on demand.

| | | Group | |
|---|---|---|---|
| | 31.7.2017<br>RM | 31.7.2016<br>RM<br>Restated | 1.8.2015<br>RM<br>Restated |
| Amount owing by associate companies | 4,585,219 | 4,505,702 | 4,219,048 |
| Less: Accumulated impairment loss | (2,144,557) | – | – |
| | 2,440,662 | 4,505,702 | 4,219,048 |
| Accumulated impairment loss: | | | |
| At 1 August | – | – | – |
| Add: Impairment loss during the year | 2,144,557 | – | – |
| At 31 July | 2,144,557 | – | – |

| | Company | |
|---|---|---|
| | 2017<br>RM | 2016<br>RM |
| Amount owing by associate company | 769,813 | 769,813 |
| Less: Accumulated impairment loss | (769,813) | – |
| | – | 769,813 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 12. AMOUNT OWING BY ASSOCIATE COMPANIES (CONTINUED)

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Accumulated impairment loss: | | |
| At 1 August | – | – |
| Add: Impairment loss during the year | 769,813 | – |
| At 31 July | 769,813 | – |

This represents unsecured, interest free advances and are repayable on demand.

## 13. ASSETS/(LIABILITIES) CLASSIFIED AS HELD-FOR-SALE

(a) The assets and liabilities related to a subsidiary of the Group, LFE Engineering (Vietnam) Company Limited ("LFE Vietnam") have been classified as held for sale following commitment of the Group's management, on 27 July 2017, to dispose LFE Vietnam.

(b) Assets classified as held for sale

| | Group |
|---|---|
| | **2017** |
| | **RM** |
| Amount owing by customer contract | 7,044,726 |
| Other receivables | 114,675 |
| Cash and bank balances | 14,043 |
| | 7,173,444 |

(c) (c)Liabilities classified as held for sale

| | Group |
|---|---|
| | **2017** |
| | **RM** |
| Trade payables | 5,211,792 |
| Other payables | 1,999,574 |
| | 7,211,366 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 13. ASSETS/(LIABILITIES) CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(d) Cumulative income and expense recognised in other comprehensive income

| | Group 2017 RM |
|---|---|
| Other income | 64,098 |
| Administrative expenses | (135,935) |
| | (71,837) |

On 15 November 2017, the Group entered into Sales and Purchase Agreement ("SPA") with Windward OSV Limited on the disposal of its entire shareholding in LFE Vietnam for a cash consideration of RM2. All assets and liabilities from LFE Engineering (Vietnam) Company Limited will be assumed under the responsibility of buyer as disclosed in Note 32(c) to the financial statements.

## 14. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of ordinary share | | Amount | |
| | 2017 Units | 2016 Units | 2017 RM | 2016 RM |
| **Authorised** | | | | |
| At 1 August | 333,333,333 | 100,000,000 | 100,000,000 | 100,000,000 |
| Reduction of par value | – | 233,333,333 | – | – |
| Abolishment of authorised share capital * | (333,333,333) | – | (100,000,000) | – |
| | – | 333,333,333 | – | 100,000,000 |
| **Issued and fully paid** | | | | |
| At 1 August | 181,565,702 | 84,900,002 | 54,469,711 | 84,900,002 |
| Capital reduction in par value | – | – | – | (59,430,001) |
| Issuance of shares: | | | | |
| - Private Placement | – | 66,666,667 | – | 20,000,000 |
| - Right Issue | – | 18,801,916 | – | 5,640,575 |
| - Debt settlement | – | 11,197,117 | – | 3,359,135 |
| At 1 August/31 July | 181,565,702 | 181,565,702 | 54,469,711 | 54,469,711 |

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of the members as a result of this transition.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 15. RESERVES

| | Group 2017 RM | Group 2016 RM Restated | Group 2015 RM Restated |
|---|---|---|---|
| Share premium | – | – | 5,218,125 |
| Capital reserve | 17,567,825 | 17,567,825 | – |
| Foreign exchange translation reserves | 3,523,310 | 1,208,245 | 602,283 |
| Accumulated losses | (31,237,516) | (29,539,759) | (77,555,649) |
| | (10,146,381) | (10,763,689) | (71,735,241) |

| | Company 2017 RM | Company 2016 RM |
|---|---|---|
| Capital reserve | 17,567,825 | 17,567,825 |
| Accumulated losses | (2,117,754) | (884,698) |
| | 15,450,071 | 16,683,127 |

(a) The capital reserve arose from the capital reduction in the previous financial year which was used to offset RM47,080,301 of the Company's accumulated losses on the date of the reduction of share capital became effective. The remaining amount after off-setting amounting to RM17,567,825 was credited to the capital reserve of the Company and the Group.

(b) The foreign exchange translation reserves comprises the exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group and the Company's presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 16. FINANCE LEASE LIABILITY

| | | Group 2017 RM | Group 2016 RM |
|---|---|---|---|
| (a) | Future minimum finance lease liability payments | | |
| | Within one year | 19,632 | 19,632 |
| | Between one and five years | 45,783 | 65,415 |
| | | 65,415 | 85,047 |
| | Less: Future finance charges | (4,989) | (8,384) |
| | Present value of finance lease liability | 60,426 | 76,663 |
| (b) | Present value of finance lease liability | | |
| | Repayable within one year | 17,113 | 16,236 |
| | Repayable between one and five years | 43,313 | 60,427 |
| | | 60,426 | 76,663 |

The effective interest rates of the Group are between 2.40% and 3.00% (2016: 2.40% and 3.00%) per annum.

The finance lease liability is effectively secured on the rights of the assets under finance lease arrangement.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 17. BANK BORROWINGS

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| **Secured** | | |
| Bank overdrafts | 240,152 | – |
| Term loans | – | 945,307 |
| | 240,152 | 945,307 |
| **Unsecured** | | |
| Term loans | 895,663 | 1,019,947 |
| Total bank borrowings | 1,135,815 | 1,965,254 |

Maturity of borrowings is as follows:

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Within one year | 1,135,815 | 1,965,254 |

The weighted average effective interest rate is as follows:

| | Group | |
|---|---|---|
| | 2017 % | 2016 % |
| Bank overdrafts | 8.50% | 7.60% |
| Term loans | 7.60% | 7.60% |

Secured borrowings are secured by the investment property of the Company as disclosed in Note 6 to the financial statements.

Certain short term borrowings are also secured by way of:

(i) Corporate guarantee by the Group;
(ii) Joint and several guarantees by a current and a former Directors of the Group;
(iii) Fixed charge over the project accounts for the proceeds of designated contract/project; and
(iv) Deed of assignment of assets belonging to the Group to financial institutions and irrevocable instructions to the Bilateral Lenders for the repatriation of the Group's portion of profits or security money relating to its overseas joint venture projects.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 17. BANK BORROWINGS (CONTINUED)

On 28 February 2013, the Group has entered into a Debt Restructuring Agreement ("DRA") with the aforesaid financial lenders, trustees and issuers ("scheme creditors") relating to the outstanding loans amounting to RM895,662 (2016: RM1,965,254). A supplemental DRA was signed on 17 June 2015 with the scheme creditors and the Group as additions and modifications to the terms and conditions of the DRA signed on 28 February 2013.

On 29 August 2017, an unsecured term loan of the Group with an amount of RM34,719 and RM12,718, which included the principal sum and interest outstanding respectively under OCBC Bank (Malaysia) Berhad was fully settled.

On 11 October 2017, an unsecured term loan of the Group with an amount of RM481,100 and RM375,200, which included the principal sum and interest outstanding respectively under Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad was fully settled.

On 12 October 2017, an unsecured term loan of the Group with an amount of RM117,094, which included the principal sum and interest outstanding respectively together with Malayan Banking Berhad was fully settled.

## 18. TRADE PAYABLES

| | | Group | |
|---|---|---|---|
| | 2017 RM | 2016 RM Restated | 2015 RM Restated |
| Trade payables | 1,963,424 | 12,140,934 | 11,293,152 |
| Retention sums payables | 1,218,314 | 2,437,640 | 2,646,174 |
| | 3,181,738 | 14,578,574 | 13,939,326 |

The normal trade credit term granted to the Group is 60 days (2016: 60 days).

Included in trade payables of Group is an amount of Nil (2016: RM40,567) owing by company in which a Director of the Company has vested interest.

## 19. OTHER PAYABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | 2017 RM | 2016 RM Restated | 2015 RM Restated | 2017 RM | 2016 RM |
| Other payables | 6,963,185 | 6,019,246 | 11,141,933 | 315,048 | 236,530 |
| Amount owing to a Director* | 6,173,606 | 4,937,868 | 4,961,055 | – | – |
| Accruals | 2,939,062 | 559,262 | 2,770,566 | 200,875 | 67,055 |
| | 16,075,853 | 11,516,376 | 18,873,554 | 515,923 | 303,585 |

* This represents unsecured, interest free advances and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 20. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

| | Company 2017 RM | Company 2016 RM |
|---|---|---|
| Unquoted shares, at cost | 67,754,705 | 67,754,705 |
| Less: Accumulated impairment losses | (42,178,619) | (42,178,619) |
| | 25,576,086 | 25,576,086 |

(b) Details of the subsidiary companies are as follows:

| Name of companies | Principal place of business/ Country of incorporation | Effective ownership and voting interest 2017 % | Effective ownership and voting interest 2016 % | Principal activities |
|---|---|---|---|---|
| **Direct holding:** | | | | |
| LFE Engineering Sdn. Bhd. | Malaysia | 100 | 100 | Provision of design and implementation of general and specialised electrical and mechanical engineering services and maintenance works as well as project management consultancy services |
| LFE Builder Sdn. Bhd. | Malaysia | 100 | 100 | Property investment |
| Lynex Construction Sdn. Bhd. | Malaysia | 100 | 100 | General contractors |
| LFE International Limited** | British Virgin Islands | 100 | 100 | Distribution of consumer electronics products |
| Teratai Megah Sdn. Bhd. | Malaysia | 100 | 100 | Building and general contractors |
| LFE Technology Sdn. Bhd. | Malaysia | 100 | 100 | Provision of specialised engineering services for extra low voltage electrical systems and instrumental and control systems for intelligent transportation systems applications such as expressway traffic management systems, tunnel plant and traffic management systems and automatic cash transfer systems |

## 20. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(b) Details of the subsidiary companies are as follows (continued):

| Name of companies | Principal place of business/ Country of incorporation | Effective ownership and voting interest 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| **Indirect holding** *Subsidiary companies of LFE Engineering Sdn. Bhd.:* | | | | |
| LFE Engineering (JB) Sdn. Bhd. | Malaysia | 100 | 100 | Provision of general and specialised electrical and mechanical engineering services and maintenance works |
| LFE Engineering (Vietnam) Company Limited*^ | Socialist Republic of Vietnam | 100 | 100 | Technical design and provision of consultancy services for design implementation and contracting of mechanical and electrical engineering services |

* Audited by a firm of auditors other than Messrs. Morison Anuarul Azizan Chew

** Not required to be audited in its country of incorporation and the Company is dormant

^ The subsidiary is classified as held for sale as disclosed in Note 13 to the financial statements.

## 21. AMOUNT OWING BY SUBSIDIARY COMPANIES

Company

This represents unsecured, interest free advances and are repayable on demand.

## 22. REVENUE

| | Group 2017 RM | 2016 RM Restated |
|---|---|---|
| Construction revenue | 11,650,924 | 22,861,913 |
| Project management | 1,728,294 | – |
| | 13,379,218 | 22,861,913 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 23. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2017 RM** | **2016 RM Restated** |
| Interest expense on: | | |
| Term loans | 59,530 | 1,005,361 |
| Bank overdrafts | 16,497 | – |
| Finance lease liability | 3,395 | 2,750 |
| | 79,422 | 1,008,111 |

## 24. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is derived after charging/(crediting):

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM Restated** | **2017 RM** | **2016 RM** |
| Auditors' remuneration: | | | | |
| - current year | 102,865 | 105,143 | 33,000 | 33,000 |
| - under provision in prior year | 5,000 | 3,000 | – | 3,000 |
| Depreciation of property, plant and equipment | 112,936 | 71,927 | – | – |
| Directors' remuneration | | | | |
| - fees | 72,000 | 74,500 | 72,000 | 71,000 |
| - other | 541,905 | 1,171,790 | 67,000 | 56,500 |
| Realised gain on foreign exchange | (14) | – | – | – |
| Unrealised loss on foreign exchange | 90,314 | 249 | – | – |
| Rental of premises | 176,454 | 105,376 | – | – |
| Rental of equipment | | | | |
| - recognised in profit or loss | 10,400 | 10,650 | – | – |
| - recognised in contract costs | 10,839 | 13,700 | – | – |
| Fair value adjustment on: | | | | |
| - trade receivables | (155) | (20,644) | – | – |
| - trade payables | 74,079 | (61,593) | – | – |
| Property, plant and equipment written off | – | 552 | – | – |
| Gain on disposal of property, plant and equipment | – | (32,193) | – | – |
| Impairment loss on: | | | | |
| - trade receivables | 1,673,000 | – | – | – |
| - amount owing by associate company | 2,144,557 | – | 769,813 | – |
| Interest income | (16) | (10,869) | – | – |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 25. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Current tax: | | | | |
| - Current year | – | 109,000 | – | – |
| - Under/(Over) provision in prior years | 71,833 | (9,907) | – | – |
| | 71,833 | 99,093 | – | – |
| Deferred tax | | | | |
| - Origination and reversal of temporary differences | – | (14,800) | – | – |
| | 71,833 | 84,293 | – | – |

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable (loss)/profit for the financial year.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM Restated** | **2017 RM** | **2016 RM** |
| (Loss)/Profit before taxation | (1,625,924) | 1,019,882 | (1,233,056) | (884,698) |
| Taxation at statutory tax rate of 24% (2016: 24%) | (390,222) | 244,772 | (295,933) | (212,328) |
| Expenses not deductible for tax purposes | 541,692 | 1,113,366 | 295,933 | 212,328 |
| Income not subject to tax | (85,619) | (412,249) | – | – |
| Deferred tax asset not recognised | 55,135 | – | – | – |
| Utilisation of deferred tax asset previously not recognized | (14,702) | (96,944) | – | – |
| Share of profit of associate | (2,459) | (4,575) | – | – |
| Share of profit of joint ventures | (103,825) | (750,170) | – | – |
| Under/(Over) provision of current tax in prior years | 71,833 | (9,907) | – | – |
| | 71,833 | 84,293 | – | – |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 25. TAXATION (CONTINUED)

Deferred tax asset of the Group has not been recognised in respect of the following:

| | Group | |
|---|---|---|
| | **2017** **RM** | **2016** **RM** |
| Unused tax losses | 38,696,249 | 38,864,720 |

## 26. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the consolidated (loss)/profit after taxation for the financial year attributable to owners of the Company by the weighted average number of ordinary shares issued during the financial year.

| | Group | |
|---|---|---|
| | **2017** **RM** | **2016** **RM** **Restated** |
| Net (loss)/profit for the financial year attributable to owners of the Company | (1,697,757) | 935,589 |
| Weighted average number of ordinary shares in issue | 181,565,702 | 149,343,802 |
| Basic (loss)/earnings per share (sen) | (0.94) | 0.63 |

(b) Diluted (loss)/earnings per share

The diluted earnings per share is equal to basic earnings per share as the Company does not have any dilutive potential ordinary shares as at financial year end.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Aggregate costs | 509,028 | 114,574 |
| Finance lease financing | – | (87,000) |
| Cash payments | 509,028 | 27,574 |

## 28. STAFF COSTS

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Staff costs (excluding Directors) | 1,810,668 | 2,012,840 |
| Less: Staff costs recognised in contract costs | (457,776) | (706,131) |
| | 1,352,892 | 1,306,709 |

Included in the staff costs above are contributions made to Employees Provident Fund under a defined contribution plan for the Group amounting to RM171,366 (2016: RM162,328).

## 29. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

(a) The significant related party transactions of the Group, other than key management personnel compensation, are as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Construction services rendered to a related company via a shareholder of the Company | | |
| - Shapadu Properties Sdn. Bhd. | (3,059,986) | (4,634,369) |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 29. RELATED PARTIES (CONTINUED)

(a) The significant related party transactions of the Company, other than key management personnel compensation, are as follows: (continued)

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Upgrading and refurbishment services rendered to a related company via a shareholder of the Company | | |
| - Lim Thiam Leong Realty Sdn. Bhd. | (37,395) | (4,961,950) |
| Design and preliminary works rendered to a related company via a shareholder of the Company | | |
| - Shapadu Boulevard Sdn. Bhd. | (3,848,045) | (2,082,520) |
| Human resources and accounting service fee income from an associate company | | |
| - LFE Engineering Qatar W.L.L | – | (98,994) |
| Supply of manpower by a shareholder of the Company | | |
| - Daisy Bliss Sdn. Bhd. | 319,559 | 585,840 |

The outstanding balances arising from the above transactions have been disclosed in Notes 9, 10, 11 and 18.

(b) Information regarding remuneration of the Directors is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Short-term employee benefits: | | | | |
| - Fees | 72,000 | 74,500 | 72,000 | 71,000 |
| - Salaries and other emoluments | 548,230 | 1,177,625 | 67,000 | 56,500 |
| | 620,230 | 1,252,125 | 139,000 | 127,500 |
| Post-employment benefits: | | | | |
| - Defined contribution plan | 84,960 | 80,800 | – | – |
| | 705,190 | 1,332,925 | 139,000 | 127,500 |

Key management personnel comprise of the Directors of the Group and of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 30. SEGMENT INFORMATION

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

### (a) Business segment

The reportable business segments of the Group comprise the following:

| | | |
|---|---|---|
| Electrical and mechanical engineering | : | General and specialised electrical and mechanical engineering services and maintenances works |
| Construction | : | Design and build, civil and structural, equipment, procurement and construction activities |
| Investment | : | Investment holding |

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit/(loss) is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment total assets are used to measure the return of assets of each segment. The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 30. SEGMENT INFORMATION (CONTINUED)

### (a) Business segment (continued)

| 2017 | Electrical and Mechanical Engineering RM | Technology Products RM | Investment RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total revenue | 13,379,218 | – | – | – | 13,379,218 |
| **Results** | | | | | |
| Segment loss | (718,160) | (6,395) | (1,233,056) | (31,758) | (1,989,369) |
| Interest income | 16 | | | | 16 |
| Share of profit of associate companies | | | | | 10,246 |
| Share of profit of joint ventures | | | | | 432,605 |
| Loss from operations | | | | | (1,546,502) |
| Finance costs | | | | | (79,422) |
| Loss before tax | | | | | (1,625,924) |
| Taxation | | | | | (71,833) |
| Loss after tax | | | | | (1,697,757) |
| **Assets/Liabilities** | | | | | |
| Segment assets | 85,780,617 | 320 | 70,435,705 | (84,155,928) | 72,060,714 |
| Segment liabilities | 83,993,382 | 913,900 | 515,923 | (57,685,821) | 27,737,384 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 30. SEGMENT INFORMATION (CONTINUED)

### (a) Business segment (continued)

| 2016 | Electrical and Mechanical Engineering RM | Technology Products RM | Investment RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total revenue | 22,861,913 | – | – | – | 22,861,913 |
| **Results** | | | | | |
| Segment loss | (285,392) | (5,588) | (884,698) | 48,030 | (1,127,648) |
| Interest income | 10,869 | | | | 10,869 |
| Share of profit of associate companies | | | | | 19,062 |
| Share of profit of joint ventures | | | | | 3,125,710 |
| Profit from operations | | | | | 2,027,993 |
| Finance costs | | | | | (1,008,111) |
| Profit before tax | | | | | 1,019,882 |
| Taxation | | | | | (84,293) |
| Profit after tax | | | | | 935,589 |
| **Assets/Liabilities** | | | | | |
| Segment assets | 87,859,055 | 331 | 71,456,424 | (85,532,235) | 73,783,575 |
| Segment liabilities | 87,936,986 | 907,515 | 303,586 | (59,070,534) | 30,077,553 |

Significant non-cash expenses/(income) consist of the following:

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Depreciation of property, plant and equipment | 112,936 | 71,927 |
| Property, plant and equipment written off | – | 552 |
| Gain on disposal of property, plant and equipment | – | (32,193) |
| Unrealised loss on foreign exchange | 90,314 | 249 |
| Impairment loss on: | | |
| - amount owing by associate companies | 2,144,557 | – |
| - trade receivables | 1,673,000 | – |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 30. SEGMENT INFORMATION (CONTINUED)

### (b) Geographical segments

| 2017 | Malaysia RM | United Arab Emirates RM | Socialist Republic of Vietnam RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| Revenue | 13,379,218 | – | – | – | 13,379,218 |
| Assets | 109,847,379 | 39,195,818 | 7,173,445 | (84,155,928) | 72,060,714 |
| Capital expenditure | 509,028 | – | – | – | 509,028 |
| **2016** | | | | | |
| Revenue | 22,861,913 | – | – | – | 22,861,913 |
| Assets | 115,988,849 | 36,158,054 | 7,168,907 | (85,532,235) | 73,783,575 |
| Capital expenditure | 114,574 | – | – | – | 114,574 |

### (c) Major customers

The following are the major customers individually accounting for 10% or more of group revenue for current year and prior year:

| | Group 2017 RM | Group 2016 RM Restated |
|---|---|---|
| Customer A | 3,059,986 | 10,053,211 |
| Customer B | 3,848,045 | 2,480,621 |
| Customer C | 1,915,364 | 2,804,731 |
| Customer D | 4,283,196 | – |
| Customer E | – | 6,526,145 |
| | 13,186,610 | 21,864,708 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 31. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments and their categories:

| | Group | | Company | |
|---|---|---|---|---|
| | **Loans and receivables/ other financial liabilities RM** | **Total RM** | **Loans and receivables/ other financial liabilities RM** | **Total RM** |
| **Group** | | | | |
| **Financial assets** | | | | |
| Trade receivables | 11,901,189 | 11,901,189 | 15,948,152 | 15,948,152 |
| Other receivables | 2,193,841 | 2,193,841 | 1,278,177 | 1,278,177 |
| Amount owing by associate company | 2,440,662 | 2,440,662 | 4,505,702 | 4,505,702 |
| Cash and bank balances | 173,873 | 173,873 | 165,057 | 165,057 |
| | 16,709,565 | 16,709,565 | 21,897,088 | 21,897,088 |
| **Financial liabilities** | | | | |
| Trade payables | 3,181,738 | 3,181,738 | 14,578,574 | 14,578,574 |
| Other payables | 16,075,853 | 16,075,853 | 11,516,376 | 11,516,376 |
| Finance lease liabilities | 60,426 | 60,426 | 76,663 | 76,663 |
| Bank borrowings | 1,135,815 | 1,135,815 | 1,965,254 | 1,965,254 |
| | 20,453,832 | 20,453,832 | 28,136,867 | 28,136,867 |
| **Company** | | | | |
| **Financial assets** | | | | |
| Amount owing by subsidiary companies | 44,834,093 | 44,834,093 | 45,078,330 | 45,078,330 |
| Amount owing by associate companies | – | – | 769,813 | 769,813 |
| Cash and bank balances | 26 | 26 | 6,694 | 6,694 |
| | 44,834,119 | 44,834,119 | 45,854,837 | 45,854,837 |
| **Financial liabilities** | | | | |
| Other payables | 515,923 | 515,923 | 303,585 | 303,585 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including interest rate risk, credit risk, foreign currency exchange risk, liquidity and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Directors and the Group's policy is not to engage in speculative transactions.

### (b) Foreign currency exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective operations' functional currency. The Group maintains natural hedges to the extent that payments for foreign currency payables will be matched against receivables denominated in the same foreign currency and whenever possible, borrow in the currency of the country in which the business is located. Exposure to foreign currency risks are monitored on an ongoing basis. The Group does not hedge their foreign currency risks but keeps this policy under review and will take necessary action to minimise the exposure.

**Exposure to foreign currency risk**

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

| Functional Currency | Qatari Riyal ("QAR") RM | United States Dollar ("USD") RM | Vietnamese Dong ("VND") RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2017** | | | | |
| Amount owing by associate companies | 2,440,662 | – | – | 2,440,662 |
| **2016** | | | | |
| Amount owing by associate companies | 3,735,880 | – | – | 3,735,880 |
| **Company** | | | | |
| **2017** | | | | |
| Amount owing by subsidiary companies | – | – | 1,240,277 | 1,240,277 |
| **2016** | | | | |
| Amount owing by subsidiary companies | – | 15,841,871 | 1,219,334 | 17,061,205 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Foreign currency exchange risk (continued)

**Currency risk sensitivity analysis**

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the AED, QAR, VND and USD exchange rates against the functional currency of the affected group of companies ("RM") with all other variables held constant.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| **(Loss)/Profit net of tax** | | | | | |
| QAR/RM | - strengthened 5% | 92,745 | 141,963 | – | – |
| | - weakened 5% | (92,745) | (141,963) | – | – |
| VND/RM | - strengthened 5% | – | – | 47,131 | 46,335 |
| | - weakened 5% | – | – | (47,131) | (46,335) |
| USD/RM | - strengthened 5% | – | – | – | 601,991 |
| | - weakened 5% | – | – | – | (601,991) |

### (c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowings and deposits. The Group does not hedge the interest rate risk.

**Interest rate risk sensitivity analysis**

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) and (loss)/profit net of tax by the amounts shown below, assuming all other variables remain constant.

| | 2017 Loss net of tax 100bp Increase | 2016 Profit net of tax 100bp Increase |
|---|---|---|
| **Group** | | |
| Flexible rate instrument: | | |
| Bank overdrafts | (1,825) | – |
| Fixed rate instrument: | | |
| Term loan | (6,807) | (14,936) |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**31. FINANCIAL INSTRUMENTS (CONTINUED)**

**(d) Credit risk**

**Exposure to credit risk**

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action taken to recover debts when due.

**Credit risk concentration profile**

At reporting date, there were no significant concentrations of credit risk other than as disclosed in Note 10 to the financial statements. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statements of financial position.

**(e) Liquidity and cash flow risk**

The Group seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Group's ability to repay and/ or refinance.

The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

**Maturity analysis**

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

| | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Below 1 year RM | Between 2 and 5 years RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2017** | | | | | |
| Trade payables | 3,181,738 | – | 3,181,738 | 3,181,738 | – |
| Other payables | 16,075,853 | – | 16,075,853 | 16,075,853 | – |
| Finance lease liabilities | 60,426 | 2.40 - 3.00 | 65,415 | 19,632 | 45,783 |
| Bank borrowings: | | | | | |
| Bank overdraft | 240,152 | 8.50 | 240,152 | 240,152 | – |
| Term loans | 895,663 | 7.60 | 1,008,113 | 1,008,113 | – |
| | 20,453,832 | | 20,571,271 | 20,525,488 | 45,783 |
| **2016** | | | | | |
| Trade payables | 14,578,574 | – | 14,578,574 | 14,578,574 | – |
| Other payables | 11,516,376 | – | 11,516,376 | 11,516,376 | – |
| Finance lease liabilities | 76,663 | 2.40 - 3.00 | 85,047 | 19,632 | 65,415 |
| Bank borrowings: | | | | | |
| Term loans | 1,965,254 | 7.60 | 2,001,194 | 2,001,194 | – |
| | 28,136,867 | | 28,181,191 | 28,115,776 | 65,415 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Liquidity and cash flow risk (continued)

**Maturity analysis (continued)**

| | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Below 1 year RM | Between 2 and 5 years RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **2017** | | | | | |
| Other payables | 515,923 | – | 515,923 | 515,923 | – |
| **Company** | | | | | |
| **2016** | | | | | |
| Other payables | 303,585 | – | 303,585 | 303,585 | – |

### (f) Fair values

The aggregate fair values of the other financial liabilities as at 31 July 2017 are as follows:

(i) The carrying amounts of cash and cash equivalents, current portion of trade and other receivables, inter-company loans and advances, current portion of trade and other payables, short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

(ii) The carrying amount of long term bank borrowing carried on the statements of financial position is a reasonable approximate of fair value due to it being a floating rate instrument that is re-priced to market interest rate on or near the reporting date.

(iii) The fair value of long term finance lease liabilities carried on the statements of financial position are estimated using valuation technique under the hierarchy level 3 mentioned below whereby the expected future cash flows are discounted at the market interest rate for similar types of borrowings.

(iv) The fair value of long term trade receivables and long term trade payables are estimated using valuation technique under the hierarchy level 3 mentioned below whereby the expected future cash flows are discounted at market incremental lending rate for similar types of lending at the reporting date.

(v) The aggregate fair value of the other financial assets and liabilities carried on the statements of financial position approximates its carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (f) Fair values (continued)

***Fair value hierarchy***

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

| | | |
|---|---|---|
| Level 1 | : | quoted (unadjusted) prices in active markets for identical assets or liabilities |
| Level 2 | : | other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly |
| Level 3 | : | techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data |

The fair value of long term finance lease liabilities carried on the statements of financial position are estimated using valuation technique under the hierarchy level 2 mentioned above whereby the expected future cash flows are discounted at the market interest rate for similar types of borrowings.

## 32. SUBSEQUENT EVENTS

### (a) Disposal of investment property

On 5 October 2017, the Group entered into an agreement for the disposal of investment property of double storey terrace house for a cash consideration of RM300,000.

### (b) Private placement

On 10 October 2017, the Group completed first tranche of the Private Placement and quotation for 4,255,319 Placement Shares on the Market of Bursa Malaysia Securities Berhad.

### (c) Disposal of LFE Engineering Vietnam

On 15 November 2017, the Group entered into an agreement for the disposal of its entire equity interests in LFE Engineering (Vietnam) Company Limited for a cash consideration of RM2. Consequently, all assets and liabilities of LFE Engineering (Vietnam) Company Limited will be assumed by the buyer.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 33. CAPITAL MANAGEMENT

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio within reasonable levels.

| | Group | |
|---|---|---|
| | **2017 RM** | **2016 RM Restated** |
| Bank borrowings | 1,135,815 | 1,965,254 |
| Finance lease liabilities | 60,426 | 76,663 |
| Cash and bank balances | (173,873) | (165,057) |
| Net borrowings | 1,022,368 | 1,876,860 |
| Equity attributable to owners of the Company | 44,323,330 | 43,706,022 |
| Gearing ratio | 0.02 | 0.04 |

There were no changes to the Group's approach to capital management during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 34. PRIOR YEAR ADJUSTMENTS

(a) In previous financial year, the Group had recognised its interest in ISZL and IJM-LFE as joint operations. Thus, the Group had combined its share of assets, liabilities, income and expenses of the joint ventures. In current financial year, the management reassessed the treatment of its interest in ISZL and IJM-LFE in accordance with the requirements of MFRS 11 Joint Arrangements. Management had concluded that it should be reclassified as investment in joint ventures. Consequently, the accounting treatment was been changed retrospectively from line by line items consolidation to equity method.

The effect on these reclassification are as follow:

| | As previously reported RM | Reclassifications RM | Adjustments RM | As stated RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Consolidated statement of financial position** | | | | |
| **As at 1 August 2015** | | | | |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 365,114 | (21) | – | 365,093 |
| Investment in joint ventures | – | 30,841,224 | – | 30,841,224 |
| ***Current assets*** | | | | |
| Trade receivables | 15,215,024 | (3,056,688) | – | 12,158,336 |
| Other receivables | 3,984,080 | (864,161) | – | 3,119,919 |
| Amount owing by associate companies | 7,001,326 | (858,183) | (1,924,095) | 4,219,048 |
| Assets held for sale | 66,498,052 | (66,498,052) | – | – |
| Cash and bank balances | 3,426,731 | (63,791) | – | 3,362,940 |
| ***Current liabilities*** | | | | |
| Trade payables | (26,467,698) | 12,528,372 | – | (13,939,326) |
| Other payables | (46,844,854) | 27,971,300 | – | (18,873,554) |

**34. PRIOR YEAR ADJUSTMENTS (CONTINUED)**

(a) The effect on these reclassification are as follow: (continued)

| | As previously reported RM | Reclassifications RM | As stated RM |
|---|---|---|---|
| **Group** | | | |
| **Consolidated statement of financial position (continued)** | | | |
| **As at 31 July 2016** | | | |
| ***Non-current assets*** | | | |
| Property, plant and equipment | 364,437 | (23) | 364,414 |
| Investment in joint ventures | – | 35,797,301 | 35,797,301 |
| ***Current assets*** | | | |
| Trade receivables | 22,328,343 | (6,380,191) | 15,948,152 |
| Other receivables | 3,215,762 | (1,937,585) | 1,278,177 |
| Assets held for sale | 50,440,864 | (50,440,864) | – |
| Cash and bank balances | 290,629 | (125,572) | 165,057 |
| ***Current liabilities*** | | | |
| Trade payables | (20,484,898) | 5,906,324 | (14,578,574) |
| Other payables | (28,696,986) | 17,180,610 | (11,516,376) |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 34. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(a) The effect on these reclassification are as follow: (continued)

| | As previously reported RM | Reclassifications RM | Adjustments (Note 34(b)) RM | As stated RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Consolidated statement of profit and loss for the financial year ended 31 July 2016** | | | | |
| Revenue | 26,006,535 | (2,706,866) | (437,756) | 22,861,913 |
| Cost of sales | (18,525,090) | (2,091,729) | – | (20,616,819) |
| Other operating income | 963,361 | 106,740 | – | 1,070,101 |
| Administrative expenses | (4,418,431) | 200 | – | (4,418,231) |
| Finance costs | (2,574,056) | 1,565,945 | – | (1,008,111) |
| Share of profit of joint ventures | – | 3,125,710 | – | 3,125,710 |
| **Consolidated statement of cash flows** | | | | |
| Net cash used in operating activities | (35,259,616) | 17,826,020 | – | (17,433,596) |
| Net cash generated from investing activities | 16,104,614 | (16,057,188) | – | 47,426 |
| Effect of exchange rate changes | 605,926 | (1,830,613) | – | (1,224,687) |
| Cash and cash equivalents at the beginning of the financial year | 1,514,426 | (63,791) | – | 1,450,635 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 34. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) The following are the adjustments made on accumulated losses in previous years:

| | As previously reported RM | Adjustment RM | Adjustments (Note 34(b)) RM | As stated RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Consolidated statement of financial position** | | | | |
| **As at 1 August 2015** | | | | |
| ***Current assets*** | | | | |
| Amount owing by associate company *(Note 34(b)(i))* | 7,001,326 | (1,924,095) | (858,183) | 4,219,048 |
| ***Equity*** | | | | |
| Accumulated loss | 77,539,436 | 16,213 | – | 77,555,649 |
| Translation reserve *(Note 34(b)(ii))* | (2,510,165) | 1,907,882 | – | (602,283) |
| **As at 31 July 2016** | | | | |
| ***Current assets*** | | | | |
| Amount owing by associate company *(Note 34(b)(i))* | 6,429,797 | (1,924,095) | – | 4,505,702 |
| Amount owing by contract customer *(Note 34(b)(iii))* | 15,625,292 | (437,756) | – | 15,187,536 |
| ***Equity*** | | | | |
| Accumulated loss | 29,085,790 | 453,969 | – | 29,539,759 |
| Translation reserve *(Note 34(b)(ii))* | (3,116,127) | 1,907,882 | – | (1,208,245) |
| **Consolidated statement of profit and loss** | | | | |
| Revenue *(Note 34 (b)(iii))* | 26,006,535 | (437,756) | (2,706,866) | 22,861,913 |

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

## 34. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) The following are the adjustments made on accumulated losses in previous years: (continued)

(i) In previous financial years, the Group had wrongly charged the management fees to its associate company amounting to RM1,924,095. Consequently, retrospective adjustment has been made as above.

(ii) In previous financial years, the Group had wrongly recognised its gain or loss in foreign exchange as translation reserve instead of statement of profit or loss amounting to RM1,907,882. Consequently, retrospective adjustment has been made.

(iii) In financial year ended 2016, the Group had recognised a revenue amounted to RM2,918,377. The revenue was recognised based on the contract sum that has been awarded from a project that commenced in 2016.

In current financial year, the contract sum has been revised by the customer due to the changes in development plan. Management is of the view that as the outcome of the project is uncertain at this juncture, the management had recognised revenue to the extent of actual recoverable costs without any profit margin based on the requirement of MFRS 111 "Construction Contract". Consequently, retrospective adjustment of revenue has been made for RM437,756.

## 35. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 July 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 27 November 2017.

# NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

**REALISED AND UNREALISED PROFITS/LOSSES (SUPPLEMENTARY INFORMATION)**

The breakdown of the accumulated losses of the Group and of the Company as of 31 July 2017 into realised and unrealised profit, pursuant to paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement are as follows:

| | Group RM | Company RM |
|---|---|---|
| **2017** | | |
| Total accumulated losses of the Company and its subsidiary companies: | | |
| Realised | (33,876,729) | (2,117,754) |
| Unrealised Forex | 2,658,260 | – |
| | (31,218,469) | (2,117,754) |
| Total accumulated losses of the associate companies: | | |
| Realised losses | (19,047) | – |
| | (31,237,516) | (2,117,754) |
| **2016** | | |
| Total accumulated losses of the Company and its subsidiary companies: | | |
| Realised | (31,422,841) | (884,698) |
| Unrealised | 81,988 | – |
| Unrealised Forex | 1,830,387 | |
| | (29,510,466) | (884,698) |
| Total accumulated losses of the associate companies: | | |
| Realised | (29,293) | – |
| | (29,539,759) | (884,698) |

The determination of realised and unrealised profits/losses is based on Guidance on Special Matter No.1, "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010.

# LIST OF PROPERTIES
as at 27 October 2017

| Title / Location | Description / existing use | Tenure | Total land area | Built-up area | Age of building/ land (years) | NBV as at 31.07.2015 RM | Date of revaluation/ *Date of Acquisition |
|---|---|---|---|---|---|---|---|
| 8-154 No. 59, Jln 7A/7, Bandar Tasik Puteri, Kundang, Rawang, erected on land held under H.S. (D) 32195, P.T. No. 20050, Mukim of Rawang, District of Gombak, State of Selangor | Double storey link house for investment purpose | Leasehold for a period of 99 years, expiring on 11.07.2060 | 365.84 sq. m | 1,566 sq. ft. | 15 | 265,471 | 17.06.2002 |

# ANALYSIS OF SHAREHOLDINGS
As At 27 October 2017

Total Number of Issued Shares : 185,821,021
Voting Rights : One (1) vote per ordinary share
Number of Shareholders : 1,214

**ANALYSIS OF SHAREHOLDINGS**

| Size of Holdings | No of Shareholders | % | Shareholdings | % |
|---|---|---|---|---|
| Less than 100 | 10 | 0.82 | 350 | 0.00 |
| 100 – 1,000 | 308 | 25.37 | 166,500 | 0.09 |
| 1,001 - 10,000 | 371 | 30.56 | 2,303,800 | 1.24 |
| 10,001 – 100,000 | 406 | 33.44 | 15,891,942 | 8.55 |
| 100,001 to less than 5% of issued share capital | 115 | 9.47 | 72,305,909 | 38.91 |
| 5% and above of issued share capital | 4 | 0.33 | 95,152,520 | 51.21 |
| Total | 1,214 | 100.00 | 185,821,021 | 100.00 |

**SUBSTANTIAL SHAREHOLDERS**
As per the Register of Substantial Shareholders

| | Shareholdings | | | |
|---|---|---|---|---|
| Name | Direct | % | Indirect | % |
| LIEW KIAM WOON | 17,188,008 | 9.47 | 8,529,958 [a] | 4.59 |
| LIEW TEOW WOON | 11,297,845 | 6.08 | 8,529,958 [a] | 4.59 |
| SHAPADU CAPITAL SDN BHD | 58,677,250 | 31.58 | – | – |
| SHAPADU CORPORATION SDN BHD | – | – | 58,677,250 [b] | 31.58 |
| LATE DATO' SHAHRANI BIN ABDULLAH | – | – | 58,677,250 [c] | 31.58 |
| DATO' SRI HAJI SHAFIZ DATO' HAJI SHAHRANI | – | – | 58,677,250 [d] | 31.58 |
| SHAZAKAMI CORPORATION SDN BHD | – | – | 58,677,250 [e] | 31.58 |
| DAISY BLISS SDN BHD | 11,666,667 | 6.28 | – | – |
| MOHD ZULKIFLEE BIN SHAFIE | – | – | 11,666,667 [f] | 6.28 |
| SHARIZAN BINTI SHAFIE | – | – | 11,666,667 [g] | 6.28 |

***Notes:-***
*(a) Deemed interested pursuant to Section 8 of the Companies Act, 2016 ("the Act").*
*(b) Deemed interested by virtue of its shareholding in the wholly-owned subsidiary of Shapadu Capital Sdn Bhd pursuant to Section 8 of the Act.*
*(c) Deemed interested by virtue of his shareholding in Shapadu Corporation Sdn Bhd and Shazakami Corporation Sdn Bhd pursuant to Section 8 of the Act.*
*(d) Deemed interested by virtue of his shareholding in Shapadu Corporation Sdn Bhd and Shazakami Corporation Sdn Bhd pursuant to Section 8 of the Act.*
*(e) Deemed interested by virtue of its shareholding in Shapadu Corporation Sdn Bhd pursuant to Section 8 of the Act.*
*(f) Deemed interested by virtue of his shareholding in Daisy Bliss Sdn Bhd pursuant to Section 8 of the Act.*
*(g) Deemed interested by virtue of her shareholding in Daisy Bliss Sdn Bhd pursuant to Section 8 of the Act.*

# ANALYSIS OF SHAREHOLDINGS
As At 27 October 2017
(cont'd)

## DIRECTORS' INTERESTS IN SHARES
As per the Register of Directors' Shareholdings

| | Shareholdings | | | |
|---|---|---|---|---|
| **Name** | **Direct** | **%** | **Indirect** | **%** |
| LIEW KIAM WOON | 17,188,008 | 9.47 | 8,529,958 [(a)] | 4.59 |
| DATO' SRI HAJI SHAFIZ DATO' HAJI SHAHRANI | – | – | 58,677,250 [(b)] | 31.58 |
| KOK TONG YONG | 32,500 | 0.02 | – | – |
| JULIANA QUAH KOOI HONG | – | – | – | – |
| TUNKU AZLAN BIN TUNKU AZIZ | – | – | – | – |
| DAVID LOW TECK WEE | – | – | – | – |
| LOO THIN TUCK | – | – | – | – |

***Notes:-***

*(a) Deemed interested pursuant to Section 8 of the Act.*

*(b) Deemed interested by virtue of his shareholding in Shapadu Corporation Sdn Bhd and Shazakami Corporation Sdn Bhd pursuant to Section 8 of the Act.*

## THIRTY (30) LARGEST SHAREHOLDERS

| No. | Name | Shareholdings | % |
|---|---|---|---|
| 1. | SHAPADU CAPITAL SDN BHD | 55,000,000 | 29.60 |
| 2. | LIEW KIAM WOON | 17,188,008 | 9.25 |
| 3. | DAISY BLISS SDN BHD | 11,666,667 | 6.28 |
| 4. | LIEW TEOW WOON | 11,297,845 | 6.08 |
| 5. | LIEW CHEE WOON | 8,705,067 | 4.68 |
| 6. | LIEW MEOW NYEAN REALTY SDN BERHAD | 8,529,958 | 4.59 |
| 7. | EUGENE LEE CHIN JIN | 4,255,319 | 2.29 |
| 8. | EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>*PLEDGED SECURITIES ACCOUNT FOR ALAN RAJENDRAM A/L JEYA RAJENDRAM (SS2)* | 4,000,000 | 2.15 |
| 9. | SHAPADU CAPITAL SDN BHD | 3,677,250 | 1.98 |
| 10. | ON HAI SWEE | 2,394,468 | 1.29 |
| 11. | LIM TIONG LAY | 2,000,000 | 1.08 |
| 12. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TAN KENG AIK (6000665)* | 1,860,000 | 1.00 |
| 13. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*REMEDIAL MANAGEMENT FOR MALAYAN BANKING BERHAD (260488)* | 1,655,397 | 0.89 |
| 14. | MOHD ZULKIFLEE BIN SHAFIE | 1,490,500 | 0.80 |
| 15. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*OOI BENG HOOI* | 1,448,300 | 0.78 |

# ANALYSIS OF SHAREHOLDINGS
As At 27 October 2017
(cont'd)

**THIRTY (30) LARGEST SHAREHOLDERS**

| No. | Name | Shareholdings | % |
|---|---|---|---|
| 16. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*SIU HEE KHENG* | 1,423,700 | 0.77 |
| 17. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TAN HOOI LENG* | 1,210,000 | 0.65 |
| 18. | LEE BOON KIAN | 1,100,000 | 0.59 |
| 19. | THONG KOK KEONG | 1,018,000 | 0.55 |
| 20. | KEKAL JAYA VENTURES SDN BHD | 1,000,000 | 0.54 |
| 21. | LEE NYEK | 974,900 | 0.52 |
| 22. | OOI SEEN LEONG | 942,100 | 0.51 |
| 23. | SHIRELY WONG | 900,000 | 0.48 |
| 24. | MOHD SAFIAN BIN MOHD SALLEH | 738,500 | 0.40 |
| 25. | TASEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHOY SOOK KUEN* | 714,000 | 0.38 |
| 26. | CHANG LAU HOI @ CHANG SOW LAN | 710,549 | 0.38 |
| 27. | UNG AH WAH | 675,100 | 0.36 |
| 28. | LOW ANG YENG | 630,000 | 0.34 |
| 29. | TEO TIN LUN | 555,000 | 0.30 |
| 30 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB BANK FOR TEO CHEE PENG (MY1116)* | 548,000 | 0.29 |
| | | 148,308,628 | 79.81 |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting ("the Meeting") of LFE Corporation Berhad ("the Company") will be held at 4th Floor, Campbell Complex, 98 Jalan Dang Wangi, 50100 Kuala Lumpur on Wednesday, 20 December 2017 at 10.00 a.m. to transact the following businesses:-

**As Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 July 2017 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees for the financial year ended 31 July 2017. *Resolution 1*

3. To approve the Directors' fees and benefits payable up to an amount of RM204,500 for the period from 1 August 2017 until the next Annual General Meeting of the Company to be held in 2018. *Resolution 2*

4. To re-elect the following Directors who retire pursuant to Article 84 of the Company's Articles of Association:-

   3.1 Mr. Liew Kiam Woon *Resolution 3*
   3.2 Mr. David Low Teck Wee *Resolution 4*

5. To re-appoint Messrs. Morison Anuarul Azizan Chew as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *Resolution 5*

**As Special Business**

To consider and, if thought fit, to pass with or without modifications, the following resolution:-

6. **ORDINARY RESOLUTION** *Resolution 6*
   **AUTHORITY FOR DIRECTORS TO ISSUE SHARES PURSUNAT TO SECTION 76 OF THE COMPANIES ACT, 2016**

   "THAT, subject always to the Companies Act, 2016 (the "Act"), Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/ regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act, 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof;

7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

BY ORDER OF THE BOARD

**Wong Youn Kim**
(MAICSA 7018778)
Company Secretary

Kuala Lumpur
28 November 2017

# NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies [but not more than two (2)] to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares held by the member.

3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

4. This Form of Proxy must be deposited at the Company's Registered Office, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

5. Only depositors whose names appear in the Record of Depositors as at 14 December 2017 shall be entitled to attend the Fifteenth Annual General Meeting.

*Explanatory Notes on Special Business:-*

(a) Ordinary Resolution 6 – Authority to issue shares pursuant to Section 76 of the Companies Act, 2016

The Proposed Ordinary Resolution 6, if passed, is to give the Directors of the Company flexibility to issue and allot shares up to an amount not exceeding ten (10) per centum of the Company's total number of issued share capital for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions. This authority will expire at the conclusion of the next AGM of the Company or at the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the last AGM held on 8 December 2016 which will lapse at the conclusion of this AGM.

Up to the date of this Notice, a total of 4,255,319 Placement Shares had been issued and allotted on 6 October 2017. The status of the utilisation of proceed raised from the Proposed Private Placement is as follows:-

| **Purpose** | **Proposed Utilisation RM'000** | **Actual Utilisation RM'000** | **Intended Timeframe for Utilisation (from listing date)** |
|---|---|---|---|
| Working capital | 1,000 | 1,000 | Completed |
| Total gross proceeds | 1,000 | 1,000 | Completed |

# STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. Fifteenth Annual General Meeting of the Company will be held at 4th Floor, Campbell Complex, 98 Jalan Dang Wangi, 50100 Kuala Lumpur on Wednesday, 20 December 2017 at 10.00 a.m.

2. The Directors who are standing for re-election at the Fifteenth Annual General Meeting of the Company pursuant to Article 84 of the Articles of Association of the Company are:-

   (i) Mr. Liew Kiam Woon
   (ii) Mr. David Low Teck Wee

   details of the above Directors seeking re-election are set out in the Profile of Directors as disclosed on pages 9 and 10 of this Annual Report.

3. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 July 2017 are disclosed in the Corporate Governance Statement set out on page 13 of this Annual Report

# FORM OF PROXY

**LFE CORPORATION BERHAD (579343-A)**

| **CDS Account No.** | |
|---|---|
| **No of Shares Held** | |

I/We ………………………………………………………………………………………………………………………….of

…………………………………………………………………………………………….................................……..… being a member /

members of **LFE CORPORATION BERHAD** ("the company") hereby appoint ……………………………………………...

……………………………..……….........................................……of…………………….………….........…………..… or

failing whom ……………………….……………………………………………….……………………………………...… of

……………………………………...…………………………..………………………………………………………… /the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at 4th Floor, Campbell Complex, 98 Jalan Dang Wangi, 50100 Kuala Lumpur on Wednesday, 20 December 2017 at 10.00 a.m. and at any adjournment thereof.

I / We direct my / our proxy to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder:

| **Resolutions** | | **For** | **Against** |
|---|---|---|---|
| 1. | Payment of Directors' Fees for the financial year ended 31 July 2017 | | |
| 2. | Payment of Directors' Fees and Benefit from 1 August 2017 up to the next Annual General of the Company to be held in 2018. | | |
| 3. | Re-election of Mr. Liew Kiam Woon | | |
| 4. | Re-election of Mr. David Low Teck Wee | | |
| 5. | Re-appointment of Auditors | | |
| 6. | Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016 | | |

Dated this………………………day of……………………………………2017.

…………………………………………………………….

Signature/ common seal of shareholder

*Notes:*

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two (2)) to attend and vote in his stead.*
2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares held by the member.*
3. *Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
4. *This Form of Proxy must be deposited at the Company's Registered Office, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.*
5. *Only depositors whose names appear in the Record of Depositors as at 14 December 2017 shall be entitled to attend the Fifteenth Annual General Meeting.*

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AFFIX
STAMP

The Company Secretary

**LFE CORPORATION BERHAD**
Level 2, Tower 1, Avenue 5
59200 Kuala Lumpur
Malaysia

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**www.lfe.com.my**

**LFE CORPORATION BEHRAD**

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98, Jalan Dang Wangi
50100 Kuala Lumpur

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