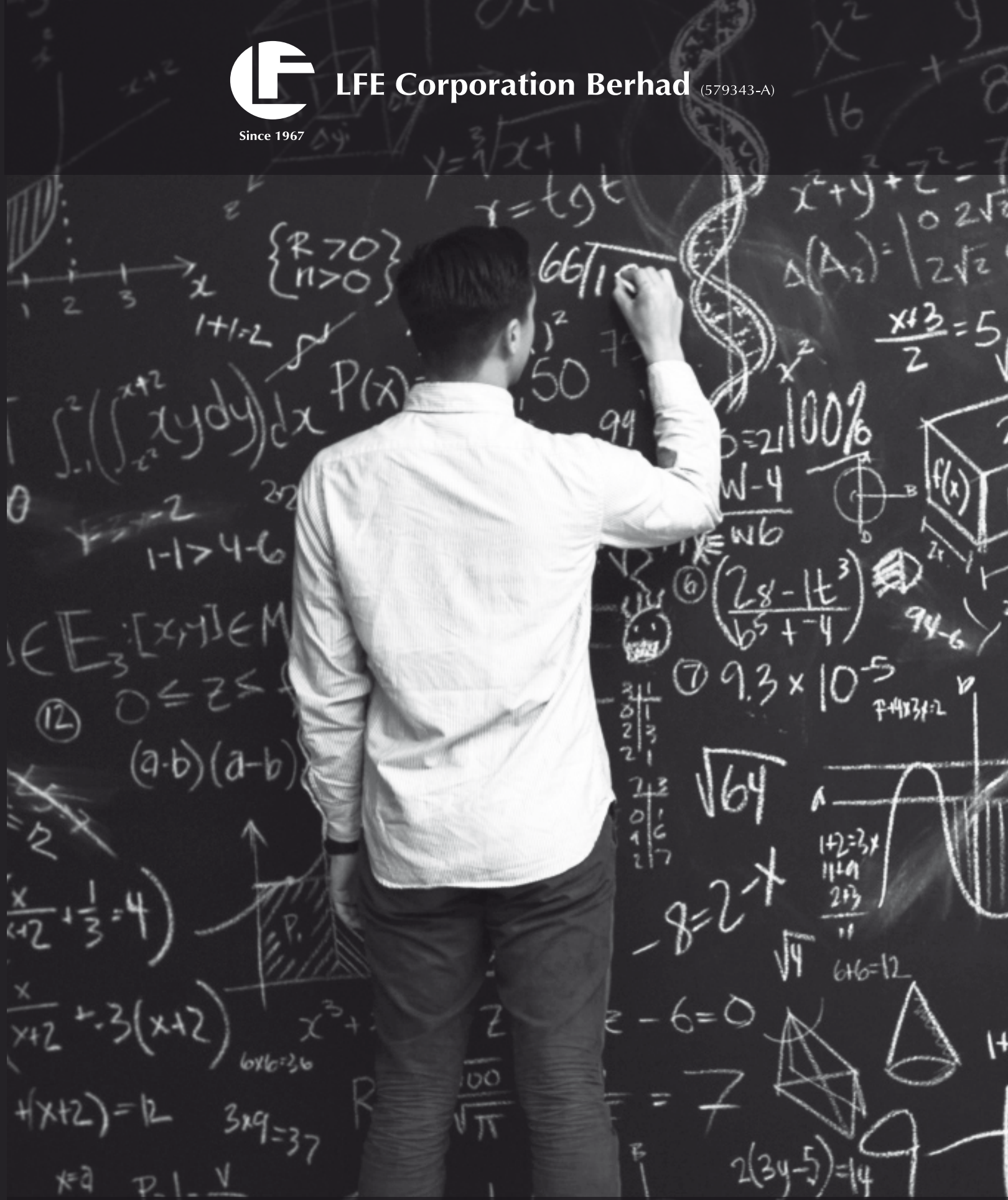




LFE Corporation Berhad (579343-A)

Since 1967



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ANNUAL REPORT

2016

# Contents Page

2	Managing Director's Statement
4	Corporate Information
5	Group Structure
6	Board of Directors' Profile
10	Statement on Corporate Governance
17	Audit Committee Report
20	Statement on Risk Management and Internal Control
23	Statement of Directors' Responsibilities
24	Additional Compliance Information
26	Financial Statements
93	List of Properties
94	Analysis of Shareholdings
97	Notice of Fourteenth Annual General Meeting
100	Statement Accompanying Notice of Annual General Meeting
	Form of Proxy



## Managing Director's Statement



*Dear valued shareholders,*

*On behalf of the Board of Directors (“the Board”) of LFE Corporation Berhad (“the Company”), I have the pleasure of presenting to you the Annual Report and the Consolidated Audited Financial Statements of the Company and its subsidiary companies (“the Group”) for the financial year ended 31 July 2016.*



### Financial Review

For the financial year ended 31 July 2016 (FYE 2016), the Group registered a slightly lower consolidated revenue of RM26.01 million, a decrease of RM2.01 million or 7.17% as compared to the previous year's revenue of RM28.02 million. Revenue is derived mainly from existing projects and a new project in Malaysia which commenced its site work during the 2nd quarter of the financial year. The current year's revenue was derived solely from the construction, mechanical and electrical and plumbing segments which is the Group's core business and industry.

The profit before tax of the Group for the current financial year is RM1.46 million whilst profit after tax attributable to shareholders for the same financial year is RM1.37 million.

Despite the slightly lower revenue, the Group managed to achieve a profit after tax margin of 5.28% for the current financial year due to the lower effective taxation rate as a result of set-off current year profit against unabsorbed business loss brought forward as well as additional profit from the completion and phasing off of Abu Dhabi projects.

The Group's earning per share for the current financial year is 0.92 sen, based on the weighted average number of ordinary shares outstanding during the year.

The Group's shareholders' fund has improved significantly to RM46.07 million at FYE 2016 as compared to RM15.09 million at FYE 2015, an increase of RM30.98 million or 205.30%. The improvement of RM30.98 million on the Group's shareholders' fund from its previous year is mainly due to the recapitalisation initiatives embarked on the Group's Regularisation Plan which comprises issuance of ordinary shares pursuant to private placement, right issues, debt settlements and capital reduction implementation, coupled with the improved bottom line for the financial year and slightly favourable foreign exchange movement arising from translation at year-end closing exchange rate.

With the completion of the Group's Regularisation Plan, whilst the Group's shareholders fund stood at RM46.07 million, the Group's outstanding bank borrowing has been reduced to RM2.04 million as a result of full settlement of RM9.98 million to Kerisma Berhad for the principal sum and interest outstanding on the collateralised loan obligation and RM3.36 million shares issued pursuant to debt settlement arrangement with the scheme creditors, thus achieving debt/equity ratio of 0.04 for the FYE 2016

### Corporate Development

Throughout FYE 2016, we remained focused on executing the recapitalisation initiatives as contemplated in the Regularisation Plan with the aims of restoring the financial solvency of the Group and to lift LFE from its Practice Note 17 (“PN17”) status.

On 10 September 2015, the Proposed Regularisation Plan was approved by the shareholders in the Extraordinary General Meeting, whilst on 29 September 2015, the High Court had granted the Company approval on its application on the Par Value Reduction and Share Premium Reduction pursuant to Section 60(2) and 64(1) of the Companies Act, 1965 in Malaysia and the sealed Court Order was lodged with the Company Commission of Malaysia on 5 October 2015

## Managing Director's Statement (cont'd)

On 23 November 2015, the allotment of shares for the Rights Issue, Private Placement and Debt Settlement were completed. These shares were subsequently listed on the Main Market of Bursa Securities on 26 November 2015, marking the completion of the Regularization Plan for the Company.

Following the completion of the above, the Group managed to raise RM25.64 million from the Rights Issues and Private Placement, whereby 40.39% of the gross proceeds was utilised for repayment of bank borrowings, 3.9% therefrom for payment of related expenses and the balance for working capital of the Group.

There were additions to the Board's composition during the year under review. YBhg Dato' Sri Haji Shafiz Dato' Haji Shahrani and YBhg Dato' Rosthman Bin Ibrahim were appointed as Executive Directors on 27 November 2015. The Board believes that the new appointments are necessary as this will enhance the management team's operational strength and to ensure the Group's ability to carry out the business plan successfully, as well as a strategic move on the part of LFE for its pathway to grow the business in the construction and property sectors.

The Group and the Company is currently in the process to uplift its PN17 status, which is still ongoing.

### Dividend

The Board is not recommending any dividend in respect of the financial year ended 31 July 2016. As the Board is now focusing on securing more projects with priorities set for turning around the Group's accumulated retained earnings back to profitability, we are determined to reward our shareholders with increased long term value and returns in the coming years.

### Future Prospect

With the completion of the Regularisation Plan, the future of the Group is largely dependent on the successful implementation of new projects and the ability to generate sufficient cash to fulfil its obligations as and when they fall due and including financial support from its major bankers.

The Group is actively pursuing and bidding for new projects in the mechanical, engineering, plumbing (MEP) and Construction sectors and it will continue to explore viable and profitable business opportunities locally and regionally through strategic alliances with both established local and foreign partners to enhance shareholders' value and strengthen its financial foundations.

The Group managed to achieve debt/equity ratio of 0.04 for the FYE 2016. The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguards the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholders' value.

The strategic partnerships with its new shareholders and other prestigious local strategic alliances and joint venture partners will certainly enhance LFE Group's book orders, revenue and profitability with sustainability, especially backed by experienced and committed team of skilful workforce, strength and competitive edge of the respective organisations. The Board of Directors expects that the performance of the Group in the coming financial year to be positive.

### Acknowledgement

I would like to take this opportunity to extend our warmest welcome to YBhg. Dato' Sri Haji Shafiz Dato' Haji Shahrani and YBhg. Dato' Rosthman Bin Ibrahim into the LFE Board.

I would also like to express gratitude to my fellow Board members and the Audit Committee for their faith and perseverance, contribution and support in seeing through the implementation and completion of the Group's Regularisation Plan.

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, our clients, bankers, suppliers, business associates and shareholders for their continuous support and confidence in the Group.

LIEW KIAM WOON  
Managing Director

## 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

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 Registrar 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 Office

KUALA LUMPUR, MALAYSIA  
LFE Engineering Sdn Bhd  
Suite 11.01, 11th Floor  
Campbell Complex  
98, Jalan Dang Wangi  
50100 Kuala Lumpur  
Tel : 603-2694 8899  
Fax : 603-2694 8833  
Website : www.lfe.com.my  
Email : lfe@lfe.com.my

JOHOR BHARU, MALAYSIA  
LFE Engineering (JB) Sdn Bhd  
No. 1, Jalan Temenggong 1  
Off Jalan Kangkar Tebrau,  
81100 Johor Bahru, Malaysia  
Tel : 607-3352285  
Fax : 607-3332285  
Email : lfejb@yahoo.com.my

### VIETNAM

LFE Engineering (VIETNAM)  
Company Limited  
116, 9A Street, Trung Son Residence  
Binh Hung Commune Binh Chanh  
District Ho Chi Minh City, Vietnam  
Tel. : (84) 8-54317960  
Fax : (84) 8-54317961  
Email : mcchia@lfe.com.my

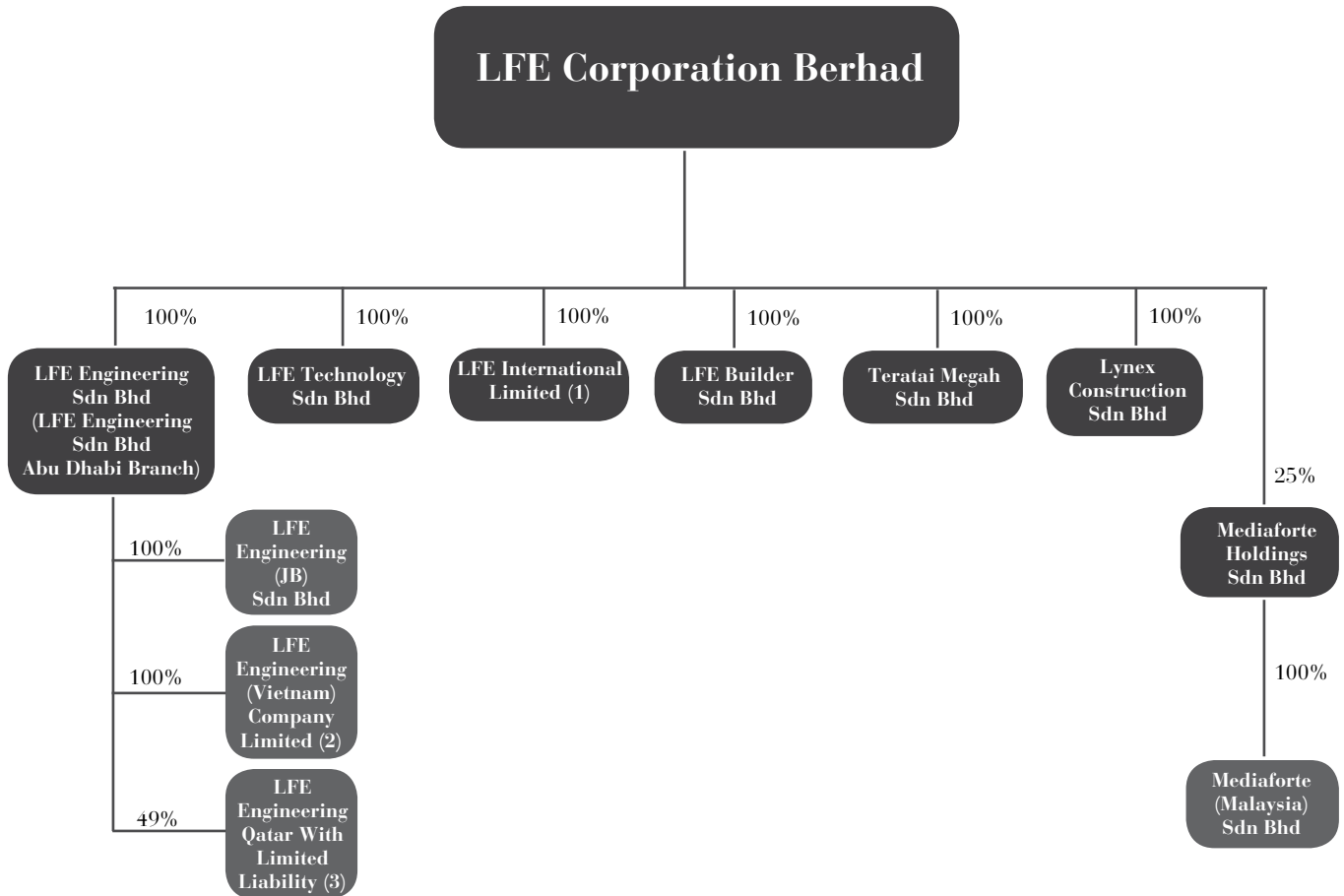
### ABU DHABI, UNITED ARAB EMIRATES

LFE Engineering Sdn Bhd -  
ABU DHABI BRANCH  
Ali & Sons Co. Building  
Zayed The 2nd Street  
Abu Dhabi, UAE  
P.O. Box 94830, Abu Dhabi, UAE  
Tel : + 971 2 650 1070 – ISZL site  
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



- (1) Incorporated in The British Virgin Islands
- (2) Incorporated in The Socialist Republic of Vietnam
- (3) Incorporated in Qatar

## Board of Directors' Profile

**MR LIEW KIAM WOON**  
Managing Director & Chairman of Risk  
Management Committee  
Age 53

Mr Liew Kiam Woon, male, aged 53, 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' SHAFIZ BIN DATO' SHAHRANI**  
Executive Director  
Age 37

Dato' Sri Haji Shafiz Dato' Haji Shahrani, male, aged 37, 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.

## Board of Directors' Profile (cont'd)

**DATO' ROSTHMAN BIN IBRAHIM**  
Executive Director  
Age 44

Dato' Rosthman Bin Ibrahim, male, aged 44, a Malaysian, has been the Executive Director of the Company since his appointment to the Board on 27 November 2015.

He holds a Bachelor of Science in Management (Finance) from Case Western Reserve University, Cleveland Ohio, USA and Diploma in Business Studies from MARA Institute of Technology, Malaysia.

He started his career as a Corporate Banking Officer with Chung Khiaw Bank (M) Bhd in 1996. Subsequently, he joined Business Focus Sdn Bhd as Corporate Planning Officer from 1996 till 1999. Thereafter, he joined Pengurusan Danaharta Nasional Berhad, the National Asset Management Company as an Executive. He then joined Crowe Horwath Advisory Sdn Bhd in November 2008 as Principal, Corporate Advisory. In February 2010 he was appointed as the Group Executive Director of Shapadu Corporation Sdn Bhd; a position he holds until now.

He is currently the Chairman of Audit Committee and Independent Non-Executive Director of ARK Resources Berhad

**MR KOK TONG YONG**  
Executive Director  
Age 60

Mr Kok Tong Yong, male, aged 60, 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.



## Board of Directors' Profile (cont'd)

**MS JULIANA QUAH KOOI HONG**  
Executive Director  
Age 47

Ms Juliana Quah Kooi Hong, female, aged 47, 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  
Age 45

Mr David Low Teck Wee, male, aged 45, 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.

## Board of Directors' Profile (cont'd)

**MR LOO THIN TUCK**  
Independent Non-Executive Director &  
Chairman of Remuneration Committee  
Age 51

Mr Loo Thin Tuck, a Malaysian, male, aged 51, 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 the consulting company, Infotax Planning Sdn Bhd. and a lecturer in Universiti Tunku Abdul Rahman. He is currently not a director of any other public company.

**YM TUNKU AZLAN BIN TUNKU AZIZ**  
Independent Non-Executive Director &  
Chairman of Nomination Committee  
Age 48

YM Tunku Azlan Bin Tunku Aziz, male, aged 48, 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.

## 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 8 members comprising 1 Managing Director, 4 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 5 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 2016, 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	3 out of 3
Dato' Rosthman Bin Ibrahim	3 out of 3
Kok Tong Yong	5 out of 5
Juliana Quah Kooi Hong	5 out of 5
David Low Teck Wee	5 out of 5
Loo Thin Tuck	4 out of 5
Tunku Azlan Bin Tunku Aziz	3 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

#### Risk Management Committee

Liew Kiam Woon - Chairman

Tunku Azlan Bin Tunku Aziz - Member

Juliana Quah Kooi Hong - Member

## Statement on Corporate Governance (cont'd)

### 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. All Directors who have attained the age of 70 years are required to submit themselves for re-appointment annually at the Company's annual general meetings in accordance with Section 129(6) of the Companies Act, 1965 ("the Act").

### 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 2016, 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
Liew Kiam Woon	MBAM On The Job Technical Training	9 December 2015
Dato' Rosthman Bin Ibrahim	The new Companies Act: The changes and how it impacts us	14 April 2016
Juliana Quah Kooi Hong	Risk Refresher Session	10 May 2016
Tony Kok Tong Yong	MBAM On The Job Technical Training	9 December 2015 and 25 February 2016
	Seminar Pemantapan Pengurusan Kualiti Industri Pembinaan 2016	21 July 2016
David Low Teck Wee	CG Breakfast Series with Directors: The Strategy, the Leadership, the Stakeholders and the Boar	6 May 2016
Loo Thin Tuck	MIA International Accountants Conference 2015	26 - 27 October 2015
	Practice of Company Meetings & Related Issues Under The Proposed New Companies Bill	21 November 2015
	Practical GST Implementation Workshop Integrating Concepts & Mechanism, GST Accounting Treatments and IT Systems	17 May 2016
	GST Post Implementation Issues – Latest DG's Decision and Orders	26 May 2016
	National GST Conference 2016	31 May – 1 June 2016
Tunku Azlan Bin Tunku Aziz	The new Companies Act: The changes and how it impacts us	14 April 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 subsidiaries for the financial year ended 31 July 2016 as follows:-

Type of Remuneration	Executive Directors RM	Non - Executive Directors RM	Total RM
Fees	-	72,000	72,000
Salaries, wages, bonus and allowances	1,557,500	29,000	1,586,500
Defined contribution plan	119,280		119,280
Benefits-in-kind	7,000		7,000
<b>Total</b>	<b>1,683,780</b>	<b>101,000</b>	<b>1,784,780</b>

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 July 2016 are as follows:-

Remuneration Band (RM per annum)	Number of Directors		
	Executive Directors	Non – Executive Directors	Total
Below 50,000		3	3
200,001 to 250,000	2		2
300,001 to 350,000	1		1
350,001 to 400,000	1		1
450,001 to 500,000	1		1
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>8</b>

### 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](http://www.lfe.com.my).

### 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.

## Statement on Corporate Governance (cont'd)

### 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.

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.



## Statement on Corporate Governance (cont'd)

### 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 is of the view that there is no necessity up to the present year to establish a separate whistle-blowing policy in view of the current Whistleblower Protection Act 2010.

Going forward, the Board intends to strengthen its roles and responsibilities by:-

- (i) Defining the Board schedule of matters of those functions reserved to the Board and delegated to management;
- (ii) Implementing a whistle blowing policy and procedure to provide employees with a mechanism to monitor compliance to the code of ethics;
- (iii) Defining its business sustainability policy and ensuring its current business decision making process incorporates the elements of Environment, Social and Governance ("ESG") within its value chain in the business processes; and

This statement was reviewed and approved by the Board on 25 October 2016.

# 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 2016.

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 also assisted the Board to facilitate the establishment of the enterprise risk management (“ERM”) framework. With the reporting and update by the Risk Management Committee on key risk management issues, the Audit Committee 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	4 out of 5
Tunku Azlan Bin Tunku Aziz	3 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, 1965 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 of external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- review of 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 of 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 of factors relating to the independence of the external auditors.

At the Audit Committee Meeting held on 20 June 2016, the Audit Committee recommended to the Board for approval of the audit fee of RM105,143.00 in respect of the financial year ended 31 July 2016.

The Board at its meeting held on 20 June 2016, 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.

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## 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 2016 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM21,000.

# 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

At the date of approval of this statement, 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.

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## 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 2016 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 25 October 2016

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## Statement of 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, 1965 (“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 2016 (“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 25 October 2016.



## Additional Compliance Information

### 1. Utilisation of Proceeds

There were no corporate proposal announced for the financial year ended 31 July 2016. As at the date of this report, the status of utilisation of proceed raised from the corporate exercises are as follows:-

Corporate Exercise	Purpose	Approved Utilisation RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Rights Issue with Warrants and private placement	a) Repayment for the collateralised loan obligation with Kerisma	9,976	-	9,976
	b) Working capital of LFE Group	14,282	-	14,282
	c) Repayment to Bilateral Lenders	383	-	383
	d) Expenses for the Proposed Regularisation Plan	1,000	-	973

### 2. Related Party Transactions

The aggregate value of the Related Party Transactions for the financial year ended 31 July 2016 is set out in Note 30 of the Audited Financial Statements.

### 3. Profit Estimate, Forecast or Projection Variation In Results

As per the Circular to Shareholders dated 19 August 2015 ( "Circular"), the Group forecasted a PAT of RM4.146 million for the financial year ended 31 July 2016 ("FYE 2016"). However, the Group managed to achieve actual PAT of RM1.374 million for the FYE 2016. The variance between the forecasted profit and the actual audited result are mainly due to the key factors as tabulated below:

Key Factor	FYE 31 July 2016		Variance Favourable / (Adverse)	
	Forecast RM'000	Actual Unaudited RM'000	RM'000	%
	Revenue	104,750	26,007	(78,743)
Cost of Sales	(93,614)	(18,525)	75,089	80%
Gross Profit	11,136	7,482	(3,654)	-33%
Gross Profit Margin	10.63%	28.77%	18.14%	171%
Other Operating Income	1,281	963	(318)	-25%
Administrative Expenses	(4,638)	(4,346)	292	6%
Other Operating Expenses	(1,313)	(14)	1,299	99%
Depreciation	(146)	(72)	74	51%
Finance Cost	(1,851)	(2,754)	(723)	-39%
Share of Result of Associate	-	19	19	100%
<b>Profit Before Tax</b>	<b>4,469</b>	<b>1,458</b>	<b>(3,011)</b>	<b>-67%</b>
Taxation	(323)	(84)	239	74%
<b>Profit After Tax</b>	<b>4,146</b>	<b>1,374</b>	<b>(2,272)</b>	<b>-67%</b>

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## Additional Compliance Information (cont'd)

### 4. Non-audit Fees

There were no non-audit fees payable to the External Auditors for the financial year ended 31 July 2016.

### 5. 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 2016, by the Company and its subsidiaries which involved the interest of the Directors and substantial shareholders.

### 6. 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

27	Directors' Report
31	Statement by Directors
32	Statutory Declaration
33	Independent Auditors' Report
35	Statements of Financial Position
37	Statements of Profit or Loss and Other Comprehensive Income
39	Statement of Changes in Equity
42	Statements of Cash Flows
45	Notes to the Financial Statements
92	Realised and Unrealised Profit/Losses (Supplementary Information)



## 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 2016.

### Principal Activities

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

The principal activities of the subsidiary companies are stated in Note 5 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
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	1,373,345	(884,698)
- Non-controlling interest	-	-
	<u>1,373,345</u>	<u>(884,698)</u>

### 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

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

### Issue of Shares and Debentures

On 10 September 2015, the authorised share capital of the Company of RM100,000,000 consisting of 100,000,000 ordinary shares of RM1.00 each was converted to 333,333,333 ordinary shares of RM0.30 each.

On 5 October 2015, the issued and paid-up share capital of the Company was reduced from RM84,900,002 comprising of 84,900,002 ordinary shares of RM1.00 each to RM25,470,001 comprising of 84,900,002 ordinary shares of RM0.30 each by way of cancellation of RM0.70 of the par value of each of the existing ordinary share of the Company in issue pursuant to Section 64 of the Companies Act, 1965 in Malaysia and that the credit arising thereof from the capital reduction was used to offset against the accumulated losses of the Company. The par value of each existing ordinary share in the Company has been reduced from RM1.00 each to RM0.30 each.

On 23 November 2015, the issued and paid-up share capital of the Company was increased from RM25,470,001 to RM54,469,711 by way of issuance of 96,665,700 new ordinary shares of RM0.30 each pursuant to:

- 66,666,667 ordinary shares of RM0.30 each for cash for the Company's Private Placement;
- 18,801,916 ordinary shares of RM0.30 each for cash for the Company's Rights Issue; and
- 11,197,117 ordinary shares of RM0.30 each issued for the Company's Debt Settlement Agreement.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year under review.

## Directors' Report (Cont'd)

### Directors

The Directors who served in office since the date of the last report and the date of this report are as follows:

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' Sri Haji Shafiz Bin Dato' Haji Shahrani	(Appointed on 27 November 2015)
YBhg. Dato' Rosthman Bin Ibrahim	(Appointed on 27 November 2015)

### Directors' Interests

Details of holdings and deemed interests in the share capital and options over the shares of the Company or its related corporations by the Directors holding office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965 in Malaysia, were as follows:

	Number of	Number or ordinary shares of RM0.30 each		
	ordinary shares of RM1.00 each			At
	At	Acquired	Disposed	31.7.2016
	1.8.2015			
<b><u>LFE Corporation Berhad</u></b>				
Direct interest:				
Liew Kiam Woon	4,133,843	3,522,445	-	7,656,288
Kok Tong Yong	25,000	7,500	-	32,500
Indirect interest:				
Liew Kiam Woon	4,605,562	3,924,396	-	8,529,958 <sup>^</sup>
YBhg. Dato' Sri Haji Shafiz Bin Dato' Haji Shahrani	2,451,500	56,225,750	-	58,677,250 <sup>#</sup>

<sup>^</sup> Deemed interested by virtue of his substantial shareholdings in Liew Meow Nyeon Realty Sdn. Bhd.

<sup>#</sup> Deemed interested by virtue of his substantial shareholdings in Shapadu Corporation Sdn. Bhd.

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 deemed to be interested in the shares of all the subsidiaries to the extent that the Company has a substantial interest.

The other Directors holding office at the end of the financial year do not have any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

### 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 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)

### Other Statutory Information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (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 allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent;
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
  - (iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
  - (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 as and 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 the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or the Company which has arisen since the end of the financial year.
- (e) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company for the financial year were not 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.

### Significant and Subsequent Events

The significant events are disclosed in Note 33 to the financial statements.

## Directors' Report (Cont'd)

### **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.

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LIEW KIAM WOON

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JULIANA QUAH KOOI HONG

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## Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, LIEW KIAM WOON and JULIANA QUAH KOOI HONG, 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 35 to 91 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 92 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.

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LIEW KIAM WOON

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JULIANA QUAH KOOI HONG



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## Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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 35 to 91 and the supplementary information set out on page 92 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 )  
)  
on this date of )

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LIEW KIAM WOON

Before me,

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COMMISSIONER FOR OATHS

# Independent Auditors' Report

## To The Members of LFE Corporation Berhad

### Report on the Financial Statements

We have audited the financial statements of LFE Corporation Berhad, which comprise the statements of financial position as at 31 July 2016 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 financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 91.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Independent Auditors' Report (Cont'd)

To The Members of LFE Corporation Berhad

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We have considered the financial statements and the independent auditors' report of the subsidiary company of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The independent auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

### Other Reporting Responsibilities

The supplementary information set out in page 92 to the financial statements 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 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume 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

## Statement Of Financial Position

As at 31 July 2016

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	364,437	365,114	-	-
Investment property	4	265,471	265,471	-	-
Investment in subsidiary companies	5	-	-	25,576,086	25,576,086
Investment in associate companies	6	171,822	152,760	25,500	25,500
		801,730	783,345	25,601,586	25,601,586
<b>Current Assets</b>					
Amount owing by customers on contract	8	15,625,292	10,428,414	-	-
Trade receivables	9	22,328,343	15,215,024	-	-
Other receivables	10	3,215,762	3,984,080	-	-
Amount owing by subsidiary companies	11	-	-	45,078,330	18,160,443
Amount owing by associate companies	12	6,429,797	7,001,326	769,813	769,813
Tax recoverable		99,943	101,150	-	-
Fixed deposits placed with licensed banks	13	-	9,069	-	-
Cash and bank balances		290,629	3,426,731	6,694	1,401
Total current assets		47,989,766	40,165,794	45,854,837	18,931,657
Assets held for sale	14	50,440,864	66,498,052	-	-
		98,430,630	106,663,846	45,854,837	18,931,657
<b>TOTAL ASSETS</b>		99,232,360	107,447,191	71,456,423	44,533,243

## Statement Of Financial Position (cont'd)

As at 31 July 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	15	54,469,711	84,900,002	54,469,711	84,900,002
Reserves	16	(8,401,838)	(69,811,146)	16,683,127	(41,862,176)
		<u>46,067,873</u>	<u>15,088,856</u>	<u>71,152,838</u>	<u>43,037,826</u>
<b>Non-Current Liabilities</b>					
Finance lease liability	17	60,427	-	-	-
Bank borrowings	18	-	4,644,643	-	-
Deferred tax liability	19	-	14,800	-	-
		<u>60,427</u>	<u>4,659,443</u>	<u>-</u>	<u>-</u>
<b>Current Liabilities</b>					
Amount owing to customers on contracts	8	1,911,686	3,480,261	-	-
Trade payables	20	20,484,898	26,467,698	-	-
Other payables	21	28,696,986	46,844,854	303,585	724,102
Amount owing to subsidiary companies	11	-	-	-	771,315
Provision for taxation		29,000	-	-	-
Finance lease liability	17	16,236	-	-	-
Bank borrowings	18	1,965,254	10,906,079	-	-
		<u>53,104,060</u>	<u>87,698,892</u>	<u>303,585</u>	<u>1,495,417</u>
<b>Total Liabilities</b>		<u>53,164,487</u>	<u>92,358,335</u>	<u>303,585</u>	<u>1,495,417</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>99,232,360</u>	<u>107,447,191</u>	<u>71,456,423</u>	<u>44,533,243</u>

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 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	22	26,006,535	28,023,603	-	-
Cost of sales		(18,525,090)	(23,356,950)	-	-
Gross profit		7,481,445	4,666,653	-	-
Other operating income		963,361	2,430,278	15,045	75,020
Administrative expenses		(4,418,431)	(3,957,428)	(899,743)	(348,549)
Other operating expenses		(13,743)	(181,383)	-	-
Finance costs	23	(2,574,056)	(2,078,789)	-	-
Profit/(Loss) from operations		1,438,576	879,331	(884,698)	(273,529)
Share of results of associate companies		19,062	19,187	-	-
Profit/(Loss) before taxation	24	1,457,638	898,518	(884,698)	(273,529)
Taxation	25	(84,293)	(19,878)	-	-
Net profit/(loss) for the financial year		1,373,345	878,640	(884,698)	(273,529)
Other comprehensive income:					
Exchange differences arising from translation of foreign operations		605,962	3,382,748	-	-
Total comprehensive income/(loss) for the financial year		1,979,307	4,261,388	(884,698)	(273,529)

# Statements Of Profit Or Loss And Other Comprehensive Income

(cont'd)

For The Financial Year Ended 31 July 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		1,373,345	878,640	(884,698)	(273,529)
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the Company		1,979,307	4,261,388	(884,698)	(273,529)
Earnings per share attributable to Owners of the Company (sen)					
- Basic	26		0.92	1.03	
- Diluted	26		0.92	1.03	

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

## Statements Of Changes In Equity

For The Financial Year Ended 31 July 2016

	↕ Attributable to Owners of the Company ↕	↕ Non-distributable ↕			
Group	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 August 2014	84,900,002	5,218,125	(872,583)	(78,418,076)	10,827,468
Total comprehensive income for the financial year	-	-	3,382,748	878,640	4,261,388
At 31 July 2015	84,900,002	5,218,125	2,510,165	(77,539,436)	15,088,856



## Statements Of Changes In Equity

For The Financial Year Ended 31 July 2016

Group	Note	Attributable to Owners of the Company		Non-distributable		Total Equity RM	
		Share Capital RM	Share Premium RM	Capital Reserve RM	Accumulated Losses RM		
				Foreign Exchange Translation Reserve RM			
At 1 August 2015		84,900,002	5,218,125	-	2,510,165	(77,539,436)	15,088,856
Reduction in par value of share capital	15	(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:							
- 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 income for the financial year		-	-	-	605,962	1,373,345	1,979,307
At 31 July 2016		54,469,711	-	17,567,825	3,116,127	(29,085,790)	46,067,873

## Statements Of Changes In Equity

For The Financial Year Ended 31 July 2016

Company	Share Capital RM	Share Premium RM	Capital Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 August 2014	84,900,002	5,218,125	-	(46,806,772)	43,311,355
Total comprehensive loss for the financial year	-	-	-	(273,529)	(273,529)
At 31 July 2015	84,900,002	5,218,125	-	(47,080,301)	43,037,826
At 1 August 2015	84,900,002	5,218,125	-	(47,080,301)	43,037,826
Reduction in par value of share capital	(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:	20,000,000	-	-	-	20,000,000
- Private Placement	5,640,575	-	-	-	5,640,575
- Rights Issue	3,359,135	-	-	-	3,359,135
- Debt Settlement	(30,430,291)	(5,218,125)	17,567,825	47,080,301	28,999,710
	-	-	-	(884,698)	(884,698)
Total comprehensive loss for the financial year	54,469,711	-	17,567,825	(884,698)	71,152,838
At 31 July 2016	54,469,711	-	17,567,825	(884,698)	71,152,838

Note

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Total comprehensive loss for the financial year

At 31 July 2016

## Statements Of Cash Flows

For The Financial Year Ended 31 July 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash Flows From Operating Activities</b>				
<b>Profit/(Loss) before taxation</b>	1,457,638	898,518	(884,698)	(273,529)
Adjustments for:				
Depreciation of property, plant and equipment	71,927	74,318	-	-
Interest expense	2,574,056	2,078,789	-	-
Unrealised loss on foreign exchange	249	-	-	-
Share of result in associate companies	(19,062)	(19,187)	-	-
Fair value adjustments on:				
- trade receivables	(20,644)	(62,326)	-	-
- trade payables	(61,593)	19,632	-	-
Property, plant and equipment written off	552	-	-	-
Gain on disposal of property, plant and equipment	(32,192)	(1,033)	-	-
Gain on disposal of investment properties	-	(44,517)	-	-
Interest income	(10,869)	(6,602)	-	-
Operating profit/(loss) before changes in working capital	3,960,062	2,937,592	(884,698)	(273,529)

## Statements Of Cash Flows (cont'd)

For The Financial Year Ended 31 July 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Changes in working capital:					
Amount owing by/to customers on contract		(6,765,453)	(4,345,973)	-	-
Trade and other receivables		(6,324,606)	11,568,353	-	45,000
Trade and other payables		(24,069,075)	(9,059,029)	-	27,930
Amount owing by subsidiary companies		-	-	(27,689,202)	228,251
Amount owing by/to associate companies		571,529	(587,551)	(420,517)	(37,786)
Amount owing to Directors		-	(55,563)	-	-
		(36,587,605)	(2,479,763)	(28,109,719)	263,395
Cash (used in)/generated from operations		(32,627,543)	457,829	(28,994,417)	(10,134)
Interest received		10,869	6,602	-	-
Interest paid		(2,574,056)	(2,078,789)	-	-
Tax refunded		11,114	13,122	-	-
Tax paid		(80,000)	(101,150)	-	-
		(2,632,073)	(2,160,215)	-	-
Net cash used in operating activities		(35,259,616)	(1,702,386)	(28,994,417)	(10,134)
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	27	(27,574)	(38,088)	-	-
Proceeds from disposal of property, plant and equipment		75,000	15,451	-	-
Proceeds from disposal of investment properties		-	182,000	-	-
Proceeds from disposal of assets held for sale		16,057,188	-	-	-
Net cash generated from investing activities		16,104,614	159,363	-	-

## Statements Of Cash Flows (cont'd)

For The Financial Year Ended 31 July 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Financing Activities				
Decrease in fixed deposits pledged	9,069	331,952	-	-
Proceeds from issuance of share capital	28,999,710	-	28,999,710	-
Repayment of bank borrowings	(11,673,163)	(1,558,782)	-	-
Repayment of finance lease liabilities	(10,337)	(53,256)	-	-
<b>Net cash generated from/(used in) financing activities</b>	<b>17,325,279</b>	<b>(1,280,086)</b>	<b>28,999,710</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,829,723)</b>	<b>(2,823,109)</b>	<b>5,293</b>	<b>(10,134)</b>
<b>Effect of exchange rate changes</b>	<b>605,926</b>	<b>3,382,545</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>1,514,426</b>	<b>954,990</b>	<b>1,401</b>	<b>11,535</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>290,629</b>	<b>1,514,426</b>	<b>6,694</b>	<b>1,401</b>
<b>Cash and cash equivalents at the end of the financial year comprises:</b>				
Cash and bank balances	290,629	3,426,731	6,694	1,401
Fixed deposits with licensed banks	-	9,069	-	-
Bank overdrafts	-	(1,912,305)	-	-
	290,629	1,523,495	6,694	1,401
Less: Fixed deposits pledged	-	(9,069)	-	-
	290,629	1,514,426	6,694	1,401

# 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 5 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 Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan.

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 and Significant Accounting Policies

### (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, 1965 in Malaysia.

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

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 2(d) to the financial statements.

### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

<b>Title</b>	<b>Effective Date</b>
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiatives</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (continued)

- (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016 (cont'd)

Title	Effective Date
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019

The Group and the Company is in the process of assessing the impact of implementing these Amendments and Standards. The adoption of the accounting standards and amendments to accounting standards are not expected to have any significant impact to the financial statements of the Group and the Company.

- (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency

- (d) 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:

- (i) Revenue recognition of 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) Estimation of 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:

- (a) 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
- (b) 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.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (d) Significant accounting estimates and judgements (cont'd)

##### (iii) Impairment of receivables

The Group makes allowance for impairment losses based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer payment terms when making a judgement to evaluate the adequacy of allowances for doubtful debts. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables

##### (iv) 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.

##### (v) 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 2(j) 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.

##### (vi) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax payable 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 have impact on the income tax and deferred tax provisions in the period in which such determination is made.

##### (vii) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using the valuation techniques including discounted cash flow method. The inputs of these valuation models are taken from observable markets where possible. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (d) Significant accounting estimates and judgements (cont'd)

##### (viii) Impairment of investments in subsidiary companies

The Directors review the material investments in subsidiary companies for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiary companies are assessed by references to the value in use of the respective subsidiary companies.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiary companies discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumption to reflect their income and cash flows. Judgement has been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiary companies.

##### (ix) Contingent liabilities

The Board of Directors, after due consultation with the Group's solicitors, assess the merit of each case, and makes the necessary provision for liabilities in the financial statements if its crystallisation is deemed to be probable.

#### (e) Basis of consolidation

##### (i) Subsidiary companies

Subsidiary companies are entities, including structured entities, controlled by the Company. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (e) Basis of consolidation (cont'd)

##### (ii) Business combinations (cont'd)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### (iv) Transactions eliminated on consolidation

Intra-group balances including any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### (v) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

#### (f) Investment in subsidiary companies

Investment in subsidiary companies is stated at cost less accumulated impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 2(p) 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.

#### (g) Investment in associate companies

Associate companies are entities over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decision of the investee but not control or joint control over those policies.

Investments in associate companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in the profit or loss.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (g) Investment in associate companies (cont'd)

Investments in associate companies are accounted for using the equity method of accounting. Investments in associate companies include goodwill identified on acquisition, net of any accumulated impairment loss.

Equity accounting involves recording investments in associate companies initially at cost, and recognising the Group's share of its associate companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate company.

#### (h) Investment in jointly controlled operations

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled operation is a joint venture that involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves.

Investments in jointly controlled entities are accounted for in the financial statements using the proportionate consolidation method of accounting. The Group combines its share of each of the assets, liabilities, income and expenses of the joint ventures with the similar items, line by line, in its financial statements.

#### (i) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment property is measured initially at cost, including related transaction costs.

Subsequent to initial recognition, investment properties are carried at fair value reviewed annually by external professional valuers. Changes in fair values are recognised in the profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred.

A property interest under an operating lease is classified and accounted for as an investment property on a property by property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

#### (j) Property, plant and equipment

##### (i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(p) to the financial statements.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (j) Property, plant and equipment (cont'd)

##### (i) Recognition and measurement

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised 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.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method of depreciation are the expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the profit or loss. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

#### (k) Assets held for sale

Assets are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the asset is brought up-to-date in accordance with MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (l) Leases

##### (i) Finance lease liabilities

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.

##### (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.

#### (m) 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 percent 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)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (n) 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)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (n) Financial assets (cont'd)

##### (ii) Recognition and initial measurement (cont'd)

###### 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.

##### (iii) Subsequent measurement

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)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (n) Financial assets (cont'd)

##### (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.

#### (o) 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 a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised costs, the reversal is recognised in profit or loss.

#### (p) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. An impairment loss is charged to the profit or loss immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit or loss immediately.



## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (q) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

#### (r) 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 plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group designates the liabilities at fair value through profit or loss. Financial liabilities are designated at fair value through profit or loss when:

- (i) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
- (ii) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or
- (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### (s) Provisions

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.

#### (t) Borrowing costs

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the profit or loss in the period in which they are incurred.

#### (u) Foreign currencies

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.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (u) Foreign currencies (continued)

Translation differences on non-monetary items, such as financial assets held for trading held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in the equity.

Assets and liabilities of a foreign operation are translated to Ringgit Malaysia at rates of exchange ruling at the balance sheet date and the results and cash flows of foreign operation are translated at the average rate of exchange for the financial period. Exchange differences arising from the translation are recognised as a separate component equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

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

	2016 RM	2015 RM
United States Dollar (USD)	4.0702	3.8175
100 Vietnamese Dong (VND)	0.0183	0.0175
UAE Dirhams (AED)	1.0958	1.0393
Qatari Riyal (QAR)	1.1182	1.0432

#### (v) 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, on the following bases:

##### (i) Construction contract

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.

##### (iii) Rental and interest income

Rental income and interest income are recognised on an accrual basis.

##### (iv) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (w) 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.

#### (x) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or bargain purchase or from the initial recognition of an 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 tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or bargain purchase.

#### (y) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares.

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## Notes To The Financial Statements (Cont'd)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (z) 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 Chief Executive Officer that makes strategic decisions.

#### (aa) Reserves

##### (i) Share premium

Share premium represent the excess of the consideration received over the nominal value of the share issued by the Group.

##### (ii) Capital reserve

The capital reserve comprises the equity portion of the reduction in par value of share capital and share premium.

##### (iii) Foreign exchange translation reserves

The foreign exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

#### (bb) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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.

## Notes To The Financial Statements (Cont'd)

### 3. Plant and equipment

Group	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Air Conditioners and Renovation RM	Total RM
<b>Cost</b>					
At 1 August 2015	2,702,792	698,095	483,349	214,648	4,098,884
Additions	-	99,204	15,370	-	114,574
Disposals	-	(293,968)	-	-	(293,968)
Written Off	-	-	-	(7,661)	(7,661)
Foreign Exchange Adjustment	-	-	134	-	134
At 31 July 2016	2,702,792	503,331	498,853	206,987	3,911,963
<b>Accumulated depreciation</b>					
At 1 August 2015	2,689,943	564,039	365,475	114,313	3,733,770
Charge for the financial year	1,284	35,482	24,920	10,241	71,927
Disposals	-	(251,160)	-	-	(251,160)
Written Off	-	-	-	(7,109)	(7,109)
Foreign Exchange Adjustment	-	-	98	-	98
At 31 July 2016	2,691,227	348,361	390,493	117,445	3,547,526
<b>Carrying Amount</b>					
At 31 July 2016	11,565	154,970	108,360	89,542	364,437

## 3. Plant and equipment (cont'd)

Group	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Air Conditioners and Renovation RM	Land and Building RM	Total RM
<b>Cost</b>						
At 1 August 2014	2,702,792	794,095	444,696	214,648	-	4,156,231
Additions	-	-	38,088	-	66,498,052	66,536,140
Disposals	-	(96,000)	-	-	-	(96,000)
Transfer to assets held for sales	-	-	-	-	(66,498,052)	(66,498,052)
Foreign Exchange Adjustment	-	-	565	-	-	565
At 31 July 2015	2,702,792	698,095	483,349	214,648	-	4,098,884
<b>Accumulated depreciation</b>						
At 1 August 2014	2,688,516	608,502	340,727	102,926	-	3,740,671
Charge for the financial year	1,427	37,119	24,385	11,387	-	74,318
Disposals	-	(81,582)	-	-	-	(81,582)
Foreign Exchange Adjustment	-	-	363	-	-	363
At 31 July 2015	2,689,943	564,039	365,475	114,313	-	3,733,770
<b>Carrying Amount</b>						
At 31 July 2015	12,849	134,056	117,874	100,335	-	365,114

## Notes To The Financial Statements (Cont'd)

### 4. Investment Property

	2016 RM	Group 2015 RM
At fair value		
Long term leasehold land and building		
At 1 August	265,471	402,954
Disposal	-	(137,483)
At 31 July	<u>265,471</u>	<u>265,471</u>

(a) The entire investment property of the Group has been pledged to a licensed bank to secure the banking facility as disclosed in Note 18 to the financial statements.

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

	Level 1 RM	Group 2016 Level 2 RM	Level 3 RM
Investment property	<u>-</u>	<u>-</u>	<u>265,471</u>
	Level 1 RM	Group 2015 Level 2 RM	Level 3 RM
Investment property	<u>-</u>	<u>-</u>	<u>265,471</u>

#### 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)

### 5. Investment in Subsidiary Companies

#### (a) Investment in subsidiary companies

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost	67,754,705	67,754,705
Less: Accumulated impairment losses	(42,178,619)	(42,178,619)
	<u>25,576,086</u>	<u>25,576,086</u>

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

Name of companies	Principal place of business/Country of incorporation	Effective ownership and voting interest		Principal activities
		2016 %	2015 %	
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



## Notes To The Financial Statements (Cont'd)

### 5. Investment in Subsidiary Companies (cont'd)

Name of companies	Principal place of business/Country of incorporation	Effective ownership and voting interest		Principal activities
		2016 %	2015 %	
<i>Subsidiary companies of LFE Engineering Sdn. Bhd.:</i>				
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

### 6. Investment in Associate Companies

#### (a) Investment in associate companies

2015	Group		Company	
	2016	2015	2016	
	RM	RM	RM	RM
Unquoted shares, at cost	119,840	119,840	25,500	25,500
Less: Accumulated impairment loss	(94,340)	(94,340)	-	-
	25,500	25,500	25,500	25,500
Share of post-acquisition profit	146,322	127,260	-	-
	171,822	152,760	25,500	25,500

## Notes To The Financial Statements (Cont'd)

### 6. Investment in Associate Companies (cont'd)

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

Name of companies	Principal place of business/Country of incorporation	Effective ownership and voting interest		Principal activities
		2016 %	2015 %	
<b>Direct holding:</b>				
Mediaforte Holdings Sdn. Bhd.	Malaysia	25.5	25.5	Investment holding
<b>Indirect holding:</b>				
LFE Engineering (Qatar) W.L.L*	Qatar	49	49	Provision of mechanical and electrical works and general building contracting

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

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

	2016 RM	2015 RM
Assets and liabilities:		
Total assets	3,675,609	3,889,193
Total liabilities	3,158,586	3,399,874
Results:		
Revenue	5,098,352	7,354,349
Profit for the year	76,248	76,749

### 7. Investments in Jointly Controlled Operations

(a) The details of the unincorporated jointly controlled operations are as follows:

Name of companies	Principal place of business/Country of incorporation	Effective ownership and voting interest		Principal activities
		2016 %	2015 %	
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

## Notes To The Financial Statements (Cont'd)

### 7. Investments in Jointly Controlled Operations (cont'd)

(a) The details of the unincorporated jointly controlled operations are as follows:

Name of jointly controlled operations	Principal place of business/Country of incorporation	Effective ownership and voting interest		Principal activities
		2016 %	2015 %	
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

# Unaudited management accounts have been used for consolidation purposes

(b) The summarised financial information of the jointly controlled operations are as follows:

	Group	
	2016 RM	2015 RM
Assets and liabilities:		
Current assets	8,803,861	5,529,328
Assets held for sale	50,440,864	66,498,052
Non-current assets	263	527
Total assets	59,244,988	72,027,907
Total liabilities	29,125,682	46,088,217
Results:		
Expenses	1,565,945	124,729
Profit/(Loss) for the year	268,513	(124,729)

## Notes To The Financial Statements (Cont'd)

### 8. Amount Owing by/(to) Customers on Contracts

	Group	
	2016 RM	2015 RM
Contract costs incurred to date	88,427,636	106,611,703
Add: Attributable profits	13,358,079	14,510,568
	101,785,715	121,122,271
Less: Progress billings including retention sum	(88,072,109)	(114,174,118)
	13,713,606	6,948,153
Represented by:		
Amount owing by customers on contracts	15,625,292	10,428,414
Amount owing to customers on contracts	(1,911,686)	(3,480,261)
	13,713,606	6,948,153

### 9. Trade Receivables

	Group	
	2016 RM	2015 RM
Trade receivables	14,973,314	17,272,480
Retention sum receivables	9,795,110	6,886,529
	24,768,424	24,159,009
Less: Accumulated impairment loss	(2,440,081)	(8,943,985)
	22,328,343	15,215,024

The Group's normal trade credit terms range from 60 to 90 days (2015: 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	
	2016 RM	2015 RM
Neither past due nor impaired	18,336,163	1,915,746
1 - 90 days past due but not impaired	1,150,521	2,177,333
91 - 180 days past due but not impaired	224,205	2,227,606
More than 1 year past due but not impaired	2,617,454	8,894,339
Impaired	3,992,180	13,299,278
	2,440,081	8,943,985
	24,768,424	24,159,009

## Notes To The Financial Statements (Cont'd)

### 9. Trade Receivables (cont'd)

The ageing analysis of the Group's trade receivables is as follows (cont'd) :

	Group	
	2016 RM	2015 RM
<u>Individually impaired</u>		
Nominal amounts	2,440,081	8,943,985
Less: Allowance for impairment loss	(2,440,081)	(8,943,985)
	-	-
<u>Accumulated impairment loss:</u>		
At 1 August	8,943,985	9,865,434
Less: Written off	(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. These debtors are mostly long term customers with no history of default in payments.

The Group's trade receivables that are past due at the reporting date but not impaired are unsecured. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored.

As at financial year ended 2016, 11.72% (2015: 58.46%) of the net trade receivable was due for more than a year. They refer to trade receivables of projects that were in their third year of construction activities whilst others are pending the defect liability period to expire.

The Group has significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables by one major customer, Tamouh Investments LLC ("Tamouh"), a company incorporated in United Arab Emirates amounting to RM6,380,191 (2015: RM3,058,688) which accounts for 28.57% (2015: 20.09%) of the net trade receivables of the Group.

### 10. Other Receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	3,120,882	3,512,574	-	-
Less: Accumulated impairment loss	-	-	-	-
	3,120,882	3,512,574	-	-
Deposits	76,921	442,820	-	-
Prepayments	17,959	28,686	-	-
	3,215,762	3,984,080	-	-

## Notes To The Financial Statements (Cont'd)

### 10. Other Receivables (cont'd)

Movements on the accumulated impairment loss on other receivables are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 August	-	3,891,514	-	1,405,224
Add: Addition	-	-	-	45,000
Less: Written off	-	(3,891,514)	-	(1,450,224)
At 31 July	-	-	-	-

### 11. Amount Owning by/(to) Subsidiary Companies

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

### 12. Amount Owning by Associate Companies

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

### 13. Fixed Deposits Placed with Licensed Banks

	Group	
	2016 RM	2015 RM
Fixed deposits pledged to licensed banks as collateral to secure:		
- bank guarantee and banking facilities as disclosed in Note 18 to the financial statements	-	9,069
	-	9,069

### 14. Assets Held for Sale

	Group	
	2016 RM	2015 RM
At 1 August	66,498,052	-
Transfer from property, plant and equipment	-	66,498,052
Disposal	(16,057,188)	-
At 31 July	50,440,864	66,498,052

## Notes To The Financial Statements (Cont'd)

### 14. Assets Held for Sale (cont'd)

On 23 April 2014, Tamouh has signed 3 settlement agreements with ISZL and IJM-LFE for Zone C Towers, Zone E1-Mall and Zone E2 Hotel and Apartment on the following terms:

(a) Zone C Towers (SA1)

The settlement sum comprises:

	AED
i. Principal Sum	105,010,000
ii. Retention Sum	33,250,000
iii. Stakeholder Sum	10,000,000
	<u>148,260,000</u>

In respect of the Principal Sum, the amounts have been settled via the sale and purchase agreements for the Property A which has been executed on 29 January 2015 between Tamouh and ISZL Consortium for the transfer of 6 floors of office building with a total of 60 car parking spaces ("Property A"). The total purchase consideration for the transfer of the Property A from Tamouh to ISZL Consortium is AED110.43 million and the excess sum from the total purchase consideration of AED5.42 million has been set off against the Stakeholder Sum. Tamouh shall assist ISZL Consortium to identify purchasers for the Property A and notify ISZL Consortium of the purchaser and proposed sales price of Property A. The proceeds from the disposal of Property A shall be paid to ISZL Consortium and Tamouh shall not be entitled to a fee in respect of the sales.

ISZL Consortium may deal with and dispose the Property A following the signing of sales and purchase agreements. As at 29 November 2015, five (5) floors of the office building in Property A has been sold for cash consideration of AED 92.17 million. In addition, ISZL Consortium has received indications from several interested purchasers to purchase the last unit of office floor and is currently at the stage of negotiation.

(b) Zone E1 Mall (SA2)

The settlement sum comprises a vacant plot of land numbered RT4-C11b on Al Reem Island, Abu Dhabi ("Plot A") with a contractual price agreed at AED62,142,090 which is calculated at AED230 per square feet for an allocated plot of 270,183 square feet.

The settlement sum of AED62.14 million has been settled via the execution of the Musataha Contract between ISZL Consortium nominees and Tamouh, which refers to the granting of fifty (50) years of right of exclusive possession, development, use and enjoyment of the land by Tamouh to ISZL Consortium, over Plot A ("Musataha Contract for Plot A"). The Musataha Contract for Plot A has been executed on 2 July 2015. Tamouh shall assist ISZL Consortium to identify purchaser for the Plot A and notify ISZL of the purchaser and proposed sales price for Plot A. The proceeds of any sales shall be paid to ISZL Consortium and Tamouh shall not be entitled to a fee in respect of the sales.

(c) Zone E2 Hotel and Apartment (SA3)

The settlement sum comprises an initial sum of RM2,000,000 paid by Tamouh to IJM-LFE on 6 May 2014 and a vacant plot of land numbered RT4-C12 on Al Reem Island, Abu Dhabi ("Plot B") with a contractual price agreed at AED87,490,000 which is calculated at AED230 per square foot for an allocated plot of 380,391 square feet.

## Notes To The Financial Statements (Cont'd)

### 14. Assets Held for Sale (cont'd)

#### (c) Zone E2 Hotel and Apartment (SA3) (cont'd)

The balance of AED87.49 million has been settled via the execution of the Musataha Contract between IJM-LFE nominee and Tamouh, which refers to the granting of fifty (50) years of right of exclusive possession, development, use and enjoyment of the land by Tamouh to IJM-LFE, over Plot B ("Musataha Contract for Plot B"). The Musataha Contract for Plot B has been executed on 2 July 2015. Tamouh shall assist IJM-LFE to identify a purchaser for Plot B and notify IJM-LFE of the purchaser and proposed sales price for Plot B. The proceeds of any sale shall be paid to IJM-LFE and Tamouh shall not be entitled to a fee in respect of the sales.

Based on the above Settlement Agreements with Tamouh, the Group is expected to receive the following settlement sums from Tamouh:

Parties	LFE's interest on the projects	AED million	<sup>^</sup> RM million equivalent
SA1 ISZL Consortium	25%	37.07 <sup>(1)</sup>	40.62
SA2 ISZL Consortium	25%	15.54 <sup>(2)</sup>	17.03
SA3 IJM-LFE	30%	26.85 <sup>(3)</sup>	29.42
		<u>*79.46</u>	<u>*87.07</u>

#### Notes:

\* *Based on maximum entitlement scenario*

<sup>^</sup> *Based on the exchange rate of AED0.9126 equivalent to RM1.00 as at 31 July 2016*

<sup>(1)</sup> *Computed based on 25% of LFE's interest from the total settlement sum of SA1 amounting to AED148.26 million*

<sup>(2)</sup> *Computed based on 25% of LFE's interest from the total settlement sum of SA2 amounting to AED62.14 million*

<sup>(3)</sup> *Computed based on 30% of LFE's interest from the total settlement sum of SA3 amounting to AED89.49 million*

On 22 June 2015, ISZL Consortium has concluded the sale of one floor of the building in Property A. During the year, ISZL Consortium concluded the sale of four additional floors of the building in Property A, the proceeds of which has been utilised to settle trade and other payable in Abu Dhabi. Subsequently, ISZL Consortium has received indications from several interested purchasers to purchase the remaining floor of Property A and is currently at the stage of negotiation.

As for the two (2) plots of land, the management has received several enquiries from prospective buyers but has yet to result in a sales deal. The management is committed and is actively engaged to dispose these assets in the financial year 2017.

As at financial year ended 2016, the total assets held for sale in respect of SA1, SA2 and SA3 amounts to RM50,440,864.



## Notes To The Financial Statements (Cont'd)

### 15. Share Capital

	Ordinary share each at RM	Group/Company Number of ordinary shares Units	RM
<b>2016</b>			
<b>Authorised</b>			
At 1 August	1.00	100,000,000	100,000,000
Reduction of par value	(0.70)	233,333,333	-
At 31 July	0.30	<u>333,333,333</u>	<u>100,000,000</u>
<b>Issued and fully paid</b>			
At 1 August	1.00	84,900,002	84,900,002
Capital reduction in par value	(0.70)	-	(59,430,001)
Issuance of shares:			
- Private Placement	0.30	66,666,667	20,000,000
- Rights Issue	0.30	18,801,916	5,640,575
- Debt Settlement	0.30	11,197,117	3,359,135
At 31 July	0.30	<u>181,565,702</u>	<u>54,469,711</u>
<b>2015</b>			
<b>Authorised</b>			
At 1 August/31 July	1.00	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid</b>			
At 1 August/31 July	1.00	<u>84,900,002</u>	<u>84,900,002</u>

On 10 September 2015, the authorised share capital of the Company of RM100,000,000 consisting of 100,000,000 ordinary shares of RM1.00 each was converted to 333,333,333 ordinary shares of RM0.30 each.

On 5 October 2015, the issued and paid-up share capital of the Company was reduced from RM84,900,002 comprising of 84,900,002 ordinary shares of RM1.00 each to RM25,470,001 comprising of 84,900,002 ordinary shares of RM0.30 each by way of cancellation of RM0.70 of the par value of each of the existing ordinary share of the Company in issue pursuant to Section 64 of the Companies Act, 1965 in Malaysia and that the credit arising thereof from the capital reduction was used to offset against the accumulated losses of the Company. The par value of each existing ordinary share in the Company has been reduced from RM1.00 each to RM0.30 each.

On 23 November 2015, the issued and paid-up share capital of the Company was increased from RM25,470,001 to RM54,469,711 by way of issuance of 96,665,700 new ordinary shares of RM0.30 each pursuant to:

- 66,666,667 ordinary shares of RM0.30 each for cash for the Company's Private Placement;
- 18,801,916 ordinary shares of RM0.30 each for cash for the Company's Rights Issue; and
- 11,197,117 ordinary shares of RM0.30 each issued for the Company's Debt Settlement Agreement.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## Notes To The Financial Statements (Cont'd)

### 16. Reserves

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Share premium	-	5,218,125	-	5,218,125
Capital reserve	17,567,825	-	17,567,825	-
Foreign exchange translation reserves	3,116,127	2,510,165	-	-
Accumulated losses	(29,085,790)	(77,539,436)	(884,698)	(47,080,301)
	<u>(8,401,838)</u>	<u>(69,811,146)</u>	<u>16,683,127</u>	<u>(41,862,176)</u>

(a) Share premium

The share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

(b) Capital reserve

The capital reserve comprises the equity portion of the reduction in par value of share capital and share premium.

(c) Foreign exchange translation reserves

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.

### 17. Finance Lease Liability

	Group	
	2016 RM	2015 RM
(a) Future minimum finance lease liability payments		
Within one year	19,632	-
Between one and five years	65,415	-
	<u>85,047</u>	<u>-</u>
Less: Future finance charges	(8,384)	-
Present value of finance lease liability	<u>76,663</u>	<u>-</u>
(b) Present value of finance lease liability		
Repayable within one year	16,236	-
Repayable between one and five years	60,427	-
	<u>76,663</u>	<u>-</u>

The effective interest rates of the Group are between 2.40% and 3.00% (2015: Nil) 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)

### 18. Bank Borrowings

	Group	
	2016 RM	2015 RM
<b>Secured</b>		
Bank overdrafts	-	1,217,692
Revolving credits	-	2,230,183
Term loans	945,307	-
	<u>945,307</u>	<u>3,447,875</u>
<b>Unsecured</b>		
Bank overdrafts	-	694,613
Term loans	1,019,947	11,408,234
	<u>1,019,947</u>	<u>12,102,847</u>
Total bank borrowings	<u>1,965,254</u>	<u>15,550,722</u>

Analysed as follows:

Current liabilities		
Bank overdrafts	-	1,912,305
Revolving credits	-	583,076
Term loans	1,965,254	8,410,698
	<u>1,965,254</u>	<u>10,906,079</u>

	Group	
	2016 RM	2015 RM
Non-current liabilities		
Revolving credits	-	1,647,107
Term loans	-	2,997,536
	<u>-</u>	<u>4,644,643</u>
Total bank borrowings	<u>1,965,254</u>	<u>15,550,722</u>

Maturity of borrowings is as follows:

Within one year	1,965,254	10,906,079
Later than one year but not later than five years	-	4,644,643
	<u>1,965,254</u>	<u>15,550,722</u>

The weighted average effective interest rate is as follows:

	Group	
	2016 %	2015 %
Bank overdrafts	7.60%	7.60%
Term loans	7.60%	7.60%
Revolving credits	<u>7.60%</u>	<u>7.60%</u>

Secured borrowings are secured by the investment property of the Company as disclosed in Note 4 to the financial statements.

## Notes To The Financial Statements (Cont'd)

### 18. Bank Borrowings (cont'd)

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.

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 for RM1,965,254 (2015: RM15,550,722). A supplemental DRA was signed on 17 June 2014 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 30 November 2015, an unsecured term loan of the Group with an amount of RM9,975,816, which included the principal sum of RM7,653,432 and interest outstanding together with compensation to bondholders in lieu of warrant of RM2,322,384 owing to a specific purpose vehicle, Kerisma Berhad was fully settled with the proceeds of the Company's private placement of its ordinary shares.

### 19. Deferred Tax Liability

	Group	
	2016 RM	2015 RM
At 1 August	14,800	14,800
Recognised in profit or loss	<u>(14,800)</u>	<u>-</u>
At 31 July	<u>-</u>	<u>14,800</u>

Represented after appropriate offsetting as follows:

	Group	
	2016 RM	2015 RM
Deferred tax liability	<u>-</u>	<u>14,800</u>

This is represented by the components and movements of deferred tax liability and asset of the Group prior to its offsetting during the financial year as follows:

Deferred tax liability of the Group:

	Accelerated capital allowances	
	2016 RM	2015 RM
At 1 August	14,800	14,800
Recognised in profit or loss	<u>(14,800)</u>	<u>-</u>
At 31 July	<u>-</u>	<u>14,800</u>

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

	2016 RM	2015 RM
Unused tax losses	<u>40,572,783</u>	<u>40,976,716</u>

## Notes To The Financial Statements (Cont'd)

### 20. Trade Payables

	Group	
	2016	2015
	RM	RM
Trade payables	18,047,258	23,060,603
Retention sums payables	2,437,640	3,407,095
	<u>20,484,898</u>	<u>26,467,698</u>

The normal trade credit term granted to the Group is 60 days (2015: 60 days).

### 21. Other Payables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other payables	20,671,097	38,978,669	236,530	305,096
Amount owing to a Director	4,937,868	4,961,055	-	-
Accruals	3,088,021	2,905,130	67,055	419,006
	<u>28,696,986</u>	<u>46,844,854</u>	<u>303,585</u>	<u>724,102</u>

Included in other payables of the Group is advances received from customers of Nil (2015: RM2,482,493).

### 22. Revenue

This represent income from construction contracts recognised on percentage of completion method.

### 23. Finance Costs

	Group	
	2016	2015
	RM	RM
Interest expense on:		
Term loans	1,005,361	984,751
Bank overdrafts	-	136,118
Revolving credits	-	62,505
Finance lease liabilities	2,750	6,006
Jointly controlled entities	1,565,945	889,409
	<u>2,574,056</u>	<u>2,078,789</u>

## Notes To The Financial Statements (Cont'd)

### 24. Profit/(Loss) before Taxation

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration:				
- current year	105,143	125,271	33,000	45,000
- under provision in prior year	3,000	-	3,000	-
Depreciation of property, plant and equipment	71,927	74,318	-	-
Directors' remuneration				
- fees	74,500	86,000	71,000	86,000
- other	1,171,790	667,088	-	-
Realised loss on foreign exchange	-	115,224	-	-
Unrealised loss on foreign exchange	249	-	-	-
Rental of premises	105,376	146,236	-	-
Rental of plant and machinery recognised in contract cost	-	2,025	-	-
Rental of equipment				
- recognised in profit or loss	10,650	10,085	-	-
- recognised in contract costs	-	2,580	-	-
Fair value adjustment on:				
- trade receivables	(20,644)	(62,326)	-	-
- trade payables	(61,593)	19,632	-	-
Property, plant and equipment written off	552	-	-	-
Gain on disposal of property, plant and equipment	(32,192)	(1,033)	-	-
Gain on disposal of investment properties	-	(44,517)	-	-
Interest income	(10,869)	(6,602)	-	-

## Notes To The Financial Statements (Cont'd)

### 25. Taxation

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income tax:				
- Current year	109,000	-	-	-
- (Over)/Under provision in prior years	(9,907)	19,878	-	-
	99,093	19,878	-	-
Deferred tax (Note 19):				
- Current year	(14,800)	-	-	-
	84,293	19,878	-	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit/(loss) for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before taxation	1,457,638	898,518	(884,698)	(273,529)
Taxation at statutory tax rate of 24% (2015: 25%)	349,833	224,630	(212,328)	(68,382)
Expenses not deductible for tax purposes	258,135	196,684	212,328	2,604
Income not subject to tax	(412,249)	(10,694)	-	-
Deferred tax asset not recognised	-	86,606	-	65,778
Utilisation of deferred tax asset previously not recognised	(96,944)	(492,429)	-	-
Share of results of associate	(4,575)	(4,797)	-	-
(Over)/Under provision of income tax in prior years	(9,907)	19,878	-	-
	84,293	19,878	-	-

### 26. Earnings Per Share

#### (a) Basic

Basic earnings per share is calculated by dividing the consolidated 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	
	2016 RM	2015 RM
Net profit for the financial year attributable to Owners of the Company	1,373,345	878,640
Weighted average number of ordinary shares in issue	149,343,802	84,900,002
Basic earnings per share (sen)	0.92	1.03

## Notes To The Financial Statements (Cont'd)

### 26. Earnings Per Share (cont'd)

#### (b) Diluted

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

### 27. Purchase of Property, Plant and Equipment

	Group	
	2016 RM	2015 RM
Aggregate cost	114,574	38,088
Hire purchase finance	(87,000)	-
Cash payments	<u>27,574</u>	<u>38,088</u>

### 28. Key Management Personnel

The key management personnel compensation is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term employee benefits:				
- Fees	71,000	86,000	71,000	86,000
- Salaries and other emoluments	1,177,625	958,000	56,500	18,500
	<u>1,248,625</u>	<u>1,044,000</u>	<u>127,500</u>	<u>104,500</u>
Post-employment benefits:				
- Defined contribution plan	80,800	108,000	-	-
	<u>1,329,425</u>	<u>1,152,000</u>	<u>127,500</u>	<u>104,500</u>

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.

### 29. Staff Costs

	Group	
	2016 RM	2015 RM
Staff costs (excluding Directors)	2,012,840	2,015,071
Less: Staff costs recognised in contract costs	(706,131)	(927,302)
	<u>1,306,709</u>	<u>1,087,769</u>

Included in the staff costs above are contributions made to Employees Provident Fund under a defined contribution plan for the Group amounting to RM162,328 (2015: RM118,323).



## Notes To The Financial Statements (Cont'd)

### 30. Significant Related Parties Transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Construction services rendered to a related company via a shareholder of the Company				
- Shapadu Properties Sdn. Bhd.	(4,634,369)	-	-	-
Upgrading and refurbishment services rendered to a related company via a shareholder of the Company				
- Lim Thiam Leong Realty Sdn. Bhd.	(4,961,950)	-	-	-
Design and preliminary works rendered to a related company via a shareholder of the Company				
- Shapadu Boulevard Sdn. Bhd.	(2,082,520)	-	-	-
Human resources and accounting service fee income from an associate company				
- LFE Engineering Qatar W.L.L	(98,994)	(90,965)	-	-
Supply of manpower by a shareholder of the Company				
- Daisy Bliss Sdn. Bhd.	585,840	-	-	-
Share of interest expense in a jointly controlled operation				
- ISZL	1,565,945	889,287	-	-
Interest expense from a jointly controlled operation				
- ISZL	-	90,794	-	-

## Notes To The Financial Statements (Cont'd)

### 31. 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 procurement	:	Design and build, civil and structural, equipment, 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)

## 31. Segment Information (cont'd)

(a) Business segment (continued)

2016	Electrical and Mechanical Engineering RM	Technology Products RM	Investment RM	Eliminations RM	Total RM
<b>Revenue</b>					
Total revenue	26,006,535	-	-	-	26,006,535
<b>Results</b>					
Segment profit/(loss)	4,661,939	184,129	(892,335)	48,030	4,001,763
Interest income	10,869				10,869
Share of results of associate companies					19,062
Profit from operations					4,031,694
Finance costs					(2,574,056)
Profit before tax					1,457,638
Income tax expense					(84,293)
Profit after tax					1,373,345
<b>Assets/Liabilities</b>					
Segment assets	108,664,859	-	49,404,111	(58,836,610)	99,232,360
Segment liabilities	94,040,050	15,841,871	2,353,102	(59,070,536)	53,164,487

## Notes To The Financial Statements (Cont'd)

## 31. Segment Information (cont'd)

(a) Business segment (continued)

2015	Electrical and Mechanical Engineering RM	Technology Products RM	Investment RM	Eliminations RM	Total RM
<b>Revenue</b>					
Total revenue	28,023,603	-	-	-	28,023,603
<b>Results</b>					
Segment profit/(loss)	3,242,654	(2,028)	(281,784)	(7,324)	2,951,518
Interest income	6,602				6,602
Share of results of associate companies					19,187
Profit from operations					2,977,307
Finance costs					(2,078,789)
Profit before tax					898,518
Income tax expense					(19,878)
Profit after tax					878,640
<b>Assets/Liabilities</b>					
Segment assets	114,845,560	13,799	48,064,870	(55,477,038)	107,447,191
Segment liabilities	102,613,100	16,027,967	3,545,149	(29,827,881)	92,358,335

## Notes To The Financial Statements (Cont'd)

### 31. Segment Information (continued)

#### (a) Business segment (continued)

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

	Group	
	2016 RM	2015 RM
Depreciation of property, plant and equipment	71,927	74,318
Gain on disposal of investment properties	-	(44,517)
Property, plant and equipment written off	552	-
Gain on disposal of property, plant and equipment	(32,192)	(1,033)
Unrealised loss on foreign exchange	249	-

#### (b) Geographical segments

	Malaysia RM	United Arab Emirates RM	Socialist Republic of Vietnam RM	Elimination RM	Total RM
<b>2016</b>					
Revenue	26,006,535	-	-	-	26,006,535
Assets	94,079,008	56,821,055	7,168,907	(58,836,610)	99,232,360
Capital expenditure	114,574	-	-	-	114,574
<b>2015</b>					
Revenue	28,023,603	-	-	-	28,023,603
Assets	84,011,596	72,027,906	6,884,726	(55,477,037)	107,447,191
Capital expenditure	38,088	-	-	-	38,088

#### (c) Major customers

The revenue from three major customers amounting to RM19,384,087 (2015: RM23,992,755) represents 75% (2015: 86%) of the Group's total revenue.

## Notes To The Financial Statements (Cont'd)

### 32. Financial Instruments

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

	2016		2015	
	Loans and receivables/ other financial liabilities RM	Total RM	Loans and receivables/ other financial liabilities RM	Total RM
<b>Group</b>				
<b>Financial assets</b>				
Trade receivables	22,328,343	22,328,343	15,215,024	15,215,024
Other receivables	3,120,882	3,120,882	3,512,574	3,512,574
Amount owing by associate company	6,429,797	6,429,797	7,001,326	7,001,326
Fixed deposit with license bank	-	-	9,069	9,069
Cash and bank balances	290,629	290,629	3,426,731	3,426,731
	<u>32,169,651</u>	<u>32,169,651</u>	<u>29,164,724</u>	<u>29,164,724</u>
<b>Financial liabilities</b>				
Trade payables	20,484,898	20,484,898	26,467,698	26,467,698
Other payables	25,608,965	25,608,965	43,939,724	43,939,724
Finance lease liabilities	76,663	76,663	-	-
Bank borrowings	1,965,254	1,965,254	15,550,722	15,550,722
	<u>48,135,780</u>	<u>48,135,780</u>	<u>85,958,144</u>	<u>85,958,144</u>
<b>Company</b>				
<b>Financial assets</b>				
Amount owing by subsidiary companies	45,078,330	45,078,330	18,160,443	18,160,443
Amount owing by associate companies	769,813	769,813	769,813	769,813
Cash and bank balances	6,694	6,694	1,401	1,401
	<u>45,854,837</u>	<u>45,854,837</u>	<u>18,931,657</u>	<u>18,931,657</u>
<b>Financial liabilities</b>				
Other payables	236,530	236,530	305,096	305,096
Amount owing to subsidiary companies	-	-	771,315	771,315
	<u>236,530</u>	<u>236,530</u>	<u>1,076,411</u>	<u>1,076,411</u>

## Notes To The Financial Statements (Cont'd)

### 32. Financial Instruments (cont'd)

#### (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

Group	Vietnamese Dong ("VND") RM	Qatari Riyal ("QAR") RM	United States Dollar ("USD") RM	Total RM
<b>2016</b>				
Amount owing by subsidiary companies	1,131,730	-	15,841,871	16,973,601
Amount owing by associate companies	-	5,659,984	-	5,659,984
<b>2015</b>				
Amount owing by subsidiary companies	948,003	-	15,839,141	16,787,144
Amount owing by associate companies	-	5,372,640	-	5,372,640

#### Currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit/(loss) 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.

## Notes To The Financial Statements (Cont'd)

### 32. Financial Instruments (cont'd)

#### (b) Foreign currency exchange risk (cont'd)

##### Currency risk sensitivity analysis (cont'd)

	Group	
	2016	2015
	RM	RM
Profit/(Loss) net of tax		
AED/RM - strengthened 5%	1,934,760	2,138,488
- weakened 5%	(1,934,760)	(2,138,488)
QAR/RM - strengthened 5%	215,079	201,474
- weakened 5%	(215,079)	(201,474)
VND/RM - strengthened 5%	43,006	35,550
- weakened 5%	(43,006)	(35,550)
USD/RM - strengthened 5%	601,991	593,968
- weakened 5%	(601,991)	(593,968)

#### (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 equity and profit/(loss) net of tax by the amounts shown below, assuming all other variables remain constant.

Group	2016 Profit net of tax 100bp Increase	2015 Profit net of tax 100bp Increase
Fixed rate instrument:		
Bank overdrafts	-	13,611
Revolving credit	-	12,353
Term loan	14,936	22,482

#### (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 9 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.



## Notes To The Financial Statements (Cont'd)

### 32. Financial Instruments (cont'd)

#### (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.

Group	Carrying amount	Contractual interest rate	Contractual cash flow	Below 1 year	Between 2 and 5 years
2016	RM	%	RM	RM	RM
Trade payables	20,484,898	-	20,484,898	20,484,898	-
Other payables	25,608,965	-	25,608,965	25,608,965	-
Finance lease liabilities	76,663	2.40% - 3.00%	85,057	19,632	65,425
Bank borrowings:					
Term loans	1,965,254	7.60	2,001,194	2,001,194	-
	<u>48,135,780</u>		<u>48,180,114</u>	<u>48,114,689</u>	<u>65,425</u>
2015					
Trade payables	26,467,698	-	26,467,698	26,467,698	-
Other payables	43,939,724	-	43,939,724	43,939,724	-
Bank borrowings:					
Bank overdraft	1,912,305	7.60	1,912,305	1,912,305	-
Revolving credit	2,230,183	7.60	2,454,498	653,439	1,801,059
Term loans	11,408,234	7.60	13,730,618	10,824,465	2,906,153
	<u>85,958,144</u>		<u>88,504,843</u>	<u>83,797,631</u>	<u>4,707,212</u>

#### (f) Fair values

The aggregate fair values of the other financial liabilities as at 31 July 2016 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)

### 32. Financial Instruments (cont'd)

(f) Fair values (cont'd)

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.

### 33. Significant and Subsequent Events

(a) Regularisation plan

On 1 October 2012, the Company triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(a) and 2.1(e) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as of that date is considered a PN17 company. The PN17 criteria was triggered as a consequence of the Company's unaudited quarterly announcement for the full financial year ended 31 July 2012 that was announced on 28 September 2012 wherein the shareholders' equity of the Company on a consolidated basis was less than 25% of the Company's issued and paid-up capital of the LFE Group as a result of LFE having made a full impairment for an amount owing by a former director of RM26.5 million.

On 28 February 2013, the Company entered into a Debt Restructuring Agreement ("DRA") with the Scheme Creditors of LFE and the Obligors. The DRA was to formalise the terms and conditions of the restructuring and settlement of the debts owing by the Obligors to the Scheme Creditors.

On 30 September 2013, Malaysian Industrial Development Finance Amanah Investment Bank Berhad ("MIDF Investment") on behalf of the Company announced that the Company proposed to undertake the following proposals ("Requisite Announcement"):

- (i) Capital Reduction;
- (ii) Share Premium Reduction;
- (iii) Rights Issue;
- (iv) Private Placement;
- (v) Debt Settlement; and
- (vi) Amendments to the M&A.

On 17 June 2014, the Company entered into a Supplemental DRA with the Scheme Creditors and the Obligors. The Supplemental DRA was to add, modify, amend and/or vary the terms and conditions of the DRA signed on 28 February 2013.

On 25 July 2014, the Proposed Regularisation Plan ("PRP") was submitted to Bursa Securities.

## Notes To The Financial Statements (Cont'd)

### 33. Significant and Subsequent Events (cont'd)

#### (a) Regularisation plan (cont'd)

Bursa Securities had vide its letter dated 7 May 2015 granted its approval for the regularisation plan as well as the following for admission to the Official List and the listing on the Main Market of Bursa Securities:

- (i) up to 42,450,001 new LFE Shares to be issued pursuant to the Rights Issue;
- (ii) 66,666,667 new LFE Shares to be issued pursuant to the Private Placement; and
- (iii) 11,197,117 new LFE Shares to be issued pursuant to the Debt Settlement.

The Company had twelve (12) months from 7 May 2015 to complete the implementation of its regularisation plan. However, Bursa Securities shall only consider uplifting the PN17 classification after the Group has complied with the requirements under Paragraph 8.04 and PN17 of Listing Requirements.

On 10 September 2015, MIDF Investment on behalf of the Company announced that the shareholders had approved all the special and ordinary resolutions as set out in the notice of EGM dated 19 August 2015 in relation to the Proposed Regularisation Plan (“PRP”).

On 29 September 2015, the High Court granted the Company approval on its application on the Par Value Reduction and Share Premium Reduction pursuant to Section 60(2) and 64(1) of the Companies Act, 1965 in Malaysia.

On 23 November 2015, the allotment of shares for Rights Issue, Private Placement and Debt Settlement were completed. Subsequently, these shares were listed on the Main Market of Bursa Securities on 26 November 2015.

Upon the completion of the regularisation plan, the Company is currently in the process to uplift its PN17 status, which is still ongoing.

#### (b) Assets held for sale

During the year, ISZL Consortium concluded the sale of four additional floors of the building in Property A, the proceeds of which has been utilised to settle trade and other payable in Abu Dhabi. Subsequently, ISZL Consortium has received indications from several interested purchasers to purchase the remaining floor of Property A and is currently at the stage of negotiation.

As for the two (2) plots of land, the management has received several enquiries from prospective buyers but has yet to result in a sales deal. The management is committed and is actively engaged to dispose these assets in the financial year 2017.

As at financial year ended 2016, the total assets held for sale in respect of SA1, SA2 and SA3 amounts to RM50,440,864.

### 34. 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.

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## Notes To The Financial Statements (Cont'd)

### 34. Capital Management (cont'd)

	Group	
	2016	2015
	RM	RM
Bank borrowings	1,965,254	15,550,722
Finance lease liabilities	76,663	-
Cash and bank balance	(290,629)	(3,435,800)
Net borrowings	<u>1,751,288</u>	<u>12,114,922</u>
Equity attributable to owners of the Company	<u>46,067,873</u>	<u>15,088,856</u>
Gearing ratio	<u>0.04</u>	<u>0.80</u>

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

### 35. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 July 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 25 October 2016.

## Realised and Unrealised Profits/Losses (Supplementary Information)

The breakdown of the accumulated losses of the Group and of the Company as of 31 July 2016 into realised and unrealised profit, pursuant to paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement are as follows:

	Group	Company
	RM	RM
<b>2016</b>		
Total accumulated losses of the Company and its subsidiary companies:		
Realised losses	(29,119,217)	(884,698)
Unrealised gains	81,988	-
	(29,037,229)	(884,698)
Total accumulated losses of the associate companies:		
Realised losses	(48,561)	-
	(29,085,790)	(884,698)
<b>2015</b>		
Total accumulated losses of the Company and its subsidiary companies:		
Realised losses	(77,476,281)	(47,080,301)
Unrealised losses	(14,800)	-
	(77,491,081)	(47,080,301)
Total accumulated losses of the associate companies:		
Realised losses	(48,355)	-
	(77,539,436)	(47,080,301)

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 25 October 2016

<b>Title / Location</b>	<b>Description / existing use</b>	<b>Tenure</b>	<b>Total land area</b>	<b>Built-up area</b>	<b>Age of building/land (years)</b>	<b>NBV as at 31.07.2016 RM</b>	<b>Date of evaluation/* Date of Acquisition</b>
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	3 65 . 8 4 sq. m	1 , 5 6 6 sq. ft.	14	265,471	17.06.2002

## Analysis of Shareholdings

as at 25 October 2016

Authorised Share Capital	:	RM100,000,000
Issued and fully paid-up Share Capital	:	RM54,469,710.60
Class of Shares	:	Ordinary Shares of RM0.30 each
Voting Rights	:	One (1) vote per ordinary share
Number of Shareholders	:	928

### ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No of Shareholders	%	Shareholdings	%
Less than 100	10	1.01	350	0.00
100 – 1,000	307	30.85	169,100	0.09
1,001 - 10,000	274	27.54	1,550,500	0.85
10,001 – 100,000	290	29.15	11,556,642	6.36
100,001 to less than 5% of issued share capital	111	11.16	90,324,598	49.75
5% and above of issued share capital	3	0.30	77,964,512	42.94
<b>Total</b>	<b>995</b>	<b>100.00</b>	<b>181,565,702</b>	<b>100.00</b>

### Substantial Shareholders

As per the Register of Substantial Shareholders

Name	Shareholdings			
	Direct	%	Indirect	%
Liew Teow Woon	11,334,887	6.24	8,529,958(a)	4.70
Shapadu Capital Sdn Bhd	58,677,250	32.32	-	-
Shapadu Corporation Sdn Bhd	-	-	58,677,250(b)	32.32
Late Dato' Shahrani Bin Abdullah	-	-	58,677,250(c)	32.32
Dato' Sri Haji Shafiz Dato' Haji Shahrani	-	-	58,677,250(d)	32.32
Shazakami Corporation Sdn Bhd	-	-	58,677,250(e)	32.32
Daisy Bliss Sdn Bhd	11,666,667	6.43	-	-
Mohd Zulkiflee Bin Shafie	-	-	11,666,667(f)	6.43
Sharizan Binti Shafie	-	-	11,666,667(g)	6.43

Notes:-

- (a) Deemed interested pursuant to Section 6A of the Companies Act, 1965 ("the Act").
- (b) Deemed interested by virtue of its shareholding in the wholly-owned subsidiary of Shapadu Capital Sdn Bhd pursuant to Section 6A of the Act.
- (c) Deemed interested by virtue of his shareholding in Shapadu Corporation Sdn Bhd and Shazakami Corporation Sdn Bhd pursuant to Section 6A of the Act.
- (d) Deemed interested by virtue of his shareholding in Shapadu Corporation Sdn Bhd and Shazakami Corporation Sdn Bhd pursuant to Section 6A of the Act.
- (e) Deemed interested by virtue of its shareholding in Shapadu Corporation Sdn Bhd pursuant to Section 6A of the Act.
- (f) Deemed interested by virtue of his shareholding in Daisy Bliss Sdn Bhd pursuant to Section 6A of the Act.
- (g) Deemed interested by virtue of her shareholding in Daisy Bliss Sdn Bhd pursuant to Section 6A of the Act.

## Analysis of Shareholdings (cont'd)

as at 25 October 2016

### Directors' Interests in Shares

As per the Register of Directors' Shareholdings

Name	Shareholdings			
	Direct	%	Indirect	%
Liew Kiam Woon	7,656,288	4.22	8,529,958(a)	4.70
Kok Tong Yong	32,500	0.02	-	-
Juliana Quah Kooi Hong	-	-	-	-
David Low Teck Wee	-	-	-	-
Loo Thin Tuck	-	-	-	-
Tunku Azlan Bin Tunku Aziz	-	-	-	-
Dato' Sri Haji Shafiz Dato' Haji Shahrani	-	-	58,677,250(b)	32.32
Dato' Rosthman Bin Ibrahim	-	-	-	-

Notes:-

(a) Deemed interested pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of his shareholding in Shapadu Corporation Sdn Bhd and Shazakami Corporation Sdn Bhd pursuant to Section 6A of the Act



## Analysis of Shareholdings (cont'd)

as at 25 October 2016

### THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Shapadu Capital Sdn Bhd	55,000,000	30.29
2.	Daisy Bliss Sdn Bhd	11,666,667	6.43
3.	Liew Teow Woon	11,297,845	6.22
4.	Liew Chee Woon	8,705,067	4.79
5.	HLB Nominees (Tempatan) Sdn Bhd – Hong Leong Bank Berhad	8,543,753	4.71
6.	Liew Meow Nyeen Realty Sdn Berhad	8,529,958	4.70
7.	Liew Kiam Woon	7,656,288	4.22
8.	EB Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram (SS2)	4,000,000	2.20
9.	Shapadu Capital Sdn Bhd	3,677,250	2.03
10.	Lee Boon Kian	3,470,200	1.91
11.	Mohd Zulkiflee Bin Shafie	2,721,500	1.50
12.	On Hai Swee	2,484,468	1.37
13.	Thong Kok Keong	2,442,800	1.35
14.	Lim Tiong Lay	2,000,000	1.10
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Tan Keng Aik (6000665)	1,950,000	1.07
16.	Maybank Nominees (Tempatan) Sdn Bhd – Remedial Management For Malayan Banking Berhad (260488)	1,655,397	0.91
17.	Wang Hayley	1,520,000	0.84
18.	Maybank Nominees (Tempatan) Sdn Bhd – Ooi Beng Hooi	1,130,500	0.62
19.	Kekal Jaya Ventures Sdn Bhd	1,000,000	0.55
20.	OCBC Bank (Malaysia) Berhad as beneficial owner (LFE Engineering Sdn Bhd)	987,967	0.54
21.	HLIB Nominees (Tempatan) Sdn Bhd – Hong Leong Bank Bhd For Teh Shiou Cherng	819,700	0.45
22.	Navamani A/P V. Seevaratnam	770,000	0.42
23.	Mohd Safian Bin Mohd Salleh	738,500	0.41
24.	Low Ang Yeng	730,000	0.40
25.	Tasec Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Choy Sook Kuen	714,000	0.39
26.	Chang Lau Hoi @ Chang Sow Lan	710,549	0.39
27.	Shirely Wong	700,000	0.39
28.	Ung Ah Wah	675,100	0.37
29.	Lee Nyek	646,500	0.36
30.	Koh Chi Kway	600,000	0.33
		147,544,009	81.26

## Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting (“the Meeting”) of LFE Corporation Berhad (“the Company”) will be held at the Tingkat 4, Complex Campbell, 98 Jalan Dang Wangi, 50000 Kuala Lumpur on Thursday, 8 December 2016 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 2016 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 2016. Resolution 1
3. To re-elect the following Directors who retire pursuant to Article 84 of the Company’s Articles of Association:-
  - 3.1 Mr. Kok Tong Yong Resolution 2
  - 3.2 Ms. Juliana Quah Kooi Hong Resolution 3
  - 3.3 Tunku Azlan Bin Tunku Aziz Resolution 4
4. 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 resolutions:-

5. ORDINARY RESOLUTION  
AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 Resolution 6

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

### ANY OTHER BUSINESS:

6. 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, 1965. BY ORDER OF THE BOARD

Wong Youn Kim  
(MAICSA 7018778)  
Company Secretary

Kuala Lumpur  
16 November 2016

## 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. A proxy may but need not be a member of the Company and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.
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 2 December 2016 shall be entitled to attend the Fourteenth Annual General Meeting.

### *Explanatory Notes on Special Business:-*

- (a) Ordinary Resolution 6 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution No. 6 is a renewal of the previous year’s mandate. If passed, it will give the Directors of the Company the power to issue shares of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 December 2015.

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## Statement Accompanying The Notice Of Annual General Meeting

1. Fourteenth Annual General Meeting of the Company will be held at the Tingkat 4, Complex Campbell, 98 Jalan Dang Wangi, 50100 Kuala Lumpur on Thursday, 8 December 2016 at 10.00 a.m.
2. The Directors who are standing for re-election at the Fourteenth Annual General Meeting of the Company pursuant to Article 84 of the Articles of Association of the Company are:-
  - (i) Mr. Kok Tong Yong
  - (ii) Ms. Juliana Quah Kooi Hong
  - (iii) Tunzu Azlan Bin Tunku Aziz

The details of the above Directors seeking re-election are set out in the Profile of Directors as disclosed on pages 7, 8 and 9 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 2016 are disclosed in the Corporate Governance Statement set out on page 11 of this Annual Report

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CDS Account No.	
No of Shares Held	

**FORM OF PROXY**

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 FOURTEENTH ANNUAL GENERAL MEETING of the Company (“the Meeting”) to be held at the Tingkat 4, Complex Campbell, 98 Jalan Dang Wangi, 50100 Kuala Lumpur on Thursday, 8 December 2016 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		
2. Re-election of Mr. Kok Tong Yong		
3. Re-election of Ms. Juliana Quah Kooi Hong		
4. Re-election of Tunku Azlan Bin Tunku Aziz		
5. Re-appointment of Auditors		
6. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		

Dated this.....day of.....2016

.....  
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. A proxy may but need not be a member of the Company and Sections 149 (1) (b) of the Companies Act, 1965 shall not apply.
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 2 December 2016 shall be entitled to attend the Fourteenth Annual General Meeting.

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Affix  
Postage  
Stamp  
Here

The Company Secretary  
LFE CORPORATION BERHAD  
Level 2, Tower 1, Avenue 5  
59200 Kuala Lumpur  
Malaysia

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FOLD HERE

**LFE Corporation Berhad** (579343-A)

Suite 11.01, 11th Floor  
Campbell Complex  
98, Jalan Dang Wangi  
50100 Kuala Lumpur  
Tel : 603-2694 8899  
Fax : 603-2694 8833

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