



Since 1967

LFE Corporation Berhad
(579343-A)

charting new frontiers



annual report 2003

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The only thing that is constant is change. And in an increasingly borderless marketplace, change has become the rule of the day. It impacts the way we think, the way we conduct business and the way we need to plan ahead. In a nut shell, change is inevitable. In embracing change, **LFE Corporation Berhad is charting new frontiers**, by embarking on a new beginning following the company's successful listing on the Second Board of Bursa Malaysia on 27 October 2003. However, we are pursuing a cautious but expansionary trail in identifying new opportunities that will enhance the Group's niche as one of the leading electrical and mechanical engineering services provider and manufacturer of electrical busbar trunking systems.

Today, as a stronger Group with international presence, we intend to move on to the next level of growth. Given our fundamentals, we are confident that our efforts will be vindicated in the coming years as we strive to enhance shareholder value.

corporate profile



Founded in 1967 and listed on the second board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") in 2003, this marked a significant milestone in the corporate history of LFE Corporation Berhad ("LFECB") group.

The core of LFECB group ("Group") is LFE Engineering Sdn Bhd ("LFEE"). Over the years, LFEE has built a consistent record of quality, excellence and reliability in the design, supply, installation, testing, commissioning and maintenance of electrical and mechanical engineering services for all multitudes of projects ranging from residential dwellings, commercial buildings, special purpose premises such as hospitals, educational institutions, factories, industrial plants, power distribution installations, toll plazas, hotels, and recreational facilities. We also provide electrical and mechanical engineering services to infrastructure

projects such as road tunnels, expressway traffic management systems, toll collection systems, automatic cash transfer systems, and tunnel management systems.

Its manufacturing operations, spearheaded by Mayduct Technology Sdn Bhd ("Mayduct") produces electrical busway trunking systems which are highly efficient conductors of high loads of electricity.

Today, LFECB group has successfully grown and developed into a leading player in the electrical and mechanical engineering services industry with projects in Malaysia and abroad.

Corporate Developments

On 18 September 2003, LFECB signed an underwriting agreement with Malaysian International Merchant Bankers Berhad (as advisor, managing underwriter and placement agent) and Commerce International Merchant Bankers Berhad to underwrite the offer for sale of 5 million ordinary shares in conjunction with its listing and quotation on the Second Board of Bursa Malaysia at Westin Hotel, Kuala Lumpur.





The listing of LFECB on the Second Board of Bursa Malaysia involved the private placement of 8 million new ordinary shares of RM1.00 each to identified investors, and an offer for sale of 5 million ordinary shares of RM1.00 each comprising 2.5 million ordinary shares of RM1.00 each available for application by the Malaysian public; and 2.5 million ordinary shares of RM1.00 each available for application by eligible employees, directors, customers, suppliers and business associates of LFE Corporation Berhad and its subsidiaries at an issue/offer price of RM1.70 per ordinary share.

On 15 October 2003, a balloting ceremony was held at MIDF, where our offer for sale was determined to be over subscribed by 21 times. On the private placement portion, LFECB shares also received very encouraging support where all of the 8 million shares issued for the listing exercise were also fully taken up by various institutions.

On 27 October 2003, LFECB made an impressive market debut with its shares opening at RM 2.60 for a premium of RM 0.90 to the offer price of RM 1.70.

In a little over three decades, the progress of the Group to where it is today has always been supported by the relentless efforts of the promoters and management along with the dedication and hard work of their staff.

During the year, LFEE had also embarked on efforts to achieve the prestigious ISO 9001: 2000 certification. The compliance audit for the aforesaid certification was conducted by Lloyd's Register Quality Assurance on 18 and 19 December 2003. We successfully passed the audit with official accreditation being obtained on 23 December 2003.

LFEE's Quality Policy under the ISO accreditation involves commitment to comply and continually improve the effectiveness of our Quality Management System in its dealing with all parties and to provide its customers with superior quality products and services.

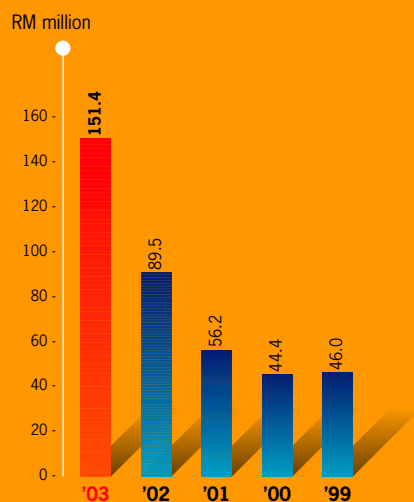
Strength



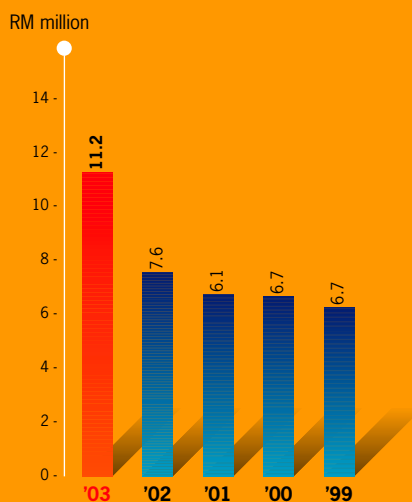
Our performance thus far, has enabled us to be **stronger than before.**

Following our successful public listing exercise, we are **stronger financially, stronger in the market place and stronger as a Group.**

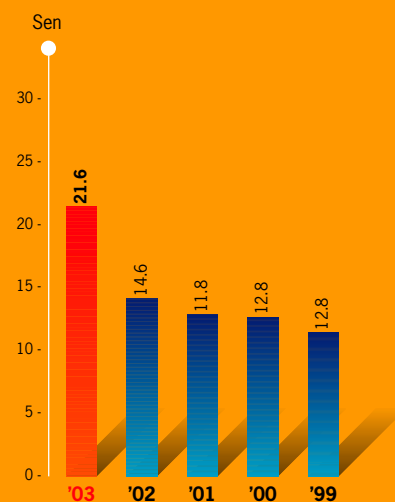
5 year financial highlights



Revenue



Profit Attributable to Shareholder



Net Earnings Per Share

Year Ended 31 December	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000
Revenue	151,455	89,472	56,271	44,382	46,053
Profit Before Interest, Depreciation and Taxation	16,539	14,587	9,719	9,172	7,230
Interest expense	(1,227)	(1,486)	(1,294)	(154)	(109)
Interest income	92	59	121	164	237
Depreciation & amortisation	(1,137)	(842)	(570)	(391)	(324)
Profit Before Taxation and Minority Interest Taxation	14,267	12,318	7,976	8,791	7,034
	(4,182)	(4,450)	(1,808)	(1,961)	(125)
Profit After Taxation but before Minority Interest	10,085	7,868	6,168	6,830	6,909
Minority Interest	(484)	(289)	(45)	(172)	(243)
Profit after Taxation and Minority Interest	9,601	7,579	6,123	6,658	6,666
Extraordinary Items	7,462	-	-	-	-
Pre-acquisition profit	(5,843)	-	-	-	-
Profit Attributable to Shareholder	11,220	7,579	6,123	6,658	6,666
Number of Ordinary Share of RM1.00 each in issue ('000)	52,000	52,000	52,000	52,000	52,000
Earning Per Share (sen)					
Gross	27.44	23.69	15.34	16.91	13.53
Net	21.58	14.58	11.78	12.80	12.82
Dividend Per Share (sen)	7	-	-	-	-

* computed based on the number of ordinary shares assume to be issue of 52,000,002 shares after the Initial Public Offering

The figures as stated above for financial year ended 31 December 1999 to 2002 are based on the proforma consolidated basis on the assumption that the current structure of the LFE CB has been in existence throughout that period. The proforma figures are presented for illustrative purposes only.

The figures for financial year 2003 as stated above are based on a complete year's basis, whereas the audited financial statements reflected the revenue and earnings from the effective acquisition date i.e., 3 September 2003 until 31 December 2003 (post-acquisition).

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of LFE Corporation Berhad (“the Company”) will be held at the Raya Room, Level 2, Hotel Equatorial Bangi, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Monday, 28 June 2004 at 9.00 a.m. to transact the following businesses :-

AS ORDINARY BUSINESS

1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve payment of a first and final dividend of seven (7) sen per share less 28 % income tax in respect of the financial year ended 31 December 2003. **Ordinary Resolution 2**
3. To approve payment of Directors’ fees totaling RM29,000 for the financial year ended 31 December 2003. **Ordinary Resolution 3**
4. To re-elect the following Director who retire by rotation pursuant to Article 84 of the Company’s Articles of Association and who, being eligible, has offered himself for re-election:-
 - 4.1 Lew Mew Choi **Ordinary Resolution 4**
5. To re-elect the following Directors who retire pursuant to Article 91 of the Company’s Articles of Association and who, being eligible, have offered themselves for re-election:-
 - 5.1 Dato’ Hamzah Bin Zainudin **Ordinary Resolution 5**
 - 5.2 Ramli Bin Abu Kasim **Ordinary Resolution 6**
 - 5.3 Liew Kiam Woon **Ordinary Resolution 7**
 - 5.4 Cheong Thiam Fook **Ordinary Resolution 8**
 - 5.5 Chin Soong Jin **Ordinary Resolution 9**
 - 5.6 Chung Tack Soon **Ordinary Resolution 10**
 - 5.7 Tong Hock Sen **Ordinary Resolution 11**
6. To re-appoint Messrs KPMG as Auditors of the Company, to hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Directors to fix their remuneration. **Ordinary Resolution 12**

AS SPECIAL BUSINESS:

7 To consider, and if thought, to pass the following Ordinary Resolution:-

Authority For Directors To Allot And Issue Shares

“That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to further allot and issue shares in the Company at any time, from time to time, at such price 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 to be allotted and issued pursuant to this resolution shall not exceed ten percent (10%) of the total issued share capital of the Company as at the date of allotment of such shares in any one financial year and that such authority shall remain in force until the conclusion of the next annual general meeting of the Company.”

Ordinary Resolution 13

NOTICE OF DIVIDEND ENTITLEMENT

Subject to the approval of the members at the Second Annual General Meeting of the Company, a first and final dividend of seven (7) sen per share less 28 % income tax in respect of the financial year ended 31 December 2003 will be paid on 27 August 2004 to shareholders whose names appear in the Record of Depositors on 30 July 2004.

A depositor shall qualify for entitlement only in respect of :-

- a. Shares deposited into the depositor's securities account before 4.00 p.m. on 30 July 2004 in respect of ordinary transfers;
- b. Shares bought on Bursa Malaysia on a cum entitlement basis according to the rules of Bursa Malaysia.

BY ORDER OF THE BOARD

Ng Wai Peng (MAICSA 7014112)
Secretary

Selangor Darul Ehsan, Malaysia
4 June 2004

NOTES

1. Appointment of Proxy

A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) 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.

The Form of Proxy must be deposited at the Company's Registered Office, Wisma LFE, Lot 993, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the meeting.

2. Statement Accompanying the Notice of Annual General Meeting

Additional information as required under Appendix 8A pursuant to Paragraph 8.28 of the Listing Requirements of Bursa Malaysia is set out in the Statement Accompanying the Notice Of Annual General Meeting.

3. Explanatory Notes on Special Business

Ordinary Resolution 13

The proposed Ordinary Resolution 13, if passed, will empower the Board of Directors to allot and issue shares up to ten percent (10%) of the total issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next annual general meeting of the Company

statement accompanying the notice of annual general meeting

1. THE DIRECTORS STANDING FOR RE-ELECTION ARE :-

- Pursuant To Article 84**
- Lew Mew Choi
- Pursuant To Article 91**
- Dato' Hamzah Bin Zainudin
 - Ramli Bin Abu Kasim
 - Liew Kiam Woon
 - Cheong Thiam Fook
 - Chin Soong Jin
 - Chung Tack Soon
 - Tong Hock Sen

2. THE DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Two (2) Board Meetings were held during the financial year ended 31 December 2003, the details of attendance are as follows :-

No.	Name of Director	Total No. of Meetings Attended	% of Attendance
1.	Dato' Hamzah Bin Zainudin	2	100
2.	Lew Mew Choi	2	100
3.	Liew Meow Nyeon	2	100
4.	Ramli Bin Abu Kasim	2	100
5.	Liew Kiam Woon	2	100
6.	Cheong Thiam Fook	2	100
7.	Chin Soong Jin	2	100
8.	Chung Tack Soon	1	50
9.	Tong Hock Sen	2	100

3. DATE, TIME AND PLACE OF THE BOARD MEETINGS

No.	Date	Time	Place
1.	15 October 2003	09.30 a.m.	Kuala Lumpur
2.	19 November 2003	11.15 a.m.	Selangor Darul Ehsan

4. DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

No.	Name of Director	No. of Shares held as at 28 April 2004	
		In The Company Direct & Indirect	In Subsidiary Companies Direct & Indirect
1.	Dato' Hamzah Bin Zainudin	-	-
2.	Lew Mew Choi	16,753,259	-
3.	Ramli Bin Abu Kasim	11,557,521	-
4.	Liew Kiam Woon	4,739,405	-
5.	Cheong Thiam Fook	-	3,000*
6.	Chin Soong Jin	-	-
7.	Chung Tack Soon	-	-
8.	Tong Hock Sen	-	-

* Shareholding in Mayduct Technology Sdn Bhd

Profile of the Directors standing for re-election are outlined in pages 12 to 15 of this Annual Report.

group structure



Since 1967

LFE Corporation Berhad

(579343-A)



* Incorporated in the British Virgin Islands

corporate information

BOARD OF DIRECTORS

Chairman and Independent Non-Executive Director Dato' Hamzah Bin Zainudin

Managing Director Lew Mew Choi

Executive Directors
Liew Kiam Woon
Cheong Thiam Fook
Chin Soong Jin

Non-Executive Directors
Liew Meow Nyeon
Ramli Bin Abu Kasim

Independent Non-Executive Directors
Chung Tack Soon
Tong Hock Sen

AUDIT COMMITTEE

Dato' Hamzah Bin Zainudin (Chairman)
Chung Tack Soon
Chin Soong Jin
Tong Hock Sen

SECRETARY

Ng Wai Peng (MAICSA 7014112)

PRINCIPAL OFFICE

Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-8995 8888
Fax : 603-8961 0042

Johor Bahru Office

No.43, Jalan Molek 2/30
Taman Molek
81100 Johor Bahru, Malaysia
Tel : 607-353 9817
Fax : 607-351 5887

China Office

Room 2806, Tower 1
Kerry Everbright City
218, Tian Mu West Road
Zhabei District, Shanghai 200070, China
Tel : +8621-6317 6786
Fax : +8621-6353 5792

REGISTERED OFFICE

Wisma LFE Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-8995 8888
Fax : 603-8961 0042

REGISTRARS

Signet Share Registration Service Sdn Bhd
Level 26, Menara Multi-Purpose Capital Square
No.8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603-2721 2222
Fax : 603-2721 2530/1

AUDITORS

KPMG
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
EON Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

LISTING

Second Board of
Bursa Malaysia



seated from left to right:

Liew Meow Nyeap
Dato' Hamzah Bin Zainudin
Lew Mew Choi

standing from left to right:

Ramli Bin Abu Kasim
Cheong Thiam Fook
Liew Kiam Woon
Chung Tack Soon
Chin Soong Jin
Tong Hock Sen

board of directors



profile of directors



DATO' HAMZAH BIN ZAINUDIN

Age 47 - Malaysian
Chairman and Independent Non-Executive Director
Chairman of Audit Committee

Dato' Hamzah Bin Zainudin ("Dato' Hamzah") was appointed as Chairman and Independent Non-Executive Director and as Chairman of the Audit Committee of the Company on 15 September 2003. He graduated from the University Teknologi Malaysia with a Diploma in Quantity Surveying in 1979 and has vast experience in property development having worked for Maju Bangun Sdn Bhd, a subsidiary company of The Perak State Development Corporation as a General Manager from 1980 to 1984. He ventured into private business in 1989 and today he sits on the board of several companies listed on Bursa Malaysia. He is also the Chairman of Hexagon Holdings Berhad and Evermaster Group Bhd, and sits on the Board of Tanah Emas Corporation Berhad and Asian Pac Holdings Berhad. Presently, he is a Senator in Malaysia's Dewan Negara (Senate), and Chairman of FELCRA Bhd, the Federal Land Consolidation and Rehabilitation Authority that oversees land management and development of agro land owned by the State and individuals.

Dato' Hamzah has attended all of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is not a substantial shareholder of the Company and he has no family relationship with any Director and/or substantial shareholder of the Company and he has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

LIEW MEOW NYEON

Age 68 - Malaysian
Non-Executive Director

Mr Liew Meow Nyeon ("Mr MN Liew") was appointed as a Non-Executive Director of the Company on 15 September 2003. He is also currently the Executive Chairman of LFE Engineering Sdn. Bhd. ("LFEE"). He started his career as an apprentice and later as a competent wireman with several electrical contracting firms from the 1950s to 1960s. During this period, he acquired valuable hands-on experience in electrical installations for infrastructure, residential and commercial developments and was certified as a competent 'Wireman Nil' in 1965. In 1967, he set up his own electrical contracting business called Loong Fuat Electrical Company ("Loong Fuat") as a sole proprietorship which was later sold to LFEE in 1975. He is currently not a director of any other public company.

Mr MN Liew has attended all of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is also a substantial shareholder of the Company. His son, Mr Liew Kiam Woon, is an Executive Director of the Company and his brother, Mr Lew Mew Choi, is the Managing Director and a substantial shareholder of the Company. Mr MN Liew has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.



LEW MEW CHOI

Age 60 - Malaysian
Managing Director

Mr Lew Mew Choi ("Mr MC Lew") was appointed as Managing Director of the Company on 15 September 2003. He is also currently the Managing Director of LFEE and Managing Director of Loong Fuat Electrical Engineering Limited. He joined Loong Fuat in 1967 to assist his brother, Mr MN Liew, in the day-to-day operations of Loong Fuat. He gained valuable hands-on experience in electrical installations for infrastructure, residential and commercial developments during his tenure with Loong Fuat. Upon his appointment as Managing Director of LFEE in 1975, he started to chart the direction and growth of LFEE's business, in particular, in its expansion in the 1990s to China where he is solely in charge of the development and growth of the business there. He is also responsible for starting the manufacturing division of the Group in the early 1990s, which is complementary to the electrical and mechanical engineering business. He is currently not a director of any other public company.

Mr MC Lew has attended all of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is also a substantial shareholder of the Company. His brother, Mr MN Liew, is a Non-Executive Director and a substantial shareholder of the Company. He has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.



LIEW KIAM WOON

Age 41 - Malaysian
Executive Director

Mr Liew Kiam Woon ("Mr Kenneth Liew") was appointed as an Executive Director of the Company on 15 September 2003. He is also currently an Executive Director of LFEE. He graduated from the University of Oregon, United States of America in 1987 with a Bachelor of Arts degree, majoring in Business Administration. He has also completed a basic electrical and mechanical engineering course conducted by the Association of Consulting Engineers Malaysia. He started his career as a Business Development Executive with MBF Factors Sdn Bhd in 1987 and was with the said company for a period of two years. He then joined LFEE in 1990 as a Project Coordinator and his role then was to oversee the Group's projects in Johor Bahru. He also sits on the board of Sunway Infrastructure Berhad, a public company listed on the Main Board of Bursa Malaysia.

Mr Kenneth Liew has attended all of the 2 Board Meetings held during the financial year since the listing of Company on 27 October 2003. He is also a substantial shareholder of the Company. His father, Mr MN Liew, is a Non-Executive Director and a substantial shareholder of the Company. He has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.



RAMLI BIN ABU KASIM

Age 55 - Malaysian
Non-Executive Director

Encik Ramli Bin Abu Kasim ("En Ramli") was appointed as a Non-Executive Director of the Company on 15 September 2003. He completed the Malaysia Certificate of Education (Senior Cambridge) in Yeo Chu Kang Secondary School, Singapore in 1966, and started his career with Jabatan Perumahan Negara as a civil engineering technician where he gained hands on experience in civil engineering works. He left Jabatan Perumahan Negara (then known as Housing Trust) in 1972 and joined William Jacks & Co. (M) Sdn Bhd, an engineering firm as a sales executive until he resigned in 1980. He is currently the Managing Director of associated company, Kejuruteraan Rayton Sdn Bhd ("Rayton"). He is currently not a director of any other public company.

En Ramli has attended all of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is also a substantial shareholder of the Company. He has no family relationship with any Director and/or substantial shareholder of the Company. Save for his interest as a substantial shareholder and director of Rayton which is carrying on a business that is similar to the Company's business, he has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.



CHEONG THIAM FOOK

Age 50 - Malaysian
Executive Director

Mr. Cheong Thiam Fook ("Mr Cheong") was appointed as an Executive Director of the Company on 15 September 2003. He is also currently the Managing Director of subsidiary, Mayduct Technology Sdn Bhd ("Mayduct"). He obtained a Bachelor of Science degree in Mechanical Engineering from Taiwan National University and Master of Engineering from the Asian Institute of Technology in 1979 and 1982 respectively. He became a Fellow of the Institution of Engineers, Malaysia in 1999, a Professional Engineer registered with the Board of Engineers, Malaysia in 1988 and is registered as an Asean Engineers in 1999. He started his career in 1982 as a mechanical engineer with Promet Construction Sdn Bhd in charge of the installation and commissioning of electrical and mechanical engineering services for Menara Promet. He gained valuable experience in electrical and mechanical engineering services and in 1996 became General Manager of Teamwork Corporation Sdn Bhd, an associated company of Taylor Woodrow of the United Kingdom responsible for the overall performance of the company and plant and electrical and mechanical engineering issues in the Asia Pacific region and reporting to the Asia Pacific region operations director. He has valuable hands-on experience in managing construction and engineering projects of all sizes and nature culminating in his employment with Teamwork Corporation Sdn Bhd. In May 2000, he joined Mayduct and with more than 20 years of experience in project implementation and construction management, he has successfully established Mayduct as one of the leading electrical busbar trunking system manufacturing companies in Malaysia within two years. He has introduced new techniques in production management control and implementation and has successfully completed a number of project deliveries in a relatively short period for both Malaysian and foreign clients. He is currently not a director of any other public company.

Mr Cheong has attended all of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is not a substantial shareholder of the Company but a substantial shareholder of Mayduct. He has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

CHIN SOONG JIN

Age 37 - Malaysian
Executive Director
Member of Audit Committee

Mr Chin Soong Jin ("Mr Kevin Chin") was appointed as an Executive Director and a member of the Audit Committee of the Company on 15 September 2003. He is also currently the Director of Corporate Affairs of LFEE and he plays an important role as the advisor to the Company in respect of its corporate and funding matters and business development. He graduated from Monash University, Melbourne with a double degree, Bachelor of Economics (Accountancy) and Bachelor of Laws in 1990. He started out his career as a lawyer when he articled at Messrs Chooi & Company and was admitted to practice as an advocate and solicitor of the High Court of Malaya in 1991. He then joined Messrs Khaw & Partners (then Messrs Khaw & Hussein) as a legal assistant where he gained valuable commercial and corporate law experience. He practised law there for two and a half years until he resigned in 1994. With the experience gained in corporate law matters, he joined RHB Sakura Merchant Bankers Berhad's corporate finance department as an officer in 1994 where he gained valuable investment banking and industry experience having been involved in and subsequently leading a number of advisory and corporate transactions for large companies both public listed and private. His last position at RHB Sakura



CHUNG TACK SOON

Age 42 - Malaysian
Independent Non-Executive Director
Member of Audit Committee

Merchant Bankers Berhad was Senior Manager prior to his resignation to join LFEE in 2000. He is currently not a director of any other public company.

Mr Kevin Chin has attended all of the two Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is not a substantial shareholder of the Company and he has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

Mr Chung Tack Soon ("Mr Chung") was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 15 September 2003. He obtained a Bachelor of Accounting degree from University Malaya in 1988 and he is a member of the Malaysian Institute of Accountants. He started his career in Arthur Andersen in 1988 and left to join Commerce International Merchant Bankers Berhad ("CIMB") in 1991. After 4 years in the corporate advisory department of CIMB, Mr Chung was seconded to its wholly owned stock broking subsidiary in 1994. Subsequently in 1995, he left the CIMB Group and joined K&N Kenanga Bhd ("Kenanga") as a Senior Vice President. In 1999, he left Kenanga to set up his own information technology business. At present, he is the chief executive officer and associate director of Trifolium Sdn Bhd and Devonshire Capital Sdn Bhd respectively. He is currently not a director of any other public company.

Mr Chung has attended 1 out of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is not a substantial shareholder of the Company and has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

TONG HOCK SEN

Age 36 - Malaysian
Independent Non-Executive Director
Member of Audit Committee

Mr Tong Hock Sen ("Mr John Tong") was appointed as an Independent Non-Executive Director of the Company on 15 September 2003 and as a member of Audit Committee of the Company on 7 May 2004. He graduated with an honours degree in law from the University of Warwick, England in 1991 and was admitted to the Malaysian Bar in 1993. Shortly after his admission to the Bar, he practised law from the chambers of Messrs. Kiru & Yong. In 1994, he joined the legal department of the Sunway Group of Companies ("Sunway Group"), a diversified Malaysian conglomerate. After a 7-year tenure, he left his position as Head of the Legal Department of the Sunway Group in 2001 and returned to legal practice in the chambers of Messrs Susie See, Norbaya & Cheah as a partner. In 2002, he joined Messrs Shui-Tai as a partner where he now heads the corporate and commercial department. He is currently not a director of any other public company.

Mr John Tong has attended all of the 2 Board Meetings held during the financial year since the listing of the Company on 27 October 2003. He is not a substantial shareholder and has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

Stability

Leveraging on a **stable foundation** dating back to 1967, we will continue to implement strategies that ensure our **competitive edge**, increase our level of efficiency and generate greater **customer satisfaction**.



chairman's statement

On behalf of the Board of Directors of LFE Corporation Berhad, I am pleased to present the maiden Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2003.

INITIAL PUBLIC OFFERING

On 27 October 2003, LFECB group completed its Initial Public Offering ("IPO") and was listed on the Second Board of Bursa Malaysia, raising RM13.6 million for the Group. This was a significant milestone for the Company and provided investors with the opportunity to "share" in LFECB group, its progress, successes and its future.

Subsequently, on 17 December 2003, LFECB's then 21.5% associated company Sunway Infrastructure Berhad ("SIB") was listed on the Main Board of Bursa Malaysia raising RM107.6 million for the SIB group. With SIB's IPO, LFECB's post-IPO equity interest of 14.3% now has a market value of approximately RM41.8 million (based on the last traded market price of RM1.62 on 13 May 2004)

OPERATING ENVIRONMENT AND BUSINESS REVIEW

The year 2003 started off in a particularly challenging manner with consumer and business sentiments severely affected by the Outbreak of the Severe Acute Respiratory Syndrome ("SARS") epidemic in the Asian Regions, the Iraq War and other localized clashes. Malaysia was not spared the adverse effects of these events. The government proactively responded to address the sluggish economy by introducing a broad based pro-growth stimulus package in May. These and the abatement of geopolitical adversity in the second half of 2003 provided the impetus for economic recovery in Malaysia.

The environment for our main core businesses which are related to the construction industry was indeed challenging with the Government starting to implement fiscal consolidation measures aimed at a balanced budget in the future and the Government also becoming increasingly cautious in awarding public infrastructure projects with the implementation of several big-ticket projects reviewed.





Though the construction sector grew by 2.5% (2002 : 2.3%), the overall level of new construction opportunities and thereby opportunities for the provision of electrical and mechanical engineering ("M&E") services were scarce and this is reflected in the low level of order book enhancement amongst some construction companies and in companies involved in electrical and mechanical engineering. The good performance of these companies can be attributed to works secured in prior years.

The operating environment facing LFECB group in Malaysia is no different save that we are geographically diversified with M&E operations in China which in 2003 had GDP growth of over 9% and our manufacturing subsidiary exporting in excess of 70% of its turnover to over 10 countries.

FINANCIAL REVIEW

I am pleased to report, in this maiden Annual Report as a listed Group, that the Group's revenues for the financial period from 3 September 2003 (being the date the Group was formed with the completion of the acquisitions of LFECB's subsidiaries) to 31 December 2003 was RM63.8 million. Profit before tax of the Group for that period was RM13.6 million whilst after tax profits attributable to shareholders for that period was RM11.2 million (after taking account of pre-acquisition profit of RM5.8 million and negative goodwill written off of RM12.5 million which arose from the acquisition of subsidiaries as part of the IPO). As a result, Group earnings per share for that period was 70.12 sen (based on the weighted average number of ordinary shares outstanding during the year of 16 million). The Group's shareholders' funds stood at RM68 million as at year end.

The profit after tax attributable to shareholders of RM11.2 million was 25% higher than the forecast figure of RM8.9 million as set out in LFECB prospectus dated 30 September 2003.

DIVIDEND

The Board of Directors has proposed a first and final dividend of 7.0 sen per share less 28% income tax in respect of the financial year ended 2003. The proposed dividend will be subject to shareholders' approval at the forthcoming Annual General Meeting.

FUTURE PROSPECTS

Looking forward, the impact of current global economic and political uncertainties and other extraneous factors such as SARS, threats of terrorist attacks and uncertainties in the global currency markets make it difficult to predict with certainty the next financial year's performance. Nevertheless we are hopeful that, with the recent enhanced public confidence in our Prime Minister and the government as well as the government's future economic thrust to produce an environment conducive for a more dynamic and vibrant private sector role in the economy will augur well for the local economy.





This is however tempered by challenges on the cost front. Rising prices of materials and supply shortages brought on by fuel price increase, the fluctuating Dollar and the rapid growth of China will continue to impact on costs.

Prospects for the M&E division locally is expected to be challenging. However, bolstered with its experience in having operated in China and overseas for the last 12 years, the Group is putting more emphasis on expanding our overseas M&E operations especially into Middle East countries such as Qatar and the United Arab Emirates (UAE), which are experiencing rapid growth.

Our manufacturing division is expected to improve its performance with increasing orders for its products overseas, in particular from East Asian countries of Hong Kong, Taiwan and China and from India and the Middle East. This division also places emphasis on continual research and development efforts to improve its existing range of products and more importantly, to introduce new products.

Our investment in infrastructure projects is expected to remain positive with SIB's toll road project - the 37 kilometre Kajang Traffic Dispersal Ring Road, expected to be completed for tolling to commence by third quarter 2004. With this experience in investing in concessionaire infrastructure projects, we are vigorous in our efforts to identify and participate in other infrastructure projects locally and internationally.

With this, we remain optimistic and expect to weather the difficult environment currently facing the local construction and its related M&E industries and produce a satisfactory earnings performance in 2004.

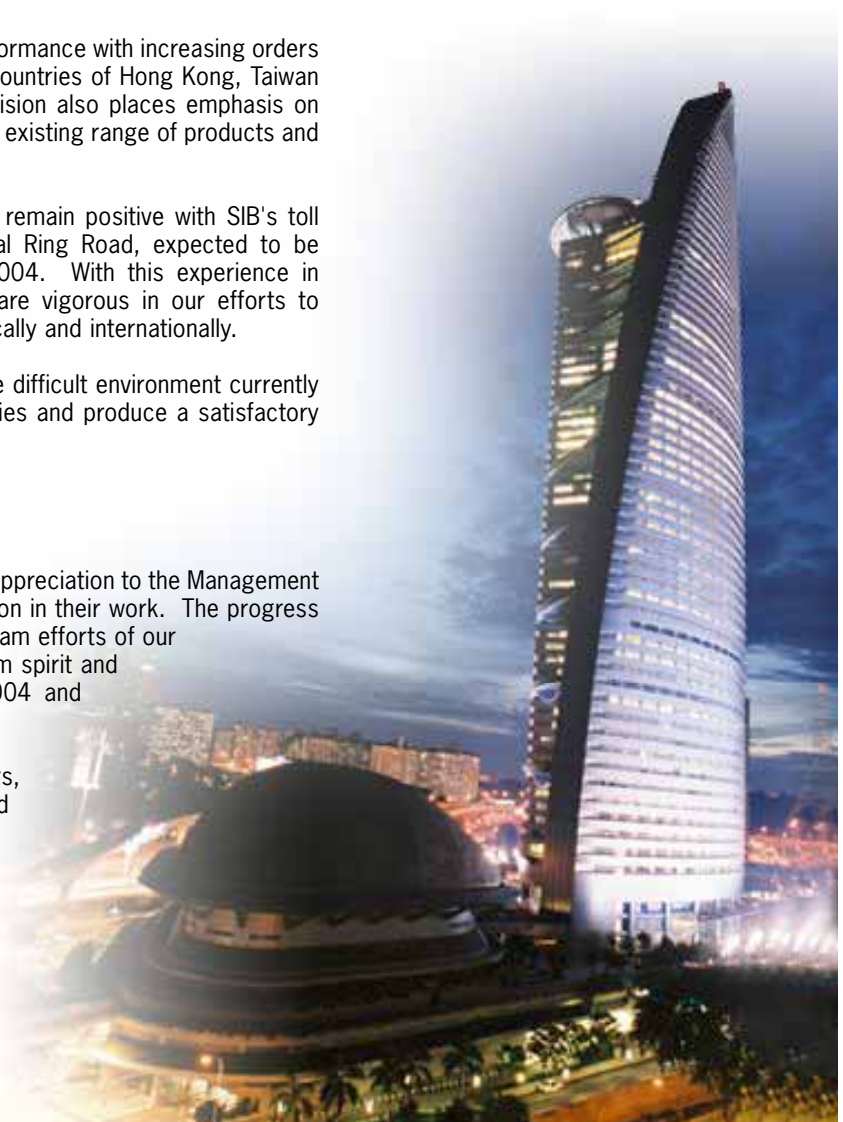
IN GRATITUDE

On behalf of the Board of Directors, I wish to express my appreciation to the Management and Staff of the Group for their commitment and dedication in their work. The progress and success of the Group today is the reflection of the team efforts of our employees and management. I look forward to their team spirit and efforts to bringing the Group to greater heights in 2004 and beyond.

I would also like to thank our customers, business partners, financiers, advisers, government authorities and our valued shareholders for their continued support and confidence.

Dato' Hamzah Bin Zainudin

Chairman



Resilient



As a **resilient** Group that sees **no boundaries** but **only opportunities**, we continually strive to overcome any obstacle in our pursuit of continued growth.

corporate governance statement

The Board of Directors ("the Board") of LFE CB recognises the importance of corporate governance requirements set out in Parts 1 and 2 respectively of the Malaysian Code on Corporate Governance ("the Code"). The Board subscribes to and supports the Code as a minimum basis for prescribed practices on corporate governance. The Board has always supported appropriate standards of corporate governance to be practised throughout the Group.

The Board acknowledges that corporate governance is an ongoing process that from time to time requires reassessment and refinement. Set out below is a statement of how LFE CB group has applied the principles of the Code and compliance with the Best Practices provisions during the financial year, unless otherwise stated.

The principal steps undertaken by the Board are dealt with under the following headings: The Board of Directors, Directors' Remuneration, Shareholders and Accountability and Audit.

1. THE BOARD OF DIRECTORS

1.1 Principal Responsibilities of the Board

The Group acknowledges the important role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board takes full responsibility for the overall corporate governance of the Group, including its strategic business direction and overall well being. Although it does not have a formal schedule of matters reserved to itself for decision, the Board is normally involved, amongst others, in matters concerning the overall Group's business strategy and direction, significant acquisitions and divestments, approval of capital expenditure, significant financial matters and the review of financial and operating performance of the Group. The Board is also cognisant of the need to have sufficient management expertise to implement the Group's current and future levels of activity and intends to implement a formal management succession plan. Currently, the Group has been hiring competent executives on a need basis through management's existing network of contacts.

1.2 Board Balance and Composition

The Board currently has 9 members comprising:-

One (1) Independent Non-Executive Chairman; Two (2) Independent Non-Executive Directors; Four (4) Executive Directors; and Two (2) Non-Independent Non-Executive Directors.

The Board is led by Dato' Hamzah Bin Zainudin as the Independent Non-Executive Chairman and Mr. Lew Mew Choi and Mr. Liew Kiam Woon as the Managing Director and Executive Director respectively. There is a separation of the Chairman's role and the Managing Director and Executive Director's roles to ensure a division of responsibilities and a balance of control, power and authority.

The Board consists of professionals with experience and qualification in various fields such as corporate finance, human resource, engineering, legal and business management as well as those with long extensive experience in the trades which the Group is involved in. The Board believes that this current composition has the required collective skills for the Board to provide clear and effective leadership for the Group. A brief description of the background of each Director is presented in pages 12 to 15 of this Annual Report.

The Managing Director and Executive Directors along with the management team ("the management") are responsible for making and implementing day-to-day operational decisions. Independent and Non-Executive Directors play a key supporting role, contributing their skills and expertise knowledge in all major matters and issues referred to the Board for consideration and approval. The role of these Independent Directors is particularly important in ensuring that the matters proposed by the management are fully discussed and examined, and take into account the long term interest of minority shareholders of the Company.

The responsibilities and contributions of Independent and Non-Executive Directors also provide an element of objectivity, independent judgement and balance on the Board.

The size and composition of the Board has been maintained in line with the needs of the Company and in compliance with Bursa Malaysia's Listing Requirements. One third of the Board is represented by Independent Non-Executive Directors who are not members of the management and who are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

1.3 Board Meetings

The Board is expected to meet at least five (5) times a year, with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. The Board had, at Board meetings held during the financial year ended 31 December 2003, deliberated on and determined issues relating to the initial public offer of the Company's shares to the public and on the financial results of the Company before release to Bursa Malaysia. Subsequent thereto, the Board had, and will continue to deliberate and consider a variety of matters both quantitative and qualitative on inter-alia, the Group's overall strategy and direction, acquisition and divestment policies, approval of significant capital expenditure, updates on existing and new projects and the financial performance of the Group. The agenda and Board papers for each Board meeting are circulated to all Directors in advance together with the Notice calling for the meeting. All proceedings and resolutions passed at the Board meetings are recorded by the Company Secretary and kept in the minutes book at the Company's registered office. Besides Board meetings, the Board exercises control on matters that require the Board's approval through circulation of directors' resolutions.

There were 2 Board meetings held during the financial year ended 31 December 2003 and the details of attendance are as follows :-

No.	Name of Director	Total No. of Meetings Attended	% of Attendance
1.	Dato' Hamzah Bin Zainudin	2	100
2.	Lew Mew Choi	2	100
3.	Liew Meow Nyeon	2	100
4.	Liew Kiam Woon	2	100
5.	Cheong Thiam Fook	2	100
6.	Chin Soong Jin	2	100
7.	Ramli Bin Abu Kasim	2	100
8.	Chung Tack Soon	1	50
9.	Tong Hock Sen	2	100

All of the Directors have complied with the minimum 50% attendance requirement at Board meetings held during a financial year as stipulated in the Listing Requirements of Bursa Malaysia.

1.4 Board Committees

The Board delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency. The Audit Committee, which was formed on 15 September 2003, functions in accordance with its terms of reference set out by the Board. The Chairman of the Audit Committee reports the outcome of the committee meetings to the Board. The information on the Audit Committee is presented in the Audit Committee Report on pages 26 to 27 of this Annual Report.

1.5 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 responsibilities. The Board members have access to the advice and services of the Company Secretary and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in the furtherance of their duties. Where necessary, the Directors may engage the services of independent professionals at the expense, if any, of the Company on a case to case basis and depending on the complexities involved.

1.6 Appointments to the Board

The appointment of any additional director will be made as and when it is deemed necessary. As the Nominating Committee has not been established during the financial year ended 31 December 2003, its functions have been temporarily carried out by the Board. The Company Secretary will ensure that all appointments to the Board are properly made and that all legal and regulatory obligations are met.

1.7 Directors' Training

As at the date of this statement, all of the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia.

The Board acknowledges the importance of continuous education for them to further equip themselves for the discharge of their responsibilities more effectively. As such, they will continue to attend training programmes and seminars to keep abreast with relevant developments on a continuous basis under the Continuing Education Programme prescribed by Bursa Malaysia.

1.8 Re-election of Directors

According to the Company's Articles of Association, all Directors shall retire at the Company's Annual General Meeting following their appointment, and that one-third of the remaining Directors who do not retire as aforesaid, will retire by rotation. All of the retiring Directors as mentioned in Page 6 of this Annual Report are eligible and have offered themselves for re-election by the shareholders at the forthcoming Second Annual General Meeting of the Company.

The Articles also provide that all Directors shall retire from office at least once in every three (3) calendar years but shall be eligible for re-election.

Directors over seventy (70) years of age 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.

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	–	29,000	29,000
Salaries	673,089	48,000	721,089
Bonuses	99,750	4,000	103,750
Benefits in kind	39,714	2,400	42,114
Total	812,553	83,400	895,953

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 December 2003 are as follows:

Range of Remuneration	Number of Directors		Total
	Executive	Non-Executive	
Below RM50,000	–	4	4
RM50,001-RM100,000	–	1	1
RM100,001-RM150,000	–	–	–
RM150,001-RM200,000	2	–	2
RM200,001-RM250,000	1	–	1
RM250,001-RM300,000	1	–	1
Total	4	5	9

2. DIRECTORS' REMUNERATION

2.1 Remuneration Committee

A Remuneration Committee has not been established at the moment and its functions are being carried out by the Board. An interested Director will abstain from all deliberation and voting on the decision to be made by the Board in regard to his remuneration.

The remuneration of the Company's Directors derived from the Group during the financial year ended 31 December 2003 are as follows:-

3. SHAREHOLDERS

The Board believes in maintaining clear communication with the Company's shareholders. As part of the Group's commitment towards having an effective investor relations and shareholders' communication policy, the following have been established:-

a. The Annual General Meeting ("AGM") will be the principal forum for dialogue with shareholders. The Board would encourage shareholders to participate in the Question and Answer session at the AGM. The Managing Director, Executive Directors and, where appropriate, the Chairman of the Audit Committee shall be available to respond to shareholders' questions during the AGM.

b. To ensure that shareholders and investors are well informed of major developments of the Group, information is disseminated to shareholders and investors through various disclosures and announcements to Bursa Malaysia which include quarterly financial results, as well as through the annual report and where appropriate, circulars and press releases.

c. The Company had hired an investor relations consultant to assist in providing forums for the Company to provide information to research analysts from investment banks and broking houses, fund managers and business reporters of local tabloids for them to produce research materials and news reports for dissemination to the investing public in general. Moving forward, the Board commits to conducting these forums when new developments are forthcoming and will have at least one such forum per year apart from the AGM.

- d. Internally, the Corporate Affairs Department headed by an Executive Director maintains most of the official correspondences with the various authorities.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of the Company's and the Group's financial position through its quarterly results, annual financial statements and announcements issued by the Company.

The Board is assisted by the Audit Committee to scrutinise information for disclosure to ensure accuracy and adequacy.

4.2 Statement of Directors' Responsibilities

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 Group at the end of the financial year and the profit or loss account of the Company and the Group for the financial year. Further, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and comply with the provisions of the Act and the Listing Requirements of Bursa Malaysia.

In preparing the financial statements for the year ended 31 December 2003, the Directors with the advice from its auditors have:-

- (i) adopted the suitable accounting policies and apply them consistently;
- (ii) made judgements and estimates that are prudent and reasonable;
- (iii) ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (iv) prepared the financial statements on a going concern basis.

The Directors are to ensure that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the Act.

4.3 Internal Control

Subsequent to the financial year ended 31 December 2003, the Board has outsourced its internal audit function with the objective of assisting the Audit Committee to discharge its duties and responsibilities more effectively.

The Statement on Internal Control set out in page 28 & 29 of this Annual Report provides an overview of the Group's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

4.4 Relationships with the auditors

The role of the Audit Committee in relation to the external auditors is represented in the Report on Audit Committee as set on pages 26 & 27 of this Annual Report. The Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the approved accounting standards in Malaysia.

The quarterly and annual unaudited financial reports were discussed in the Audit Committee with the presence of the external auditors, Messrs KPMG before being tabled to the Board. From time to time, the auditors will highlight to the Audit Committee and the Board on matters that require the Audit Committee's and Board's attention.

4.5 Compliance statement

Although the Company was only listed on the Bursa Malaysia on 27 October 2003, it has complied throughout the financial year with all the best practices of corporate governance set out in Part 2 of the Code, other than those set as out below. The reasons for such non-compliances are as follows:

A Remuneration Committee has not been established as yet in view that the current remuneration scheme for Directors is largely on terms that have been determined prior to the listing of the Company on Bursa Malaysia, and which are based on the experience, performance and scope of responsibility of each of the Directors and their respective contributions, past and present, to the Group. The Board will consider the appropriateness of establishing a Remuneration

Committee in due course. Until such time, the Board will carry out the functions of the Remuneration Committee, and an interested Director will abstain from all deliberation and voting on the decision to be made by the Board in regard to his remuneration.

A Nominating Committee has not been established as yet and its function are currently being carried out by the Board. There has been no review on the composition of the present Board as yet in view that the mix of experience and expertise of the current Directors are, in the opinion of the Board, sufficient and appropriate to address the issues affecting the Group. Appointment of new Directors during the financial year and nomination of re-tiring Directors for re-election at the annual general meetings of the Company would currently come under the purview of the Board as a whole.

The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on matters that involve the overall Group business strategy and direction, significant acquisitions and divestments, approval of major capital expenditure, significant financial matters and the review of the financial and operating performance of the Group. In addition, the information normally furnished to Directors via Board papers is mainly financial and historical in nature. The Management is fully aware of this and will take the necessary measures to incorporate information that is non-financial in nature for the Directors' attention and deliberation. Although there are no agreed formal procedures in place, the Directors will

determine, whether as a full board or in their individual capacities, to take independent professional advice on an ad-hoc basis, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

There is no formal orientation and education programme for new recruits to the Board apart from the MAP that all Directors need to undergo. However, the Company intends to organise orientation programmes for new Directors to acquaint and familiarise themselves with the nature of business and activities of the Group.

There are no formalised position descriptions, which set forth the limits of Board's responsibilities such as the adoption of a Board Charter or terms of reference for the Board. This is because the Board views that the current governance and management structure fulfils the objectives of the Board in directing and supervising the business affairs of the Group.

The disclosure of directors' remuneration is made in accordance with Appendix 9C, item 10 of Bursa Malaysia's Listing Requirements. This method of disclosure represents a deviation from the Best Practices set out in the Code, which suggests separate disclosure of each directors' remuneration. The Board is of the opinion that separate disclosure will impinge upon the Directors' right of privacy.

The Board, through its Audit Committee, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk

management process would need to be established to better identify, monitor and manage the business risks affecting the Group. In view of this, the Board has appointed external consultants in April 2004 to carry out an Enterprise Risk Management review on the Group. This assignment will enable the Board to identify the principal business risks of the Group on a more objective and structured manner so that the relevant and appropriate measures can be implemented to manage the risks on an on-going basis.

The Board does not have an in-house Internal Audit function to assist in the area of internal control. The Directors are fully aware of the importance to have this function in place and has, on the recommendation of the Audit Committee, outsourced the function to external consultants subsequent to the financial year end. The Board is of the opinion that the external consultants who possess the appropriate expertise and experience in internal audit will be able to kick-start the internal audit function for the Group at a more professional level. The Board further envisage that in time, with the help of the external consultants, the Company will be able to set up an in-house internal audit team to carry out this function on a full-time basis.

Appointment of a Senior Independent Non-Executive Director has not been made. This is in view of the current composition of the Board which reflects a strong independent element and the separation of the roles of Chairman and Managing Director. The Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

audit committee report

COMPOSITION

The present Audit Committee comprises three Independent Non-Executive Directors and one Executive Director who are as follows:

Dato' Hamzah Bin Zainudin	–	Independent Non-Executive Director (Chairman)
Chung Tack Soon*	–	Independent Non-Executive Director
Chin Soong Jin	–	Executive Director
Tong Hock Sen #	–	Independent Non-Executive Director

* Member of the Malaysian Institute of Accountants (MIA)

Appointed on 7 May 2004

TERM OF REFERENCE

The Audit Committee ("AC") is governed by the Terms of Reference that were formally endorsed by the Board on 15 September 2003.

Objectives

- 1.1 To provide additional assurance to the Board by giving objective and independent review of Group's financial, operational and administrative controls and procedures.
- 1.2 To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets within the Group.
- 1.3 To assess and supervise the quality of audits conducted by the Internal Auditors and External Auditors.
- 1.4 To reinforce the independence of the External Auditors and to assure that the External Auditors will have free rein in the audit process.
- 1.5 To provide a forum for regular, informal and private discussion between the External Auditors and Directors who have no significant relationship with Management.
- 1.6 To reinforce the objectivity of the Internal Auditors.

Membership

- 2.1 The AC shall be appointed by the Board pursuant to a Board Resolution.
- 2.2 It shall comprise at least three (3) Members of whom a majority shall be independent non-executive Directors

2.3 The Chairman of the AC shall be appointed by the Board, or failing which, amongst the Members of the AC themselves.

2.4 If the number of Members is reduced to below three (3) as a result of resignation or death of a Member, or for any other reason(s) the Member ceases to be a Member of the AC, the Board shall, within three (3) months of that event, appoint amongst such other non-executive Directors, a new Member to make up the minimum number required herein.

2.5 At least one (1) Member of the AC :-

2.5.1 must be a member of the Malaysian Institute of Accountants ("MIA"); or

2.5.2 if he/she is not a member of MIA, he must have at least three (3) years' of working experience and :-

(a) he/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967 ; or

(b) he/she must be a member of one (1) of the associations of accountants specified in part II of the 1st Schedule of the Accountants Act, 1967.

2.5.3 must possess such qualifications as may from time to time be prescribed by Bursa Malaysia.

2.6 An alternate Director is not eligible for membership in the AC.

Authority

- 3.1 The AC is authorised by the Board to investigate any activity within its Terms of Reference.
- 3.2 It shall have unlimited access to both the Internal Auditors and External Auditors as well as all employees of the Group.
- 3.3 It shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.4 It shall also have the power to establish Sub-AC(s) and delegate its powers to such Sub-AC(s) for the purpose of carrying out certain investigations on its behalf in such manner as the AC deems fit and necessary and, to appoint such officers within the Group as members of the Sub-AC(s).

Functions

- 4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.
- 4.2 To review the scope of the internal audit programme and procedures, consider the results of internal audit investigations and assess Management's response and actions to rectify any reported shortcoming.
- 4.3 To evaluate the adequacy and effectiveness of the internal control systems as well as the administrative, operating and accounting policies employed.
- 4.4 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.

- 4.5 To review the Company's quarterly, half-yearly, annual and consolidated financial statements and thereafter to submit them to the Board, focusing particularly on any changes in accounting policies and practices; significant adjustments arising from the audit; the going concern assumption; compliance with accounting standards and other legal requirements.
- 4.6 To review any related party transactions that may arise within the Company or Group.
- 4.7 To identify and direct any special projects or investigations it deems necessary.
- 4.8 To nominate a person or persons as the External Auditors. To consider the audit fee and any question of resignation or dismissal of the External Auditors.
- 4.9 To discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved.
- 4.10 To discuss problems and reservations arising from the interim and final audits, and any other matter the External Auditors may wish to discuss in the absence of Management, where necessary.
- 4.11 To review the External Auditors' management letter and Management's response.
- 4.12 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.
- 4.13 To review reports and consider recommendations of the Sub-AC(s), if any.
- Meetings**
- 5.1 The AC will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the AC so decides to fulfil its duties.
- 5.2 A quorum shall consist of two (2) Members. The majority of Members present must be independent non-executive Directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.
- 5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the Members.
- 5.5 A resolution in writing, signed by all the Members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the AC.
- 5.6 Proceedings of all meetings held and resolutions passed as referred to in Clause 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.
- 5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the AC and the reports submitted thereat.
- 5.8 The External Auditors shall have the right to appear and be heard at any meeting and shall appear before the AC when so required by the AC.
- 5.9 Upon the request of the External Auditors, the Chairman shall convene a meeting to consider any matters the External Auditors believe should be brought to the attention of the Directors or shareholders of the Company.
- 5.10 The Executive Directors of any Group Company, representatives of the Internal Auditors, the Management and any employee of the Group, as the case requires, may be requested to attend such meetings.
- 5.11 The AC shall meet with the External Auditors at least once in a financial year without the presence of the executive board members of the Company.
- Compliance**
- 6.1 The provisions of Articles 119, 120 and 121 of the Company's Articles of Association except as otherwise expressly provided in these Terms of Reference shall apply to the AC.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

The Committee met once since the listing of the Company on 27 October 2003 up to 31 December 2003. The details of attendance of each member at the meetings during the period are as follows:-

No.	Name of Audit Committee Member During the Period	Total No. of Meetings Attended	% of Attendance
1.	Dato' Hamzah Bin Zainudin	1	100
2.	Chung Tack Soon	1	100
3.	Chin Soong Jin	1	100

The Audit Committee meeting was held on 19 November 2003. The meeting was appropriately structured through the use of an agenda, which was distributed to the Audit Committee members with sufficient notification. Representative of the External Auditors, Messrs KPMG and the Group Financial Controller also attended the meeting upon invitation.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The activities of the Audit Committee since the listing of the Company on 27 October 2003 up to 31 December 2003 were as follows:-

1. Reviewed and discussed the unaudited quarterly financial reports and the audited financial statements of the Company prior to recommending the same for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities had been complied with.
2. Reviewed related party transactions that arose in the Group
3. The Audit Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues and reviewed pertinent issues resulting from the audit of the financial statements.
4. Discussed and performed any other matters as agreed by the Audit Committee and the Board.

statement on internal control

INTRODUCTION

The Code requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the company's assets. Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia require directors of public listed companies to include in their annual report a 'statement about the state of internal control of the listed issuer as a group'. The Board of LFECB is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year.

BOARD RESPONSIBILITY

The Board is committed to maintaining both a sound system of internal control and the proper management of risks throughout the operations of the Group in order to safeguard shareholders' investment and assets of the Group. The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its adequacy, integrity and effectiveness. The role of management is to implement the Board's policies on risk and control. Management is accountable to the Board for monitoring the Group's internal control system and for providing assurance to the Board that it has done so.

Due to the inherent limitations in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It should be noted that the system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board is taking steps to strengthen the ongoing process for identifying, evaluating and monitoring significant risks faced by the Group in line with the guidelines provided under the Statement on Internal Control : Guidance for Directors of Public Listed Companies.

To this end, the Board also ensures that the external auditors review the statement on internal control and report the results thereof to the Board.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Due to the short timeframe since LFECB was listed on the Second Board of Bursa Malaysia, no formal risk management assessment framework was established for the financial year ended 31 December 2003. The Board recognises the need to formalise the process for identifying and managing significant risks faced by the Group. As a concrete step to realise this, the Board has appointed a professional firm to assist in the development of a formalised risk management framework to facilitate the identification and assessment of the Group's principal risks subsequent to the financial year ended 31 December 2003.

The formalisation of the enterprise risk management framework encompasses the following initiatives that have been carried out subsequent to the financial year ended 31 December 2003:

- Risk awareness session was conducted on 7 April 2004 and attended by more than 80 participants from the Group.
- Facilitated Workshops and interviews with the selected management staff of the Group have been carried out to identify and evaluate the principal risks faced by the Group.

The next steps in the risk management process are as follows:

- To present and discuss in the Audit Committee meeting before being submitted to the Board for consideration a consolidated risk profile of LFECB, risk assessment report, risk registers, and the risk management policy and procedure document.
- To consider the establishment of a Risk Committee to report and monitor key risks affecting the business in accordance with established framework. This will include a balanced assessment of the risks and the adequacy and integrity of the system of internal control within the areas covered.

The risk assessment framework is expected to be fully in place by the next financial year.

INTERNAL AUDIT FUNCTION

During the financial year, the Group did not have an internal audit function. The Board recognises that the internal audit function is an integral part of an effective internal control system and risk management framework. In this regard, the Board on the recommendation of the Audit Committee decided to outsource the internal audit function. Subsequent to the financial year ended 31 December 2003, the Group has outsourced its internal audit function to a professional firm to independently review the adequacy and effectiveness of the Group's system of internal control, and to carry out risk-based internal audit.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the Group has an embedded system of internal control that includes:

- The Board meets at least once every quarter and has an agenda to bring to the Board's attention significant matters related to internal control, 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 the senior management team. The senior management of the respective departments are delegated with the responsibility to ensure that an effective system of internal control is in place.

- Quarterly review of financial results by the Board and the Audit Committee before announcement to Bursa Malaysia.
- An organisational structure with defined lines of responsibilities and delegation of authority within which the management operate.
- The Quality Management System ("QMS") has been established, maintained and implemented. Its effectiveness will be continually improved to achieve compliance with ISO 9001:2000. The QMS is aimed to enhance customer satisfaction.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULTS IN MATERIALS LOSSES

There were no material or significant losses incurred during the current financial year as a result of weakness in internal control. The Board and management continue to take appropriate measures to improve and strengthen the control environment.

additional compliance information

1. Utilisation of proceeds

As at 31 December 2003, the proceeds arising from the private placement of 8 million ordinary shares of RM1.00 issued pursuant to the listing of the Company on the Second Board of Bursa Malaysia amounting to RM13.6 million ("IPO Proceeds") were utilized as follows:

Purpose/proceeds	Proposed Utilisation of listing Utilised RM'000	Amount utilized RM'000	Balance to be RM'000
Repayment to a director in relation to the acquisition of land and buildings	4,254	(4,254)	–
Working capital	8,046	(7,612)	434
Estimated Listing expenses	1,300	(1,271)	29
Total	13,600	(13,137)	463

The listing expenses incurred to date is RM1.734 million as compared to the estimated amount of RM1.3 million as stated in the Company's prospectus dated 30 September 2003. An application for changes in utilisation of the IPO Proceeds will be submitted to Securities Commission ("SC") for approval. Prior to SC's approval, the excess of listing expenses will be paid out from internally generated funds.

2. Share buybacks

There were no share buybacks by the Company during the financial year.

3. Options, warrant or convertible securities

There were no options, warrants or convertible securities issued by the Company during the financial year.

4. Recurrent related party transactions

All recurrent related party transactions entered into by the Group during the financial year are disclosed in Note 25 to the financial statements in pages 60 & 61 of this Annual Report.

5. Imposition of sanctions / penalties

There have been no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or Management by the regulatory bodies.

6. Non-audit fees

The amount of non-audit fees paid or payable to external auditors Messrs. KPMG during the financial year ended 31 December 2003 was RM 250,400 which is in relation to the listing exercise of the Company.

7. Profit estimate, forecast or projection

The profit after tax attributable to shareholders and minority interest for the financial year ended 31 December 2003 of RM11,220 million exceeded the profit forecast of RM8,974 million as stated in the Company's prospectus dated 30 September 2003. This represents a positive variance of 25%.

8. Profit Guarantee

There were no profit guarantee given in respect of the Company for the financial year.

9. Material contracts

There were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interest during the financial year ended 31 December 2003.

10. Revaluation of landed properties

The Group does not adopt any revaluation policy on its landed properties.

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directors' report

for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and commenced operations on 11 March 2003, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	<u>11,219,895</u>	<u>2,638,949</u>

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDENDS

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2003 is 7% less tax totalling RM2,620,800.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Hamzah Bin Zainudin (appointed on 15.9.2003)
 Lew Mew Choi (appointed as Managing Director on 15.9.2003)
 Liew Meow Nyeon
 Liew Kiam Woon (appointed on 15.9.2003)
 Cheong Thiam Fook (appointed on 15.9.2003)
 Chin Soong Jin (appointed on 15.9.2003)
 Ramli Bin Abu Kasim (appointed on 15.9.2003)
 Chung Tack Soon (appointed on 15.9.2003)
 Tong Hock Sen (appointed on 15.9.2003)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
<i>Shareholdings in the Company in which Directors have direct interest</i>				
Lew Mew Choi	–	8,628,169	432,431	8,195,738
Liew Meow Nyeon	–	844,392	133,843	710,549
Liew Kiam Woon	–	460,611	326,768	133,843
Ramli Bin Abu Kasim	–	6,287,182	6,287,182	–

DIRECTORS OF THE COMPANY (CONT'D)

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
<i>Shareholdings in the Company in which Directors have deemed interest*</i>				
Lew Mew Choi	–	15,364,269	6,806,748	8,557,521
Liew Meow Nyeon	–	8,605,562	1,000,000	7,605,562
Liew Kiam Woon	–	5,605,562	1,000,000	4,605,562
Cheong Thiam Fook	–	1,596,835	1,596,835	–
Ramli Bin Abu Kasim	–	11,557,521	–	11,557,521
<i>Shareholdings in the subsidiary in which Director has direct interest</i>				
Cheong Thiam Fook	3,000	–	–	3,000

* Deemed interest in shares held by virtue of Section 6A(4)(c) of the Companies Act, 1965

By virtue of their interests in the shares of the Company, Lew Mew Choi, Liew Meow Nyeon, Liew Kiam Woon and Ramli Bin Abu Kasim are also deemed to have an interest in the shares of all subsidiaries of the Company to the extent the Company has an interest.

None of the other Directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company or of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business other than as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

- i) issued 31,478,619 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share for the acquisition of the entire issued and paid up share capital of LFE Engineering Sdn. Bhd. comprising of 900,000 ordinary shares and 545,000 convertible preference shares for a purchase consideration of RM31,478,619;
- ii) issued 509,684 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share for the acquisition of 5,100 ordinary shares in Mayduct Technology Sdn. Bhd. for a purchase consideration of RM509,684;
- iii) issued 5,401,420 new ordinary shares of RM1.00 each at an issue price of RM1.11 per ordinary share for the acquisition of land and building from Lew Mew Choi, a Director, for a purchase consideration of RM10,250,000 whereby the balance of, RM4,254,423 was satisfied via cash consideration;
- iv) issued 6,610,277 new ordinary shares of RM1.00 each at an issue price of RM1.11 per ordinary share for the settlement of debts owing by its subsidiaries; and
- v) made a public issue of 8,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per ordinary share to the Malaysian public and eligible employees of the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take-up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the negative goodwill recognised as disclosed in Note 16 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

Lew Mew Choi

Liew Kiam Woon

Kuala Lumpur,
Date: 15 April 2004

statement by directors

pursuant to section 169(15) of the companies act, 1965

In the opinion of the Directors, the financial statements set out on pages 37 to 63 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Lew Mew Choi

Liew Kiam Woon

Kuala Lumpur,
Date: 15 April 2004

statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, **Ong Bee Bee**, the officer primarily responsible for the financial management of LFE Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 63 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 in Kuala Lumpur on 15 April 2004

Ong Bee Bee

Before me:

Commissioner for Oaths
T. Thanapalasingam
No. W 036

Kuala Lumpur

report of the auditors

to the members of LFE Corporation Berhad

We have audited the financial statements set out on pages 37 to 63. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon except as disclosed in Note 3 to the financial statements.

We are satisfied that the financial statements of the subsidiaries 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang

Partner
Approval Number: 1862/10/05(J)

Kuala Lumpur,

Date: 15 April 2004

balance sheets

at 31 December 2003

	Note	Group 2003 RM	Company 2003 RM	2002 RM
Property, plant and equipment	2	17,987,356	10,216,523	–
Investments in subsidiaries	3	–	31,988,303	–
Investments in associates	4	297,586	–	–
Investment properties	5	1,303,983	–	–
Other investments	6	28,714,469	–	–
Intangible assets	7	886,468	–	–
Deferred tax assets	15	1,054,111	–	–
Current assets				
Inventories	8	3,690,545	–	–
Investment properties	5	3,422,425	–	–
Trade and other receivables	9	69,390,688	19,315,869	424,200
Cash and cash equivalents	10	9,580,421	78,568	2
		86,084,079	19,394,437	424,202
Current liabilities				
Trade and other payables	11	46,465,221	1,774,230	428,157
Borrowings	12	10,174,378	–	–
Taxation		1,464,948	2,723	–
Dividend payable		5,000,000	–	–
		63,104,547	1,776,953	428,157
Net current assets/(liabilities)		22,979,532	17,617,484	(3,955)
		73,223,505	59,822,310	(3,955)
Financed by:				
Capital and reserves				
Share capital	13	52,000,002	52,000,002	2
Reserves		16,403,254	7,822,308	(3,957)
		68,403,256	59,822,310	(3,955)
Minority shareholders' interests	14	1,262,746	–	–
Long term and deferred liabilities				
Borrowings	12	3,027,470	–	–
Deferred taxation	15	530,033	–	–
		3,557,503	–	–
		73,223,505	59,822,310	(3,955)

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2004.

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

income statements

for the year ended 31 December 2003

	Note	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Revenue		63,776,743	3,721,400	–
Operating profit/(loss)	16	5,464,261	3,661,264	(3,957)
Financing costs	18	(415,096)	–	–
Share of profits of associates		47,070	–	–
Negative goodwill recognised in income statements		8,516,103	–	–
Profit/(Loss) before taxation		13,612,338	3,661,264	(3,957)
Tax expense	19	(2,152,180)	(1,022,315)	–
Profit/(Loss) after taxation		11,460,158	2,638,949	(3,957)
Less: Minority interests		(240,263)	–	–
Net profit/(loss) for the year		11,219,895	2,638,949	(3,957)
Basic earnings per ordinary share (sen)	20	70.12		
Dividend per ordinary share (sen)		7.00		

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

statement of changes in equity

for the year ended 31 December 2003

Group	Note	Share capital RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total RM
At 3 September 2003		2	–	(3,957)	(3,955)
Issue of shares	12	52,000,000	6,921,287	–	58,921,287
Listing expenses		–	(1,733,971)	–	(1,733,971)
Net profit for the period		–	–	11,219,895	11,219,895
At 31 December 2003		52,000,002	5,187,316	11,215,938	68,403,256
Company					
At 8 May 2002 (date of incorporation)		2	–	–	2
Net loss for the period		–	–	(3,957)	(3,957)
At 31 December 2002		2	–	(3,957)	(3,955)
Issue of shares	12	52,000,000	6,921,287	–	58,921,287
Listing expenses		–	(1,733,971)	–	(1,733,971)
Net profit for the year		–	–	2,638,949	2,638,949
At 31 December 2003		52,000,002	5,187,316	2,634,992	59,822,310

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

cash flow statements

for the year ended 31 December 2003

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Cash flows from operating activities			
Profit/(Loss) before taxation	13,612,338	3,661,264	(3,957)
Adjustments for:			
Amortisation of development expenditure	149,298	-	-
Depreciation			
– property, plant and equipment	393,594	33,477	-
– investment properties			
– long term	6,683	-	-
– short term	45,555	-	-
Impairment loss	209,387	-	-
Interest expense	415,096	-	-
Interest income	(34,399)	-	-
Deferred expenditure written off	(1,733,971)	(1,733,971)	-
Loss on disposal of property, plant and equipment	248,812	-	-
Exceptional items	(8,516,103)	-	-
Share of profits in associates	(47,070)	-	-
Operating profit/(loss) before working capital changes	4,749,220	1,960,770	(3,957)
(Increase)/Decrease in working capital:			
Inventories	552,398	-	-
Trade and other receivables	(15,673,125)	(12,310,179)	(424,200)
Trade and other payables	10,096,452	1,346,073	428,157
Cash used in operations	(275,055)	(9,003,336)	-
Income taxes paid	(1,692,634)	-	-
Interest expense	(415,096)	-	-
Net cash used in operating activities	(2,382,785)	(9,003,336)	-
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(4,859,887)	-	-
Purchase of property, plant and equipment	(4,540,311)	(4,254,423)	-
Proceeds from disposal of property, plant and equipment	731,095	-	-
Interest income	34,399	-	-
Net cash used in investing activities	(8,634,704)	(4,254,423)	-

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Cash flows from financing activities			
Proceeds from issuance of shares	13,336,325	13,336,325	2
Repayment of hire purchase	(144,479)	-	-
Proceeds from borrowings	1,166,841	-	-
Proceeds from disposal of investments	386,950	-	-
Net cash generated from financing activities	14,745,637	13,336,325	2
Net increase in cash and cash equivalents	3,728,148	78,566	2
Cash and cash equivalents at beginning of year	2	2	-
Cash and cash equivalents at end of year	3,728,150	78,568	2

i) Cash and cash equivalents

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

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Deposits placed with licensed banks	2,956,921	-	-
Cash and bank balances	6,623,500	78,568	2
Bank overdrafts	(5,852,271)	-	-
	3,728,150	78,568	2

ii) Purchase of plant, property and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM10,535,888 (2002 – Nil) and RM10,250,000 (2002 – Nil) respectively, of which RM5,995,577 (2002 – Nil) of the Group and of the Company, were financed by issuance of shares.

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 25, Income Taxes; and
- (ii) MASB 29, Employee Benefits.

In addition to the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 28 to these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

Freehold land is stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase costs and depreciated on the same basis as owned assets. The total amount payable under hire purchase arrangements are included as hire purchase liabilities.

The interest element of the rental obligation is charged to the income statement over the period of hire purchase.

Depreciation

Freehold land is not amortised. Leasehold land and buildings are amortised in equal instalments over the period of the respective lease of 99 years. Other property, plant and equipment are depreciated on the reducing balance basis at rates which are intended to write off the cost of the assets over their estimated useful lives. However, certain subsidiaries adopt the straight line method to write off the cost of the following assets over the term of their estimated useful lives at the following principal annual rates:

Building	2 %
Motor vehicle	20%
Furniture, fittings and office equipment	10% – 20%
Air conditioners and renovation	10%
Tools and equipment	10%

(e) Intangible assets

i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses (refer to note 1(k)).

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

ii) Purchased goodwill

Purchased goodwill is stated at cost and not amortised.

iii) Negative goodwill

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill, not exceeding the fair values of the non-monetary assets is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent the negative goodwill relates to expectation of future losses and expenses that are identified in the plan of the acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

iv) *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over three years.

(f) Investments

i) *Investment properties*

Long term investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes related and incidental expenditure incurred.

Short term investment properties are properties held for disposals and are stated at the lower of cost less accumulated depreciation and accumulated impairment losses and net realisable value.

Depreciation

Freehold land is not amortised. Buildings are depreciated on the reducing balance basis at rates which are intended to write off the cost of the assets over their estimated useful lives of 50 years. Leasehold land and buildings are amortised in equal instalments over the period of the respective lease of 99 years.

ii) *Subsidiaries and associates*

Long term investments in subsidiaries and associates are stated at cost in the Company, less impairment loss where applicable.

iii) *Other investments*

Long term investments and other investments in subsidiaries and associates, are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(g) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value, determined on a first-in first-out (FIFO) basis. For work-in-progress and finished goods, cost consists of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(h) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(i) Amount due from contract customers

Amount due from contract customers on electrical and mechanical engineering work contract is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct electrical and mechanical engineering work cost and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

The carrying amount of assets, other than inventories, assets arising from electrical and mechanical contracts, deferred tax assets and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(l) Employee benefits

(i) Short term 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 of 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contribution to defined contribution plan are recognised as an expense in the income statement as incurred.

(m) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(n) Liabilities

Borrowings, trade and other payables are stated at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Accounting for hire purchases

Property, plant and equipment held under hire purchase are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining life capital payments are disclosed as hire purchase creditors. Financing charges for hire purchases are charged to the income statement over the year of the hire purchase agreements using the sum of digits method.

(p) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(q) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2003 RM	2002 RM
1USD	3.80	3.80

(r) Revenue

i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue (cont'd)

ii) Construction contracts

Revenue from fixed price electrical and mechanical engineering contracts is recognised on the percentage of completion method, measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

When the outcome of an electrical and engineering contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

iii) Dividend income

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

iv) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(s) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Leasehold land and buildings RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Air conditioners and renovation RM	Capital work-in progress RM	Factory and Equipment RM	Total RM
Cost								
At 1 January 2003	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	424,534	2,160,055	2,360,248	1,070,337	548,489	951,580	1,309,726	8,824,969
Additions	10,261,528	-	88,962	120,721	64,027	-	650	10,535,888
Disposals	-	-	-	(51,603)	(31)	(951,580)	-	(1,003,214)
At 31 December 2003	10,686,062	2,160,055	2,449,210	1,139,455	612,485	-	1,310,376	18,357,643
Accumulated depreciation								
At 1 January 2003	-	-	-	-	-	-	-	-
Charge for the year	36,381	14,381	181,609	77,717	24,166	-	59,340	393,594
Disposals	-	-	-	(23,307)	-	-	-	(23,307)
At 31 December 2003	36,381	14,381	181,609	54,410	24,166	-	59,340	370,287
Net book value								
At 31 December 2003	10,649,681	2,145,674	2,267,601	1,085,045	588,319	-	1,251,036	17,987,356

The cost and carrying value of land is not segregated from buildings, as the required records are not available.

2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company Cost	Freehold land and building RM	Total RM
At 1 January 2003	–	–
Additions	10,250,000	10,250,000
At 31 December 2003	<u>10,250,000</u>	<u>10,250,000</u>
Accumulated depreciation		
At 1 January 2003	–	–
Charge for the year	33,477	33,477
At 31 December 2003	<u>33,477</u>	<u>33,477</u>
Net book value		
At 31 December 2003	<u>10,216,523</u>	<u>10,216,523</u>

Securities

Certain land and building of the Group costing RM806,454 have been pledged as security for loan facilities as set out in Note 12 to the financial statements.

Assets under hire purchase and finance lease

Property, plant and equipment acquired under finance lease and hire purchase arrangements which are included in the above are as follows:

Group	Net book value 2003 RM
Finance lease: Machinery/Office equipment	<u>690,094</u>
Hire purchase: Motor vehicles	<u>1,761,915</u>

3. INVESTMENT IN SUBSIDIARIES

	Company 2003 RM	2002 RM
Unquoted shares, at cost	<u>31,988,303</u>	<u>–</u>

3. INVESTMENT IN SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries and the interest of the Company are as follows:

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective percentage of ownership	
			2003	2002
LFE Engineering Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	–
Loong Fuat Electrical Engineering Limited	British Virgin Islands	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	–
Inai Engineering Corporations Limited	British Virgin Islands	Supply of general and specialised electrical and mechanical equipment and components	100%	–
Loong Fuat Engineering (JB) Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	–
*Mee Nyeen Enterprise Sdn. Bhd.	Malaysia	Property investment	100%	–
LFE Technology Sdn. Bhd.	Malaysia	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, toll collection systems and automatic cash transfer systems	60%	–
* Mayduct Technology Sdn. Bhd.	Malaysia	Manufacturing of electrical busbar trunking systems, equipment, components and other related electrical products	51%	–
** LFE Shanghai Limited	People's Republic of China	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	–

* Company not audited by KPMG.

** Company not audited by KPMG and consolidated using management financial statements

4. INVESTMENTS IN ASSOCIATES

	Group 2003 RM
Unquoted shares – at cost	280,000
Acquisition of subsidiaries	(29,484)
Share of post-acquisition reserves	47,070
	<hr/>
	297,586
	<hr/>
Represented by:	
Group's share of net assets other than goodwill	257,672
Goodwill on acquisition	39,914
	<hr/>
	297,586
	<hr/>

The significant associates of the Group and Company are as follows:

Name	Country of incorporation	Principal activities	Effective percentage of ownership	
			2003	2002
Barisan Minda Sdn. Bhd	Malaysia	Investment holding	–	43%
Kejuruteraan Rayton Sdn. Bhd.	Malaysia	Provision of water and sewerage related mechanical engineering services for applications such as water treatment plants, sewerage treatment plants, pumping plants, fire protection systems and pipe laying.	40%	40%

5. INVESTMENT PROPERTIES

Long term investment properties

	Freehold land and building RM	Leasehold land and building RM	Total RM
Cost			
Acquisition of subsidiaries/ At 31 December 2003	215,342	1,304,711	1,520,053
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
Charge for the year	1,455	5,228	6,683
Impairment loss for the year	–	209,387	209,387
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,455	214,615	216,070
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	213,887	1,090,096	1,303,983
	<hr/>	<hr/>	<hr/>

The cost and carrying value of land is not segregated from buildings, as the required records are not available.

5. INVESTMENT PROPERTIES (CONT'D)

The long term investment properties of the Group are charged to financial institutions as security for borrowings as disclosed in Note 12 of the financial statements.

Short term investment properties

	Freehold land and building RM	Leasehold land and building RM	Total RM
Cost			
Acquisition of subsidiaries/ At 31 December 2003	1,044,898	2,423,082	3,467,980
Accumulated depreciation			
Charge for the year/At 31 December 2003	7,060	38,495	45,555
Net book value			
At 31 December 2003	1,037,838	2,384,587	3,422,425

The cost and carrying value of land is not segregated from buildings, as the required records are not available.

6. OTHER INVESTMENTS

	Group 2003 RM
At cost	
Quoted shares	28,767,735
Less: Allowance for diminution in value of quoted shares	(53,266)
	28,714,469
Market value of quoted shares	42,503,869

7. INTANGIBLE ASSETS

Group	Goodwill RM	Development expenditure RM	Total RM
Cost			
At 1 January 2003	–	–	–
Acquisition of subsidiaries	587,872	447,894	1,035,766
At 31 December 2003	587,872	447,894	1,035,766
Amortisation			
At 1 January 2003	–	–	–
Amortisation charge for the year	–	149,298	149,298
At 31 December 2003	–	149,298	149,298
Net book value			
At 31 December 2003	587,872	298,596	886,468

8. INVENTORIES

	Group 2003 RM
At cost:	
Raw materials	3,690,545

9. TRADE AND OTHER RECEIVABLES

	Group 2003 RM	Company 2003 RM	2002 RM
Trade receivables	59,066,240	–	–
Amount due from contract customers	7,504,673	–	–
Other receivables, deposits and prepayments	2,819,775	276,655	424,200
Subsidiaries	–	19,039,214	–
	<u>69,390,688</u>	<u>19,315,869</u>	<u>424,200</u>

The amount due from subsidiaries is non-trade in nature, unsecured and interest free.

Amount due from contract customers

	Group 2003 RM
Aggregate costs incurred to date	198,768,679
Add : Attributable profits	41,319,464
	<u>240,088,143</u>
Less: Progress billings	(232,780,358)
	<u>7,307,785</u>
Amount due to contract customers reclassified (Note 11)	196,888
	<u>7,504,673</u>

10. CASH AND CASH EQUIVALENTS

	Group 2003 RM	Company 2003 RM	2002 RM
Deposits placed with licensed banks	2,956,921	–	–
Cash and bank balances	6,623,500	78,568	2
	<u>9,580,421</u>	<u>78,568</u>	<u>2</u>

11. TRADE AND OTHER PAYABLES

	Group 2003 RM	2003 RM	Company 2002 RM
Trade payables	41,931,613	-	-
Amount due to contract customers (Note 9)	196,888	-	-
Other payables and accrued expenses	4,099,166	1,774,230	428,157
Amount owing to Directors	237,554	-	-
	<u>46,465,221</u>	<u>1,774,230</u>	<u>428,157</u>

Included in other payables of the Group and of the Company are amounts due to companies in which certain Directors have interest amounting to RM432,410 (2002 – Nil) and RM1,016,819 (2002 – RM427,157) respectively. The amounts are unsecured, interest free and are repayable within the next twelve months.

The amount owing to Directors is unsecured and interest free.

12. BORROWINGS

	Group 2003 RM
Current	
Bankers' acceptances - unsecured	1,104,365
Hire purchase liabilities	678,390
Overdrafts – secured	5,852,271
Term loans – secured	1,242,653
Trust receipts – unsecured	1,296,699
	<u>10,174,378</u>
Non-current	
Hire purchase liabilities	828,105
Term loans – secured	2,199,365
	<u>3,027,470</u>

Terms and debt repayment schedule

The secured term loans are subject to interest at 1.5% above the bank's base lending rate per annum. The secured overdrafts are subject to interest ranging from 1.5% to 1.8% above the lenders' base lending rates.

Group	Total RM	Under 1 year RM	1 – 2 years RM
Secured term loans – fixed at 1.5% above BLR per annum	3,442,018	1,242,653	2,199,365
Secured overdrafts – variable at 1.5% to 1.8% above BLR	5,852,271	5,852,271	-
Unsecured bankers' acceptances			
– variable at 0.5% to 1.5% above the prevailing interbank rate	1,104,365	1,104,365	-
Unsecured trust receipt			
– variable at 1.0% to 1.5% above BLR	1,296,699	1,296,699	-
Hire purchase liabilities – fixed at 3.5% to 7.0% per annum	1,506,495	678,390	828,105
	<u>13,201,848</u>	<u>10,174,378</u>	<u>3,027,470</u>

12. BORROWINGS (CONT'D)

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2003 RM	Interest 2003 RM	Principal 2003 RM
Group			
Less than one year	789,352	110,962	678,390
Between one and five years	980,335	152,230	828,105
	<u>1,769,687</u>	<u>263,192</u>	<u>1,506,495</u>

13. SHARE CAPITAL

	Group and Company	
	2003 RM	2002 RM
Ordinary shares of RM1 each:		
Authorised		
Balance at 1 January	100,000	100,000
Increased during the year	99,900,000	–
Balance at 31 December	<u>100,000,000</u>	<u>100,000</u>
Issued and fully paid		
Balance at 1 January	2	2
Issued during the year		
New issue for acquisition of subsidiaries	31,988,303	–
New issue for settlement of debts on behalf of subsidiaries	6,610,277	–
New issue for acquisition of land and buildings	5,401,420	–
Public issue	8,000,000	–
Balance at 31 December	<u>52,000,002</u>	<u>2</u>

14. MINORITY SHAREHOLDERS' INTEREST

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.

15. DEFERRED TAXATION

The amounts, determined after appropriate offsetting, are as follows:

	Group 2003 RM	Company 2003 RM	2002 RM
Deferred tax liabilities	530,033	–	–
Deferred tax assets	(1,054,111)	–	–
	<u>(524,078)</u>	<u>–</u>	<u>–</u>

15. DEFERRED TAXATION (CONT'D)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

Group	At 3.9.2003 RM	Charged/ (Credited) to income statements RM	Acquisition of subsidiaries RM	At 31.12.2003 RM
Deferred tax liabilities				
Property, plant and equipment – capital allowances	–	99,231	430,802	530,033
Deferred tax assets				
Provisions	–	–	(1,054,111)	(1,054,111)
	–	99,231	(623,309)	(524,078)

16. OPERATING PROFIT

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Revenue – contract revenue	58,156,661	–	–
– manufacturing	5,620,082	–	–
– rental income	–	80,000	–
– dividends	–	3,641,400	–
	63,776,743	3,721,400	–
Contract costs recognised as an expense	(51,295,392)	–	–
Cost of manufactured goods	(4,359,821)	–	–
	(55,655,213)	–	–
Gross profit	8,121,530	3,721,400	–
Administration expenses	(2,707,710)	(82,101)	(3,957)
Other operating expenses	(225,440)	–	–
Other operating income	275,881	21,965	–
Operating profit	5,464,261	3,661,264	(3,957)

Operating profit is arrived at after crediting:

Gain on foreign exchange-unrealized	3,984	–	–
Interest income from fixed deposits	34,399	–	–
Rental income on land and buildings	131,368	80,000	–
Exceptional item:			
Negative goodwill recognised in income statement	8,516,103	–	–

16. OPERATING PROFIT (CONT'D)

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
and after charging:			
Allowance for diminution in value of investments properties	209,387	-	-
Amortisation of development expenditure	149,298	-	-
Auditors' remuneration			
– Holding company auditors	26,500	20,000	1,000
– Overprovision in prior year	(500)	-	-
– Under provision in prior year	14,000	-	-
Bad debts written off	41,075	-	-
Company's Director			
Remuneration	383,203	-	-
Fees	21,000	16,000	-
Depreciation			
– property, plant and equipment	393,594	33,477	-
– investment properties (Note 3)			
– long term	6,683	-	-
– short term	45,555	-	-
Loss on disposal of property, plant and equipment	248,812	-	-
Rental of premises	206,886	-	-
Rental of equipment	181,683	-	-
Realised loss on foreign exchange	32,240	-	-
	<hr/>	<hr/>	<hr/>

17. EMPLOYEE INFORMATION

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Staff costs	1,932,677	-	-
	<hr/>	<hr/>	<hr/>

- i) The estimated monetary value of Directors' benefits-in-kind is RM42,114.
- ii) The number of employees of the Group and of the Company (including Directors) at the end of the year was 106 (2002 – Nil) and Nil (2002 – Nil) respectively.

18. FINANCE COSTS

	Group 3.9.2003 to 31.12.2003 RM
Interest:	
Bank overdrafts	213,522
Hire purchase	49,908
Term loan	93,983
Others	57,683
	<hr/>
	415,096
	<hr/>

19. TAX EXPENSE

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Current tax expense			
Malaysia	1,861,852	1,022,315	–
Overseas	191,097	–	–
	<hr/>	<hr/>	<hr/>
	2,052,949	1,022,315	–
Deferred tax expense	99,231	–	–
	<hr/>	<hr/>	<hr/>
	<u>2,152,180</u>	<u>1,022,315</u>	<u>–</u>

Reconciliation of effective tax rate

Group

	3.9.2003 to 31.12.2003 RM
Profit before taxation	13,612,338
	<hr/>
Income tax using Malaysian tax rates	3,811,455
Effect of change in tax rate	(8,775)
Effect of difference tax rates in foreign jurisdiction	135,155
Non-deductible expenses	319,944
Non-taxable item	(2,089,358)
Tax exempt income	(38,433)
Real property gain tax	9,455
Other items	12,737
	<hr/>
Tax expense	<u>2,152,180</u>

Company

	Year ended 2003 RM	8.5.2002 to 31.12.2002 RM
Profit/(Loss) before taxation	3,661,264	(3,957)
	<hr/>	<hr/>
Income tax using Malaysian tax rates	1,025,154	(1,108)
Losses not available for set off	–	1,108
Other items	(2,839)	–
	<hr/>	<hr/>
Tax expense	<u>1,022,315</u>	<u>–</u>

20. EARNINGS PER ORDINARY SHARE – GROUP

Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM11,219,895 (2002 – Nil) and the weighted average number of ordinary shares outstanding during the year of 16,000,002 (2002 – Nil).

20. EARNINGS PER ORDINARY SHARE – GROUP (CONT'D)

Weighted average number of ordinary shares

	2003 RM
Issued ordinary shares at beginning of the year	2
Effect of shares issued in September/October 2003	16,000,000
Weighted average number of ordinary shares	<u>16,000,002</u>

21. DIVIDENDS

	Group and Company 2003 RM	2002 RM
Final proposed; 7% per share less tax (2002 – Nil)	<u>2,620,800</u>	<u>–</u>

The proposed first and final dividend has not been accounted for in the financial statements.

Dividend per ordinary share

The calculation of dividend per share is based on the gross dividend for the financial year ended 31 December 2003 of RM3,640,000 (2002 – Nil) and the number of ordinary shares in issue during the year of 52,000,002 (2002 – Nil).

22. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Electrical and mechanical engineering	Provision of general and specialised electrical and mechanical engineering services and maintenance works
Manufacturing	Manufacturing of electrical busbar trunking system, equipment, components and other related electrical products

Geographical segments

The electrical and mechanical engineering segment is operated mainly in Malaysia and also in another principal geographical area in China. Manufacturing segment is operated solely in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

22. SEGMENTAL INFORMATION (CONT'D)

2003	Electrical and mechanical engineering RM	Manufacturing RM	Investment holdings RM	Eliminations RM	Consolidated RM
Business segments					
Revenue from external customers	56,444,050	6,061,326	1,271,367	–	63,776,743
Segment result	4,505,161	766,586	192,514	–	5,464,261
Interest expense					(415,096)
Share of profit of associates					47,070
Negative goodwill recognised in income statement					8,516,103
Profit before taxation					13,612,338
Tax expense					(2,152,180)
Minority interests					(240,263)
Net profit for the year					11,219,895
Segment assets	102,659,757	10,510,291	60,964,440	(73,485,477)	100,649,011
Investment in associates					297,586
Unallocated assets					35,381,455
Total assets					136,328,052
Segment liabilities	(45,968,778)	(4,680,363)	(998,390)	–	(51,647,531)
Unallocated liabilities					(15,014,519)
Total liabilities					(66,662,050)
Capital expenditure	271,838	14,050	10,250,000	–	10,535,838
Depreciation	(237,111)	(123,006)	(33,477)	–	(393,594)
Non-cash expenses other than depreciation	(5,000,296)	(13,365)	–	–	(5,013,661)
2003		Malaysia RM	Overseas RM	Elimination RM	Consolidation RM
Geographical segments					
Revenue from external customers by location of customers		56,183,224	7,593,519	–	63,776,743
Segment assets by location of assets		160,800,808	13,333,680	(73,485,477)	100,649,011
Capital expenditure by location of assets		10,506,670	29,218	–	10,535,888

23. CONTINGENT LIABILITIES

	Group 2003 RM	2003 RM	Company 2002 RM
In respect of letters of guarantee issued by a bank to third parties (performance guarantee)	25,711,385	-	-
In respect of letters of guarantee issued by the Company to third parties (performance guarantee)	2,750,000	-	-

Included in the letters of guarantee issued by a bank to third parties is an amount of RM118,000 which is issued on behalf of a subsidiary company, Loong Fuat Engineering (JB) Sdn. Bhd.

24. COMMITMENTS

	Group 2003 RM	2003 RM	Company 2002 RM
Capital commitments:			
Property, plant and equipment			
Authorised but not contracted for	1,555,000	-	-
Contracted but not provided for in the financial statements	43,000	-	-

25. RELATED PARTIES

Controlling related party relationships are as follows:

- i) companies in which certain Directors have interests; and
- ii) its subsidiaries as disclosed in note 3.

Transactions with Directors

Significant transactions with Directors other than those disclosed elsewhere in the financial statements are as follows:

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	8.5.2002 to 31.12.2002 RM
Lew Mew Choi, a Director			
– rental expenses	273,000	-	-
Liew Kiam Woon, a Director			
– rental expenses	13,000	-	-
Transactions			
Companies in which Directors have interest:			
Kajang Rocks Quarry Sdn Bhd			
Purchases	21,055	-	-
Busway Industries Sdn Bhd			
Purchases	4,534	-	-
Labour charges paid	246,087	-	-
Megaduct Marketing Sdn Bhd			
Sales	571,548	-	-

25. RELATED PARTIES (CONT'D)

	Group 3.9.2003 to 31.12.2003 RM	Company Year ended 31.12.2003 RM	Company 8.5.2002 to 31.12.2002 RM
Transactions with subsidiaries			
Mayduct Technology Sdn Bhd			
Purchases	149,051	-	-
Rental expenses paid	17,500	-	-
Rental income receivable	70,000	70,000	-
LFE Engineering Sdn Bhd			
Rental income receivables	10,000	10,000	-

26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group and the Company's business. The Board of Directors reviews and agrees on policies for managing each of these risks and they are summarised as below.

Credit risk

Exposure to credit risk is monitored on an ongoing basis via the review of receivables' ageing.

At balance sheet date, there were no significant concentrations of credit risk other than 74% (2002 – Nil) of trade receivables being owed by ten trade receivables. The maximum exposure to credit risks for the Group and the Company were represented by the carrying amount of each financial asset.

Interest rate risk

Hedging

The Group and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group and Company's borrowings and deposits and is managed through the use of fixed and floating rates.

Foreign currency risk

The Group and the Company incur foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia and also from translation of the financial statements of the Company's foreign subsidiaries to Ringgit Malaysia. Exposure to foreign currency risks are monitored on an ongoing basis. The Group and the Company do not hedge their foreign currency risks.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	Effective interest rate per annum %	Total RM	2003		
			Within 1year RM	1 – 5 years RM	After 5 years RM
Financial assets					
Deposits placed with licensed banks	3.0	2,956,921	2,956,921	-	-

26. FINANCIAL INSTRUMENTS (CONT'D)

Group	Effective interest rate per annum %	Total RM	2003		
			Within 1 year RM	1 – 5 years RM	After 5 years RM
Financial liabilities					
Bank overdrafts – secured	7.6	(5,852,271)	(5,852,271)	–	–
Bankers' acceptances – unsecured	3.1	(1,104,365)	(1,104,365)	–	–
Term loan – secured	7.5	(3,442,018)	(1,242,653)	(2,199,365)	–
Trust receipts – unsecured	4.7	(1,296,699)	(1,296,699)	–	–

Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The Directors deemed the fair value of long term investment properties to approximate their carrying amount. The fair value of unquoted investments is not disclosed as the amount is insignificant in the context of the financial statements.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at 31 December are shown below:

Group	2003 Carrying amount RM	2003 Fair value RM
Financial assets		
Quoted shares	28,714,469	42,503,869
Deposits with licensed banks	2,956,921	2,956,921
Financial liabilities		
Bank overdraft – secured	(5,852,271)	(5,852,271)
Bankers' acceptances – unsecured	(1,104,365)	(1,104,365)
Term loan – secured	(3,442,018)	(3,442,018)
Trust receipts – unsecured	(1,296,699)	(1,296,699)

27. ACQUISITION OF SUBSIDIARIES

Acquisition

On 3 September 2003, the Company acquired all the shares in LFE Engineering Sdn. Bhd for a consideration of RM31,478,619 satisfied by issuance of 31,478,619 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share. The acquisition was accounted for using the acquisition method of accounting.

On 3 September 2003, the Company acquired 5,100 ordinary shares in Mayduct Technology Sdn. Bhd. for a purchase consideration of RM509,684 satisfied by issuance of 509,684 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share.

27. ACQUISITION OF SUBSIDIARIES (CONT'D)

The acquisitions had the following effect on the Group's assets and liabilities as at 31 December 2003.

	Acquisition 2003 RM
Non current assets	
Property, plant and equipment	8,824,969
Intangible assets	587,872
Investments in property	1,520,053
Investment in associates	4,783,016
Other investments	15,919
Deferred expenditure	447,894
Deferred tax assets	1,054,111
	<hr/>
	17,233,834
Current assets	92,096,169
Current liabilities	(62,692,127)
Long term liabilities	(5,110,987)
	<hr/>
Net assets	41,526,889
Minority interest	(1,022,483)
Negative goodwill on acquisition	(8,516,103)
	<hr/>
Purchase price	31,988,303
Consideration satisfied by issuance of shares	(31,988,303)
Bank overdraft acquired	(4,859,887)
	<hr/>
Net cash outflow	(4,859,887)
	<hr/>

28. CHANGE IN ACCOUNTING POLICIES

In the current financial year, the Company adopted MASB 25, Income Taxes and MASB 29, Employee Benefits retrospectively. The adoption of these Standards has no material impact on the financial statements.

analysis of shareholdings

as at 28 April 2004

SHARE CAPITAL

Authorised share capital	:	RM100,000,000.00
Issued and paid-up share capital	:	RM52,000,002
Class of Shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	980

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of shareholders	%	Shareholdings	%
Less than 100	3	0.31	154	0.00
100 to 1,000	495	50.51	348,600	0.67
1,001 to 10,000	348	35.51	1,517,200	2.92
10,001 to 100,000	85	8.67	2,606,400	5.01
100,001 to less than 5% of issued shares	43	4.39	16,732,327	32.18
5% and above of issued shares	6	0.61	30,795,321	59.22
Total	980	100.00	52,000,002	100.00

SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Shareholdings		Note	%
	Direct	Indirect		
Lew Mew Choi	8,195,738	8,557,521	1	32.22
Ramli Bin Abu Kasim	–	11,557,521	2	22.23
Kekal Jaya Holdings Sdn Bhd	8,557,521	–	–	16.46
Soong Moi @ Song Mou	–	8,557,521	3	16.46
Liew Meow Nyeau	710,549	7,605,562	4	15.99
HSBC Holdings PLC	5,125,400	–	8	9.86
Liew Kiam Woon	133,843	4,605,562	5	9.11
Chang Lau Hoi @ Chang Sow Lan	–	4,605,562	6	8.86
Kekal Jaya Ventures Sdn Bhd	3,000,000	–	–	5.77
Eminent Builders Sdn Bhd	3,000,000	–	–	5.77
Abdul Rahim Bin Achmed	–	3,000,000	7	5.77

Notes 1 to 7 : Indirect interest pursuant to Section 6A of the Companies Act, 1965

Note 8 : Held by HSBC Trustees (Malaysia) Berhad for unit trust funds

DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

In The Company

Name	Direct	Shareholdings %	Indirect	%	Note
Dato' Hamzah Bin Zainudin	–	–	–	–	–
Lew Mew Choi	8,195,738	15.76	8,557,521	16.46	1
Liew Meow Nyeau	710,549	1.37	7,605,562	14.63	2
Ramli Bin Abu Kasim	–	–	11,557,521	22.23	3
Liew Kiam Woon	133,843	0.26	4,605,562	8.86	4
Cheong Thiam Fook	–	–	–	–	–
Chin Soong Jin	–	–	–	–	–
Chung Tack Soon	–	–	–	–	–
Tong Hock Sen	–	–	–	–	–

Note 1 to 4 : Indirect interest pursuant to Section 6A of the Companies Act, 1965

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Kekal Jaya Holdings Sdn Bhd	8,557,521	16.46
2.	Lew Mew Choi	8,038,738	15.46
3.	Liew Meow Nyeau Realty Sdn Berhad	4,605,562	8.86
4.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust</i>	3,593,500	6.91
5.	Eminent Builders Sdn Bhd	3,000,000	5.77
6.	Kekal Jaya Ventures Sdn Bhd	3,000,000	5.77
7.	Liberty Spear (M) Sdn Bhd	2,585,381	4.97
8.	Ekuiti Rancak Sdn Bhd	1,650,000	3.17
9.	Lee Muk Siong	1,500,000	2.88
10.	Lan Geok Nam @ Tan Geok Nam	924,501	1.78
11.	Liew Meow Nyeau	710,549	1.37
12.	HLG Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kee Ju-Hun</i>	500,000	0.96
13.	Allianz Life Insurance Malaysia Berhad	463,500	0.89
14.	Allianz Life Insurance Malaysia Berhad	446,700	0.86
15.	On Hai Swee	401,768	0.77
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>UBS AG Singapore for JKC & Partners Corporation</i>	400,000	0.77
17.	M.I.T Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kee Ju-Hun</i>	400,000	0.77
18.	Pat Yaw Ooi @ But Yew Oi	365,370	0.70
19.	Bumiputra–Commerce Trustee Berhad <i>RHB Malaysia Recovery Fund</i>	350,000	0.67
20.	Ong Bee Bee	350,000	0.67
21.	Allianz Life Insurance Malaysia Berhad	329,300	0.63
22.	Razman MD Hashim Bin Che Din Md Hashim	300,000	0.58
23.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Hwang-DBS Select Balanced Fund</i>	283,000	0.54
24.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Income Fund</i>	280,000	0.54
25.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Mayban Value Trust Fund</i>	265,300	0.51
26.	Allianz General Insurance Malaysia Berhad	263,700	0.51
27.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Balanced Fund</i>	261,000	0.50
28.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Mayban Ethical Trust Fund</i>	248,800	0.48
29.	BHLB Trustee Berhad <i>TA Comet Fund</i>	240,000	0.46
30.	BBMB Securities Nominees (Asing) Sdn Bhd <i>ECM Libra Securities Limited for Asia New Economy Fund</i>	229,900	0.44
	Total	44,544,090	85.65

list of properties

as at 31 December 2003

Title/ Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area of building sq. ft.	Age of building / land (years)	NBV as at 31-12-2003 RM	Date of revaluation / *Date of Acquisition
H.S. (M) 12069 Lot PT No. 7142 in Taman Cahaya Ampang, 5th Mile Jalan Ampang Kuala Lumpur	4 storey light industrial building (Currently rented out to Sun Industries Sdn Bhd for a monthly rental of RM7,350. Tenure : 01.01.02 to 31.12.03)	Leasehold: 99 years, expiring on 19.04.2082	2,800	2,800	19	750,000	18.04.03
H.S.(M) 71479 Lot 130 (formerly known as Q.T.(R) 6841, Lot 130) in Mukim of Petaling, Known as No. A49 Jalan Tuanku, 4, Salak South Garden, Jalan Sungei Besi, Kuala Lumpur	2 storey shoptot/ business office of LFEE	Freehold	1,600	1,600	36	276,184	22.04.03
Lot A144, H.S.(D) 9548, P.T. No. 13171 in the Mukim of Bentong, Daerah Bentong, Negeri Pahang	Agricultural land, for investment purposes	Leasehold for a period of 99 years expiring on 4.06.2094	59,465	Not applicable	Not applicable	470,154	30.01.01
Bungalow Lot No. 253 (Phase 1A) Bandar Tasik Puteri Kundang on land held under Master No. H.S.(M) 9231, P.T. No. 23803, Gombak, Mukim of Rawang	Bungalow land, for investment purposes	Leasehold; for a term of 99 years, expiring on 17.12.2099	11,550	Not applicable	Not applicable	340,096	16.05.00
Block D, first floor Phase 7E, Bukit Rahman Putra erected on land held under Master Title H.S. (D) 94710 P.T. No. 28632 in Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan	Freehold shoptot, for investment purposes	Freehold	1,650	1,360	3	213,886	19.12.01
Serdang Perdana, Phase 1, Unit B-G-07, G-Storey, Building No. B erected on land held Master Title H.S. (D) 103045 P.T. No. 35940 in the Mukim of Petaling, District of Petaling, Selangor Darul Ehsan	4 storey shop apartment for investment purposes	Leasehold; for a period of 99 years, expiring in April 2195	–	124.86 sq meters	Partly constructed	251,927	* 8.12.00

Title/ Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area of building sq. ft.	Age of building / land (years)	NBV as at 31-12-2003 RM	Date of revaluation / *Date of Acquisition
Lot 1616 on land held under H.S.(D) 32183 P.T. No. 20038 (Previously held under Pajakan Negeri 5325, Lot No. 1571), in the Mukim of Rawang, District of Gombak in the State of Selangor Darul Ehsan	Single storey house for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	149 sq. meters	1,212	3	95,637	*26.02.99
Lot 1648 on land held under H.S.(D) 32183 P.T. No. 20038 (Previously held under Pajakan Negeri 5325, Lot No. 1571), in the Mukim of Rawang, District of Gombak in the State of Selangor Darul Ehsan	Single Storey house for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	149 sq. meters	1,600	3	95,637	*26.02.99
Lot 26-329 land held under H.S (D) 32209 P.T No. 20064 in the Mukim of Rawang District of Gombak in the State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	1,040	1,200	3	121,491	*1.10.01
Lot 27-441 land held under H.S (D) 32210 P.T 20065 in the Mukim of Rawang District of Gombak in the State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	97 sq meter	1,200	3	126,214	*16.10.01
Lot 27-347 land held under H.S (D) 32210 P.T No 20065 in the Mukim of Rawang, Daerah of Gombak, State of Selangor	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	97 sq meter	1,200	3	127,150	*10.10.01
Unit No. 2004 Kerry Everbright City Tower II, Shanghai, China	City apartment for Investment (Currently rented out to Shanghai Yik Hai Electrical Limited for a monthly rental of RMB6,000. Tenure: 05.07.03 to 04.07.04)	Leasehold, for a term of 50 years expiring on 23.09.2042	–	130.45 sq meter	5	199,039 (USD)	*22.12.98
Unit No. 2005 Kerry Everbright City Tower II, Shanghai, China	City apartment for investment (currently rented out to Shanghai Yik Hai Electrical Limited for a monthly of RMB4,600. Tenure: 15.11.03 to 14.11.04)	Leasehold, for a period of 50 years, expiring on 23.09.2042	–	90.64 sq meter	5	138,243 (USD)	*22.12.98

Title/ Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area of building sq. ft.	Age of building / land (years)	NBV as at 31-12-2003 RM	Date of revaluation / *Date of Acquisition
Unit No. 2006 Kerry Everbright City Tower II, Shanghai, China	City apartment for investment	Leasehold, for a period of 50 years, expiring on 23.09.2042	–	61.36 sq meter	5	91,751 (USD)	*22.12.98
Parcel No. C-15-NL, Storey No. 15, i-Zen@Kiara II, Geran No. 5354, Lot No. 21755 in the Mukim of Batu, District of Kuala Lumpur and State of Wilayah Persekutuan	High-rise service residence	Freehold	–	1,559	(Under construction)	511,365	*1.10.02
Parcel No. C-20-NL, Storey No. 20, i-Zen@Kiara II, Geran No. 5354, Lot No. 21755 in the Mukim of Batu, District of Kuala Lumpur and State of Wilayah Persekutuan	High-rise service residence	Freehold	–	1,552	(Under construction)	526,473	*1.10.02
Lot 28-300 land held under H.S (D) 32211 P.T No. 20066 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	104 sq meter	1,200	3	121,491	*1.10.01
Lot 27-431 land held under H.S.(D) 32210 P.T. No 20065 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	97 sq meter	1,200	3	123,583	*16.10.01
Lot 16-015 land held under H.S(D) 32202 P.T. No. 20057 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	108.97 sq meter	1,380	2	160,708	*17.06.02
Lot 16-340 land held under H.S(D) 32202 P.T No. 20057 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	1,173	1,380	2	160,708	*1.07.02

Title/ Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area of building sq. ft.	Age of building / land (years)	NBV as at 31-12-2003 RM	Date of revaluation / *Date of Acquisition
Lot 16-571 land held under H.S(D) 32202 P.T No. 20057 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	269 sq meter	1,566	2	190,487	*17.06.02
Lot 8-106 land held under H.S(D) 32195 P.T No. 20050 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	309.92 sq meter	1,555	2	197,754	*17.06.02
Lot 8-107 land held under H.S(D) 32195 P.T No. 20050 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	350.89 sq meter	1,566	2	205,081	*17.06.02
Lot 8-154 land held under H.S(D) 32195 P.T No. 20050 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Double storey link house, for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	365.84 sq meter	1,566	2	213,871	*17.06.02
Unit F1-2-33A land held under H.S(D) 32195 P.T No. 20050 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Apartment for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	–	624	2	62,335	*17.06.02
Unit F2-2-37 land held under H.S(D) 32195 P.T No. 20050 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Apartment for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	–	667	2	65,257	*28.06.02
F2-2-82 land held under H.S(D) 32195 P.T No. 20050 in the Mukim of Rawang District of Gombak State of Selangor Darul Ehsan	Apartment for investment purposes	Leasehold, for a period of 99 years, expiring on 11.07.2060	–	667	2	65,257	*17.06.02
Lot 993, land held under title Geran Mukim 1388, (formerly EMR 3253), Mukim of Cheras, District of Hulu Langat, State of Selangor	3-storey administrative office building and a single-storey factory, business office of LFEE and Mayduct	Freehold	153,399	50,427	3	10,216,523	11.06.02

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form of proxy



Since 1967

LFE Corporation Berhad (579343-A)

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 SECOND ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at the Raya Room, Level 2, Hotel Equatorial Bangi, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Monday, 28 June 2004 at 9.00 a.m. and at any adjournment thereof.

I / We direct my / our proxy to vote (see Note 4 herein) for or against the resolutions to be proposed at the Meeting as indicated hereunder :-

		For	Against
Ordinary Resolution 1	Consolidated Audited Financial Statements		
Ordinary Resolution 2	Payment of First and Final Dividend		
Ordinary Resolution 3	Approve payment of Directors' Fees		
	Re-election of Directors :-		
Ordinary Resolution 4	• Lew Mew Choi		
Ordinary Resolution 5	• Dato' Hamzah Bin Zainudin		
Ordinary Resolution 6	• Ramli Bin Abu Kasim		
Ordinary Resolution 7	• Liew Kiam Woon		
Ordinary Resolution 8	• Cheong Thiam Fook		
Ordinary Resolution 9	• Chin Soong Jin		
Ordinary Resolution 10	• Chung Tack Soon		
Ordinary Resolution 11	• Tong Hock Sen		
Ordinary Resolution 12	Re-appointment of Auditors		
Ordinary Resolution 13	Authority For Directors To Allot And Issue Shares		

Dated this _____ day of _____ 2004.

No. of Shares Held

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) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company and Sections 149 (1) (a) and (b) of the Companies Act, 1965 shall not apply.
2. This Form of Proxy, in the case of an individual, must be signed by the appointor or by his attorney duly authorised in writing and in the case of a body corporate, it must be given under its common seal or signed on its behalf by an attorney or officer of the body corporate duly authorised in writing.
3. 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 100 shares held by the member.
4. Please indicate with an X in the appropriate column as to how you wish your proxy to vote [For or Against on] each resolution. If this Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
5. This Form of Proxy must be deposited at the Company's Registered Office, Wisma LFE, Lot 993, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

Fold along this line

Affix
Stamp

The Company Secretary
LFE Corporation Berhad
Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia

Fold along this line

LFE Corporation Berhad 579343-A

Wisma LFE Lot 993, Off Jalan Balakong

43300 Balakong, Seri Kembangan

Selangor Darul Ehsan, Malaysia

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