



LFE Corporation Berhad
(579343-A)



strategically poised for **GROWTH**

LFE Corporation Berhad (579343-A)

Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-89958888
Fax : 603-89610042

annual report **2004**

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notice of third annual general meeting

NOTICE IS HEREBY GIVEN THAT THE THIRD ANNUAL GENERAL MEETING OF LFE CORPORATION BERHAD ("THE COMPANY") WILL BE HELD AT THE HANG JEBAT ROOM, LEVEL 3, MINES BEACH RESORT & SPA, JALAN DULONG, MINES BEACH RESORT CITY, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN, MALAYSIA ON MONDAY, 27 JUNE 2005 AT 10.00 A.M. TO TRANSACT THE FOLLOWING BUSINESSES:-

ORDINARY BUSINESS

1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2004 and the Reports of the Directors and Auditors thereon.

Ordinary Resolution 1

2. To approve payment of Directors' fees totaling RM114,000 for the financial year ended 31 December 2004.

Ordinary Resolution 2

3. To re-elect the following Directors who retire by rotation pursuant to Article 84 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:-

3.1 Liew Kiam Woon

Ordinary Resolution 3

3.2 Chung Tack Soon

Ordinary Resolution 4

3.3 Tong Hock Sen

Ordinary Resolution 5

4. To re-appoint Messrs KPMG as Auditors of the Company and who shall 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 6

SPECIAL BUSINESS:

To consider, and if thought fit, to pass the following ordinary resolution:-

5. 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 new ordinary shares of RM1.00 each 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 and paid-up 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 7

BY ORDER OF THE BOARD

Ng Wai Peng (MAICSA 7014112)
Secretary

Selangor Darul Ehsan, Malaysia
3 June 2005

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 Securities Berhad is set out in the Statement Accompanying The Notice Of Annual General Meeting.

3. Explanatory Notes on Special Business

Ordinary Resolution 7

The proposed Ordinary Resolution 7, if passed, will empower the Board of Directors to allot and issue new ordinary shares of RM1.00 each up to ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such shares for such purposes and upon such terms as the Directors consider would be in the best 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. DIRECTORS STANDING FOR RE-ELECTION

- * Liew Kiam Woon
- * Chung Tack Soon
- * Tong Hock Sen

2. THE DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Five (5) Board Meetings were held during the financial year ended 31 December 2004, the details of attendance are as follows:-

No.	Name of Director	Total No. of Meetings Attended	% of Attendance
1.	Dato' Hamzah Bin Zainudin	5	100
2.	Lew Mew Choi	5	100
3.	Liew Meow Nyeen	4	80
4.	Ramli Bin Abu Kasim	5	100
5.	Liew Kiam Woon	5	100
6.	Chin Soong Jin	5	100
7.	Chung Tack Soon	5	100
8.	Tong Hock Sen	4	80

Note: An Executive Director who has resigned from the Board during the financial year has been excluded.

3. DATE, TIME AND PLACE OF THE BOARD MEETINGS

No.	Date	Time	Place
1.	24 February 2004	03.35 pm	Selangor
2.	15 April 2004	11.30 am	Selangor
3.	14 May 2004	04.15 pm	Selangor
4.	24 August 2004	04.30 pm	Selangor
5.	24 November 2004	04.05 pm	Selangor

4. DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

No.	Name of Director	No. of Shares held as at 30 April 2005	
		The Company Direct & Indirect	Subsidiary Companies
1.	Liew Kiam Woon	4,739,405	—
2.	Chung Tack Soon	—	—
3.	Tong Hock Sen	—	—

Profile of the Directors standing for re-election are outlined in pages 9 and 10 of this annual report.

group structure

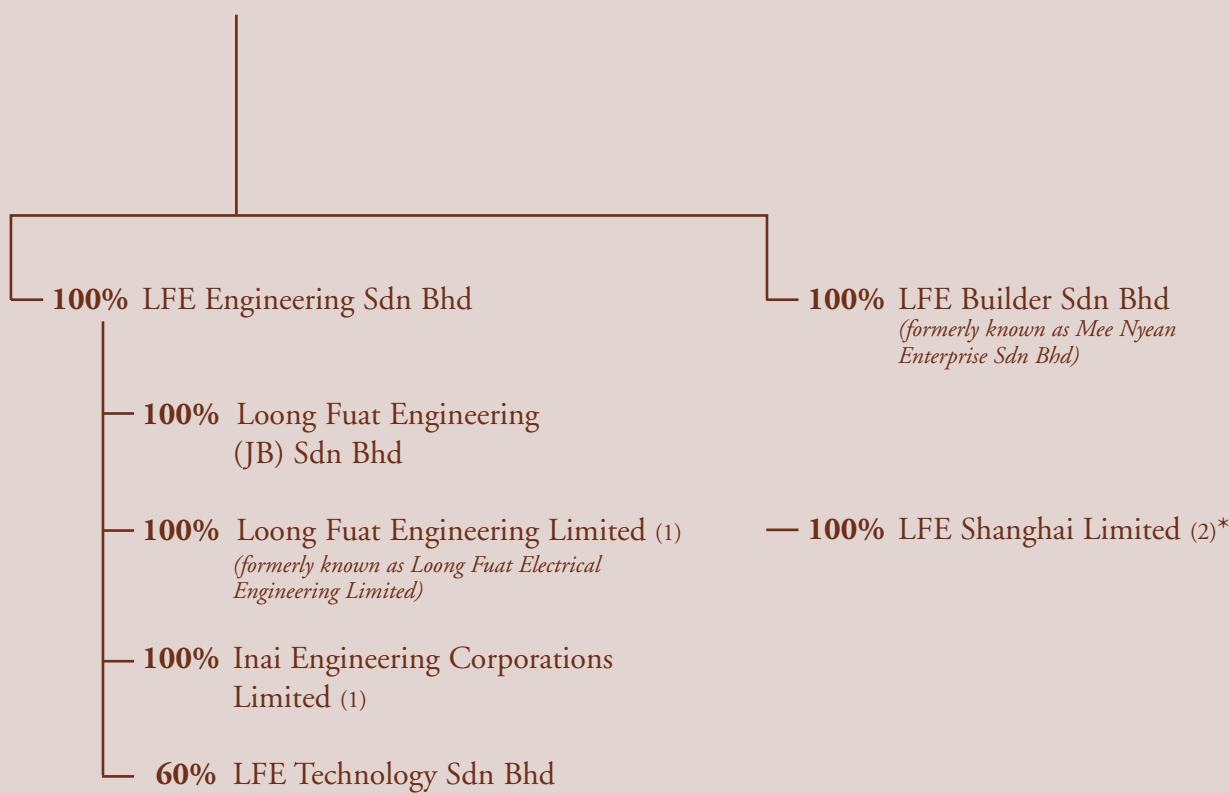
– as at 30 April 2005



Since 1967

LFE Corporation Berhad

(579343-A)



Note:

(1) Incorporated in The British Virgin Islands

(2) Incorporated in The People's Republic of China

* English translation of Chinese Company Name

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
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
Tong Hock Sen
Chin Soong Jin

SECRETARY

Ng Wai Peng (MAICSA 7014112)

REGISTERED OFFICE

Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-89958888
Fax : 603-89610042

PRINCIPAL OFFICES

Kuala Lumpur, Malaysia
Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-89958888
Fax : 603-89610042
Email : lfe@lfe.com.my

Johor Bahru, Malaysia
No. 43, Jalan Molek 2/30
Taman Molek
81100 Johor Bahru, Malaysia
Tel : 607-3539817
Fax : 607-3515887
Email : akk@lfe.com.my

China

Room 2806, Tower 1
Kerry Everbright City
218, Tian Mu West Road
Zhabei District, Shanghai
200070, China
Tel : +8621-63176786
Fax : +8621-63535792
Email : lfesh@lfe.com.my

United Arab Emirates

Appt No. 203, Kanoo Building
Trade Centre Road
Plot No. 53/1, Dubai
United Arab Emirates

Vietnam

BITEXCO Building
15th Floor, 19-25, Nguyen Hue
District 1
Ho Chih Minh City
Vietnam

REGISTRARS

Symphony Share Registrars Sdn. Bhd.

Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603-27212222
Fax : 603-27212530

AUDITORS

KPMG

Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel : 603-20953388
Fax : 603-20950971

PRINCIPAL BANKERS

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

LISTING

Second Board of Bursa Malaysia
Securities Berhad ("Bursa Securities")
Stock Name : LFECORP
Stock Code : 7170

from left to right:

Dato' Hamzah Bin Zainudin
Liew Kiam Woon
Chung Tack Soon

Liew Meow Nyeen
Ramli Bin Abu Kasim
Tong Hock Sen

Lew Mew Choi
Chin Soong Jin



BOARD OF DIRECTORS



profile of directors

DATO' HAMZAH BIN ZAINUDIN

Chairman and Independent Non-Executive Director
Chairman of Audit Committee

Dato' Hamzah bin Zainudin, a Malaysian, aged 48, 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 University Technology 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 of The Perak State Development Corporation) as its General Manager from 1980 to 1984. He ventured into private business in 1989 and currently sits on the board of several public companies listed on Bursa Securities namely Asian Pac Holdings Berhad, Evermaster Group Berhad and Hexagon Holdings Berhad. He is also currently a Senator in Malaysia's Dewan Negara (Senate), Chairman of Hexagon Holdings Berhad, Chairman of Evermaster Group Berhad and Chairman of Felcra Berhad (the Federal Land Consolidation and Rehabilitation Authority that oversees land management and development of agricultural land owned by the State and individuals).

He has attended all of the 5 Board Meetings held during the financial year. 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. He has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

LIEW MEOW NYEAN

Non-Executive Director

Mr Liew Meow Nyeon, a Malaysian, aged 69, 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. He was certified as a competent 'Wireman Nil' in 1965. With the invaluable hands-on experience that he has acquired in electrical installations over the years, he set up his own electrical contracting business in 1967 called Loong Fuat Electrical Company ("Loong Fuat") as a sole proprietorship which he later sold to LFEE in 1975. He is currently not a director of any other public company.

He has attended 4 out of the 5 Board Meetings held during the financial year. He is also a substantial shareholder of the Company. His wife, Mdm Chang Lau Hoi @ Chang Sow Lan is a substantial shareholder of the Company, his son, Mr Liew Kiam Woon, is an Executive Director and a substantial shareholder of the Company and his brother, Mr Lew Mew Choi, is the Managing 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.

LEW MEW CHOI

Managing Director

Mr Lew Mew Choi, a Malaysian, aged 61, 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 Engineering Limited. He joined Loong Fuat in 1967 to assist his brother, Mr Liew Meow Nyeon, in the day-to-day operations of Loong Fuat. With the hands-on experience that he has gained in electrical installations for infrastructure, residential and commercial developments, he was promoted to the position of Managing Director of LFEE in 1975. He is currently not a director of any other public company.

He has attended all of the 5 Board Meetings held during the financial year. He is also a substantial shareholder of the Company. His wife, Mdm Soong Moi @ Song Mou is a substantial shareholder of the Company, his brother, Mr Liew Meow Nyeon, is a Non-Executive Director and a substantial shareholder of the Company and his nephew, Mr Liew Kiam Woon is an 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.

LEW KIAM WOON

Executive Director

Mr Liew Kiam Woon (Kenneth), a Malaysian, aged 42, 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 and has completed a basic mechanical and electrical 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 for 3 years. He then joined LFEE in 1990 as a Project Coordinator and has since then progressed himself to his current position. Currently, he also sits on the board of Sunway Infrastructure Berhad, a public company listed on the Main Board of Bursa Securities and is a Council Member of Master Builders Association Malaysia.

He has attended all of the 5 Board Meetings held during the financial year. He is also a substantial shareholder of the Company. His father, Mr Liew Meow Nyeon, is a Non-Executive Director and a substantial shareholder of the Company, his mother Mdm Chang Lau Hoi @ Chang Sow Lan is a substantial shareholder of the Company and his uncle Mr Lew Mew Choi is the Managing 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

Non-Executive Director

Encik Ramli bin Abu Kasim, a Malaysian, aged 56, 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.

He has attended all of the 5 Board Meetings held during the financial year. 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 managing director of Rayton which is carrying on a business that is similar to some of the Group's businesses, he has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

CHIN SOONG JIN

Executive Director

Member of Audit Committee

Mr Chin Soong Jin (Kevin), a Malaysian, aged 38, 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. He graduated from Monash University, Melbourne in 1990 with a double degree in Bachelor of Economics (Accountancy) and Bachelor of Laws. He started his career 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) for two and a half years until 1994. Thereafter, he joined the corporate finance department of RHB Sakura Merchant Bankers Berhad for a period of 6 years until he left and joined the LFE Group in 2000. He is currently not a director of any other public company.

He has attended all of the 5 Board Meetings held during the financial year. 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.

CHUNG TACK SOON

Independent Non-Executive Director

Member of Audit Committee

Mr Chung Tack Soon, a Malaysian, aged 43, 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 until 1991. Subsequently, he joined Commerce International Merchant Bankers Berhad as a merchant banker from 1991 to 1994 and was seconded to its stockbroking subsidiary, CIMB Securities Sdn Bhd from 1994 to 1995. In 1995, he assumed the position of Senior Vice President in K&N Kenanga Bhd until 1999 and left to join E-One Thousand Dot Com Sdn Bhd as its Chief Operating Officer from 1999 to 2001. Currently, 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.

He has attended all of the 5 Board Meetings held during the financial year. 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

Independent Non-Executive Director

Member of Audit Committee

Mr Tong Hock Sen (John), a Malaysian, aged 37, was appointed as an Independent Non-Executive Director of the Company on 15 September 2003 and appointed as a member of the Company's Audit Committee on 5 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 at Messrs. Kiru & Yong. In 1994, he joined the legal department of the Sunway Group of Companies ("Sunway Group"). 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 at Messrs Susie See, Norbaya & Cheah. 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.

He has attended 4 out of the 5 Board Meetings held during the financial year. 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.

chairman's statement



Dear Shareholders,

On behalf of the Board of Directors of LFE Corporation Berhad ("LFE" or "the Company"), I am pleased to present the Annual Report and Financial Statements of the Company for the financial year ended 31 December 2004.

OPERATING ENVIRONMENT AND BUSINESS REVIEW

2004 was a challenging year for the LFE Group ("the Group"). The operating environment for the Group's electrical and mechanical engineering ("M&E") core business which are related to the local construction industry was not favourable throughout the past year. New construction opportunities were scarce as was reflected by the low level of order book amongst some local construction companies. This inadvertently translated into lesser opportunities for the M&E service sector.

The construction industry was further affected by the continued decline in the government's spending on large public infrastructure projects over the preceding 2 years. Although the Malaysian economy has been on a positive growth trend, the construction sector registered a contraction by 1.9% in 2004.

Apart from the lower amount of new jobs secured, the Group's performance was adversely affected mainly by the rising costs of construction materials such as copper and steel which placed some strain on our operating margins. The global economy, under pressure due to increase in crude oil prices, had an adverse effect on the Malaysian economy, particularly in the construction sector, and this was further exacerbated by the deportation of foreign workers from Malaysia.

FINANCIAL REVIEW

Like other M&E companies, the LFE Group has been affected by the availability of fewer local projects. For the financial year under review, the Group registered consolidated revenue of RM 101.7 million as compared to the proforma revenue of RM 151.5 million in the preceding financial year. In terms of profitability, the Group achieved a significantly lower pre-tax profit of RM 1.2 million as compared with the proforma pre-tax profit of RM 14.3 million a year ago. The Group's loss after taxation and minority interest was at RM 1.5 million as compared to profit after taxation and minority interest of RM 11.2 million for the previous financial year. The Group's total shareholders' funds as at 31 December 2004 contracted to RM 64.3 million from RM 68.4 million as at 31 December 2003.

Apart from the decline in revenue which is due to lower public sector construction activities especially infrastructure projects, lower profitability for the LFE Group was attributed to increase in overhead costs, higher financing costs and under provision of taxation in prior years

DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 December 2004 due to the losses suffered by the Group. Nevertheless, our directions and priorities remain clear and we will continue to increase our business focus to consolidate and strengthen our financial and market position. We are determined to reward our shareholders with increased long term value and returns in the coming years.

FUTURE PROSPECTS

The Malaysian economy is projected to grow by 5% to 6% in 2005. However, construction activities in 2005 are anticipated to contract further due to lower civil engineering activity following the completion of several privatised projects as well as lower government spending on new large infrastructure projects. Nevertheless, we are hopeful that the government's initiatives to revive the construction industry vide the implementation of public infrastructure projects in 2005 will augur well locally for the LFE Group.



On the domestic front, our business development efforts will continue to focus on large scale, complex projects with high engineering content and to maintain participation in our traditional business of providing M&E services to commercial and residential developments. We anticipate limited opportunities for large scale, complex projects in 2005. Nonetheless, we will participate, and are participating in tenders for large-scale projects as and when they emerge. In addition, we will also focus on marketing to our existing clients and key industry players and influencers with the aim of positioning ourselves well for new opportunities that are expected as the industry outlook is forecasted to improve with the commencement of the 9th Malaysia Plan in 2006.

To improve the Group's results, whilst focusing on core competencies, the Group has been continuously seeking opportunities to expand our M&E operations abroad. Our coverage includes the Middle East, South East Asia and China which are experiencing rapid growth. This strategy is also in response to our government's call to look beyond local shores for business. Presently, approximately 23.8% of the Group's total revenue is derived from our overseas operations. Moving forward, we are expecting contribution from our overseas operations to increase substantially in the near future.

Recently, we have been awarded a contract to supply, install, test, commission and maintain the M&E system for The Manor luxury apartments project in Hanoi, Vietnam. Meanwhile, we are also in the process of negotiating for substantial contracts from the same client. This is expected to be a good starting point for the Company to penetrate the Indochina market.

The LFE Group has an established presence in China for the past 12 years. In 2004, we have been actively participating in pre-qualification, tendering and negotiating for infrastructure projects and international hotel projects in China. In the Middle East, where construction activities are booming, we have, in 2004, positioned ourselves in Qatar and United Arab Emirates, and have started bidding for some mid-sized projects in these 2 countries.

Our drive to expand our business overseas will be pursued in a focused and strategised manner to minimise the inherent risks of going international. We will participate in overseas projects by forming strategic alliances with or by tapping the strength of either Malaysian companies or foreign parties to support our market entry. By adopting this strategy, we will be able to compete with the more experienced international contractors.

The Group had, during the financial year, begun prospecting for joint venture opportunities to penetrate into the property development sector. The property market is expected to remain buoyant in view of attractive borrowing rates and end-financing packages offered by financial institutions whilst the young population demographics, rising affluence and demand for better quality of life is expected to sustain consumer sentiment.

In the long term, the Group will always be on the look out for feasible investment opportunities which could bring synergy and profitability to the Group.

With this, we remain optimistic to meet the business challenges ahead and expect to weather through the difficult environment currently faced by the local construction and M&E sectors.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express my appreciation to the Management and staff of the LFE Group for their commitment and dedication. The progress and success of the Group is reflective of the team effort of our employees and the Management. I look forward to their team spirit and efforts in bringing the Group to greater heights in 2005 and beyond.

Last but not least, I would also like to thank our customers, business partners, financiers, advisers, government authorities and particularly to our valued shareholders for your continuing support.

Dato' Hamzah Bin Zainudin
Chairman

corporate governance statement

The Board of Directors ("the Board") of LFE Corporation Berhad ("the Company" or "LFE") is committed to upholding the sound principles of corporate governance within the LFE Group ("the Group"), which are critical to building and enhancing long-term shareholders' value.

In view of this, the Board is pleased to report in this statement the manner in which the Group has applied the principles of good governance and the extent of compliance with the best practices set out in Part 1 and 2 of The Malaysian Code on Corporate Governance ("Code") throughout the financial year ended 31 December 2004.

1. BOARD OF DIRECTORS

1.1 Board Composition

The Company is led by an experienced Board comprising members with diverse qualifications and experience in a wide range of fields such as entrepreneurship, business management, corporate finance, accounting, legal, property development as well as those with long extensive hands-on experience in the mechanical and electrical engineering business.

The Board currently has eight (8) members comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors, two (2) Non-Executive Directors and two (2) Independent Non-Executive Directors, thus complying with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for a minimum of one-third of the Board to be independent directors.

One (1) Executive Director who was overseeing the Company's manufacturing subsidiary has resigned from the Board during the financial year due to the Company's divestment of the manufacturing subsidiary.

The Board believes that its existing composition has the required collective skills for the Board to provide clear and effective leadership for the Group. Brief descriptions of the background of each of the Directors are presented on pages 8 to 10 of this annual report.

1.2 Board Balance

There is a clear division of responsibility between the Chairman and the Managing Director of the Company in order to maintain a balance of control, power and authority. The Board is currently led by an Independent Non-Executive Chairman who is primarily responsible for the orderly conduct and working of the Board. The Managing Director together with the two (2) Executive Directors, who collectively constitute "the Management", will be responsible for the making of day-to-day business and operational decisions and implementation of Board policies.

The Independent Non-Executive Directors play a key supporting role, contributing their skills and knowledge in all major matters and issues referred to the Board for consideration and approval. Their role is particularly important in ensuring that matters proposed by the Management to the Board will be fully discussed and examined, taking into account the long term interest of the Company's minority shareholders. Their responsibilities and contributions will provide an element of objectivity, independent judgement and balance on the Board. All three (3) of the Independent Non-Executive Directors including the Chairman are not members of the Management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Although the Code recommends to identify a Senior Independent Non-Executive Director ("SINED") to whom matters may be conveyed, the Board is of the opinion that it is not necessary to identify a SINED since the Chairman who is an Independent Non-Executive Director encourages full deliberation of issues affecting the Group by all members of the Board.

1.3 Board Responsibilities

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

1.4 Board Meetings

There were five (5) Board Meetings held during the financial year. The Board had, at the Board meetings, deliberated and considered a variety of matters including amongst others, the Group's financial results before release to Bursa Securities, the Group's overall performance, recurrent related party transactions and business development activities and strategies. Details of attendance of each of the Director at the Board meetings are disclosed under their respective profiles on pages 8 to 10 of this annual report. All of the Directors have met the minimum 50% attendance at Board meetings during a financial year as required under the Listing Requirements of Bursa Securities. In addition, the Board exercised control on matters that required the Board's approval during the intervals between the scheduled Board meetings through the circulation of Directors' Circular Resolutions prepared from time to time by the company secretary.

1.5 Board Committee

The Board has delegated certain of its responsibilities to the Audit Committee ("AC") in order to enhance business and operational efficiency and to comply with the Listing Requirements of Bursa Securities as well as in line with the best practices prescribed in the Code. The AC functions in accordance with its terms of reference set out by the Board. The AC comprises three (3) Independent Non-Executive Directors and one (1) Executive Director and the Chairman of the AC reports the outcome of the AC meetings to the Board. Information on the AC and its activities during the financial year are presented in the Audit Committee Report on pages 17 to 19 of this annual report.

1.6 Supply of Information

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

1.7 Appointments to the Board

The Code endorses as a good practice, a formal procedure for appointments to the Board based on the recommendation of a nomination committee. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that this responsibility be delegated to a committee. In place of a nomination committee, the Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company ("the Articles") and in compliance with all legal and regulatory obligations. Any nomination for the appointment of any new Director will be proposed to the Board and the final decision on the suitability and appointment of any new Director lies with the entire Board. The Board, as a whole, will ensure that the resulting mix of experience and expertise of Board members is sufficient to address issues relating to the Group. There were no appointment of additional members to the Board during the financial year.

1.8 Re-election of Directors

According to the Articles, any Director who is appointed during the year shall retire at the Company's annual general meeting following his appointment and one-third of the Board who do not retire as aforesaid, will retire by rotation at every annual general meeting. The Articles further provide that every Director is subject to retirement once in every three (3) calendar years and all retiring Directors are eligible for re-election. All of the Directors who are retiring by rotation at the Company's Third Annual General Meeting are eligible for re-election and have offered themselves for re-election.

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

1.9 Directors' Training

All of the Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities during the financial year. The Board acknowledges the importance of continuous education to further equip themselves and to keep abreast with relevant developments in corporate matters as well as industry practices for them to discharge their duties more effectively. As such, they will, as the case may be, continue to attend the training courses under the Continuing Education Programme ("CEP") prescribed by Bursa Securities to ensure that they obtain the required seventy-two (72) CEP points by 31 December 2005 or attend the relevant training programmes as they deem appropriate.

2. DIRECTORS' REMUNERATION

The Board adopts a formal and transparent procedure to assess and determine the remuneration packages offered by the Group to individual Directors. The Group has adopted the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the caliber needed to run the Group successfully.

In general, the component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular Non-Executive Director.

Following a review of the need to establish a remuneration committee as recommended by the Code, the Board concluded that the determination of Directors' remuneration is a matter for the Board as a whole. However, Directors do not participate in decisions regarding their own remuneration packages and Directors' fees must be approved by shareholders at the annual general meetings.

The remuneration of the Company's Directors derived from the Group during the financial year ended 31 December 2004 are as follows:-

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	–	114,000	114,000
Salaries	1,061,183	80,933	1,142,116
Bonuses	54,600	4,480	59,080
Benefits-in-kind	58,211	22,208	80,419
Total	1,173,994	221,621	1,395,615

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 December 2004 are as follows:-

Remuneration Band (RM per annum)	Number of Directors		Total
	Executive Directors	Non-Executive Directors	
Below 50,000	–	3	3
50,001 to 100,000	–	1	1
100,001 to 150,000	–	1	1
150,001 to 200,000	–	–	–
200,001 to 250,000	–	–	–
250,001 to 300,000	3	–	3
300,001 to 350,000	1	–	1
Total	4	5	9

Note: The above includes the remuneration paid to an Executive Director who has resigned from the Board as at 31 December 2004.

3. SHAREHOLDERS

The Board recognises the importance of maintaining clear and effective communication with the Company's shareholders and investors, and accordingly have ensured that information concerning the Group's performances, corporate developments and matters affecting shareholders' interests are conveyed to shareholders and investors on a timely basis through the following channels:-

- a. The annual general meeting ("AGM"), which is the principal forum for dialogue between the Board and shareholders. Shareholders are encouraged to participate in the question and answer sessions during the AGMs where the Managing Director and Executive Directors respond to shareholders' questions to ensure a high level of accountability and transparency on the business operations, strategy and goals of the Group;

- b. The various disclosures and announcements to Bursa Securities including quarterly financial results, the annual reports and where appropriate, circulars and press releases;
- c. The open door forums with research analysts, investment bankers, fund managers and business journalists. Price sensitive and undisclosed material information about the Group, is however, not disclosed at these forums until after the relevant prescribed announcements have been made to Bursa Securities.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board is responsible to present a true and fair assessment of the Group's financial positions and prospects in the Company's quarterly financial results and annual audited financial statements. All quarterly financial results have been reviewed by the AC and approved by the Board prior to announcement to Bursa Securities. A statement by the Directors of their responsibilities in the preparation of the audited financial statements for the financial year ended 31 December 2004 is set out in section 4.4 herein.

4.2 Internal Control

Whilst matters relating to internal controls and risk management are dealt with in detail by the AC, the Board has the overall responsibility to maintain a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines.

The Board had, upon the recommendation of the AC, extended the appointment of the external consultant to carry out the internal audit functions and to provide risk management consultancy services to the Company and some operating subsidiaries during the financial year ended 31 December 2004.

The Statement on Internal Control set out on pages 20 and 21 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.

4.3 Relationship with the Auditors

The Board maintains a formal and transparent relationship with the Company's external auditors in seeking professional advice and ensuring compliance with the relevant laws and applicable approved accounting standards in Malaysia. The final quarter results for the year were discussed in the AC meeting with the presence of the external auditors and some of the Board members and then approved by the Board, upon the recommendation of the AC, before announcement to Bursa Securities. The Board was also assisted by the AC in the review of the audit plans and audit findings of the external auditors.

4.4 Statement of Directors' Responsibilities

The Directors are required by 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 and loss account of the Company and the Group for the financial year. Further, the Board is required to ensure that the financial statements have been prepared in compliance with the Act, the Listing Requirements of Bursa Securities and in accordance with the applicable approved accounting standards in Malaysia.

In preparing the financial statements for the financial year ended 31 December 2004, the Directors, with the advice from the external auditors, have:-

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

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

This Statement was approved by the Board on 26 April 2005.

audit committee report

COMPOSITION

The Audit Committee ("AC") of LFE Corporation Berhad ("the Company") currently comprises the following three (3) Independent Non-Executive Directors and one (1) Executive Director:

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

TERMS OF REFERENCE OF AUDIT COMMITTEE

The AC is governed by the following Terms of Reference which have been endorsed by the Board on 15 September 2003 with no amendments thereto since then:

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/she 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 Securities Berhad.

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 these 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 programmes 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 and annual 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 the 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 fulfill 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 any executive board member of the Company or the Management.

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.

AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2004, the AC had six (6) AC meetings and one (1) Independent AC ("IAC") meeting which was held without the presence of any executive board member or the Management in compliance Clause 5.11 of the Terms of Reference of the AC. All AC meetings were duly convened with sufficient notice been given to all AC members together with the agenda, reports and proposals for deliberation at the meetings.

Save for the IAC meeting, the Management comprising the Company's Managing Director and the Executive Directors were invited to the AC meetings and responded to all queries raised by the AC thereat. Representatives from the Internal Auditors and the Group Financial Controller were in attendance to present the relevant reports and proposals to the AC at the meetings. Representatives from the External Auditors, were also present at the AC meeting when the unaudited fourth quarter results and the audited financial statements were reviewed and when the audit plan for the ensuing financial year was tabled for approval.

Details of attendance of the AC members at the AC meetings and the Independent AC meeting during the financial year are as follows:

Name of AC Member	AC Meetings Attended	Independent AC Meeting Attended
• Dato' Hamzah bin Zainudin	5	–
• Chung Tack Soon	6	1
• Tong Hock Sen	5	1
• Chin Soong Jin	6	Not applicable

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the AC meetings held throughout the year, the AC carried out the following activities in the discharge of its duties:

- Reviewed all quarterly financial results of the Company including the announcements pertaining thereto before recommending them to the Board for approval;
- Reviewed the audited financial statements of the Company for the financial year ended 31 December 2004 and issues arising from the audit thereof before recommending them to the Board for approval;
- Reviewed with the External Auditors, the audit plan and scope of audit for the financial year ended 31 December 2004;
- Reviewed the internal audit plan, work done and reports from the Internal Auditors and considered the findings of internal audit investigations and the Management's response thereto to ensure that appropriate actions are taken by the Management on the recommendations raised by the Internal Auditors;
- Reviewed with the outsourced risk management consultants, the risk management framework, reports and progress of the risk management functions of the Group to ensure that principal risk areas are adequately covered and corrective actions taken by the Management are adequately addressed on a timely basis.
- Reviewed the assistance given by the Company's officers and employees to the External Auditors and Internal Auditors.
- Reviewed all recurrent related party transactions that arose in the Group on a quarterly basis in compliance with the Listing Requirements of Bursa Securities.

This Report was approved by the Audit Committee on 26 April 2005.

statement on internal control

INTRODUCTION

According to the best practices prescribed by The Malaysian Code on Corporate Governance ("the Code"), all listed companies should 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 Securities Berhad ("Bursa Securities") requires all public companies listed on Bursa Securities to include in their annual reports a statement about the state of internal control of the listed company as a group. The Board of Directors ("the Board") of LFE Corporation Berhad ("LFE" or "the Company") is pleased to provide the following statement which outlines the nature and scope of internal control of the LFE Group ("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 the Management, comprising the Managing Director and the Executive Directors, is to implement the Board's policies on risk and control. The 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.'

ENTERPRISE RISK MANAGEMENT FRAMEWORK

In dealing with its stewardship and responsibilities, the Board is aware that effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group's activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which will enable the Group to identify, evaluate and manage the principal risks that are faced by the Group, and that this process is subject to periodic review by the Board and in accordance with the "Statement on Internal Control: Guidance to Director of Public Listed Companies" (the "Guidance").

Against this backdrop, the Board appointed external consultants to assist the Group in establishing a formal Enterprise Risk Management ("ERM") framework. The Board believes that such an exercise has allowed for a more structured and focused approach in managing the Group's significant business risks and has enabled the Group to effectively adopt a risk-based internal control system that is embedded within the Group. The Group's ERM framework encompasses the following key elements:

- Facilitated workshops and interviews with Directors and selected Management staff of the Group have been carried out to identify and evaluate the principal risks faced by the Group. A database of all risks and controls has been created, and information filtered to produce a detailed risk register and risk profiles.
- The issuance of a risk management policy and procedure, which outlines the risk framework for the Group and offers practical guidance to all employees in identifying and managing risks.
- Establishment of risk management structure which outlines the responsibility of the Risk Management Committee and Risk Management Units.
- Risk assessment process which involves the identification of key risks facing the Group, the potential impact and likelihood of those risks occurring, the effectiveness of controls and the action plans being taken to manage those risks to the desired level. A consolidated risk profile of the Group was developed, which together with a summary of the key findings, was discussed at Management level before submitting to the Board for consideration.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to external consultants who provide the Board and the Audit Committee ("AC"), with the level of assurance required on the adequacy and the integrity of the system of internal control. The Internal Auditors adopt a risk-based approach and prepare its audit strategy and plan based on the risk profile of the Group established from the EMR framework.

During the financial year, the Internal Auditors have presented a two (2) year internal audit strategy and a detailed internal audit plan to the AC for approval prior to the commencement of the audit. The objective of the assignment is to independently review the system of internal control as established by the Management, its adequacy and integrity in relation to its objectives and make appropriate recommendations. Two (2) cycles of internal audit were completed during the financial year and the findings of the internal audit review has been communicated to the AC.

The AC reviews reports from internal audit and the Management's responses, before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- 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 heads of departments. The heads of departments are delegated with the responsibility to ensure that the system of internal control are put into place accordingly.
- Quarterly review of financial results by the Board and the AC before announcement to Bursa Securities.
- An organisational structure with defines lines of responsibilities and delegation of authority within which the Management operates.
- The principal operating subsidiary, LFE Engineering Sdn Bhd ("LFEE"), has a formalised Quality Procedure Manual ISO 9001:2000 ("ISO") to provide guidance to employees in carrying out daily tasks and to ensure that there is a clear understanding of the operations of LFEE.
- Scheduled in-house ISO internal audit held once a year to ensure full compliance with the ISO requirements, where findings are discussed during the Management review committee meetings.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

There were no material or significant losses incurred during the financial year ended 31 December 2004 as a result of weakness in internal control. The Board and the Management continue to take appropriate measures to improve and strengthen the control environment.

additional compliance information

1. Utilisation of Proceeds

There were no proceeds raised from any corporate exercises during the financial year ended 31 December 2004.

2. Share Buybacks

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

3. Options, Warrants or Convertible Securities

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

4. Related Party Transactions

All recurrent related party transactions entered into by the Group during the financial year are disclosed in Note 27 to the financial statements on pages 57 and 58 of this annual report.

5. Imposition of Sanctions / Penalties

There were no sanctions/penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body.

6. Non-audit Fees

The amount of non-audit fees paid or payable to the External Auditors by the Group for the financial year ended 31 December 2004 was RM 6,000.

7. Profit Estimate, Forecast or Projection

There Company did not issue any profit estimates, forecasts or projections for the financial year. There were no variances of 10% or more between the audited results for the financial year and the unaudited results announced.

8. Profit Guarantee

There were no profit guarantees given by the Company and its subsidiaries in respect of the financial year.

9. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting as at the financial year ended 31 December 2004 or entered into during the financial year, by the Company and its subsidiaries which involved the interest of the Directors and major shareholders.

10. Revaluation of Landed Properties

The Group did not adopt any revaluation policy on its landed properties during the financial year.

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directors' report

for the year ended 31 December 2004

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, 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 except for the disposal of a subsidiary, which made up the manufacturing segment of the Group.

RESULTS

	Group RM	Company RM
Net (loss)/profit for the year	<u>(1,524,044)</u>	<u>827,847</u>

RESERVES AND PROVISIONS

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

DIVIDEND

Since the date of the previous financial year, the Company paid the first and final dividend of 7% less tax totalling RM2,620,800 in respect of the financial year ended 31 December 2003 on 27 August 2004.

The Directors do not recommend any dividend to be paid for the financial year ended 31 December 2004.

DIRECTORS OF THE COMPANY

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

Dato' Hamzah Bin Zainudin
Lew Mew Choi
Liew Meow Nyeau
Liew Kiam Woon
Chin Soong Jin
Chung Tack Soon
Ramli Bin Abu Kasim
Tong Hock Sen
Cheong Thiam Fook (resigned on 29.12.2004)

DIRECTORS OF THE COMPANY (CONT'D)

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 31.12.2004
	At 1.1.2004	Bought	Sold	
<i>Shareholdings in the Company in which Directors have direct interests</i>				
Lew Mew Choi	8,195,738	360,370	(952,000)	7,604,108
Liew Meow Nyeau	710,549	–	–	710,549
Liew Kiam Woon	133,843	–	–	133,843
<i>Shareholdings in the Company in which Directors have deemed interests*</i>				
Lew Mew Choi	8,557,521	–	–	8,557,521
Liew Meow Nyeau	7,605,562	–	–	7,605,562
Liew Kiam Woon	4,605,562	–	–	4,605,562
Ramli Bin Abu Kasim	11,557,521	–	–	11,557,521

* Deemed interests 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 Nyeau, 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 2004 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 as disclosed in Note 27 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

There were no changes in the issued and paid-up capital of the Company during the financial year.

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 disposal of a subsidiary, which represented the manufacturing segment of the Group and underprovision of taxation in the prior years, the results of the Group and of the Company for the financial year ended 31 December 2004 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: 26 April 2005

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 29 to 61 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 2004 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: 26 April 2005

statutory declaration

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

I, Liew Kiam Woon, the Director primarily responsible for the financial management of LFE Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 61 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 26 April 2005.

Liew Kiam Woon

Before me:

Commissioner for Oaths
Ho Kin Chai
No. W 312

Kuala Lumpur

report of the auditors

to the members of LFE Corporation Berhad (Company No. 579343-A)

We have audited the financial statements set out on pages 29 to 61. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit on the financial statements and to report our opinion to you, as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purposes. We do not assume responsibility to any other person for the contents of this report.

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 2004 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

Tang Seng Choon

Partner
Approval Number: 2011/12/05(J)

Kuala Lumpur,
Date: 26 April 2005

balance sheets

at 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Property, plant and equipment	2	18,309,612	17,987,356	10,116,093	10,216,523
Investments in subsidiaries	3	–	–	31,603,697	31,988,303
Investment in associate	4	320,598	297,586	–	–
Investment properties	5	1,286,669	1,303,983	–	–
Other investments	6	32,744,985	28,714,469	–	–
Intangible assets	7	587,872	886,468	–	–
Deferred tax assets	16	518,874	1,054,111	–	–
Current assets					
Inventories	8	2,425,976	3,690,545	–	–
Investment properties	5	3,422,400	3,422,425	–	–
Trade and other receivables	9	69,039,136	69,390,688	12,729,489	19,315,869
Tax recoverable		578,270	–	–	–
Cash and cash equivalents	10	11,186,694	9,580,421	3,751,146	78,568
		<u>86,652,476</u>	<u>86,084,079</u>	<u>16,480,635</u>	<u>19,394,437</u>
Current liabilities					
Trade and other payables	11	27,066,609	51,465,221	125,152	1,774,230
Borrowings	12	10,998,374	10,174,378	–	–
Taxation		826,308	1,464,948	5,713	2,723
		<u>38,891,291</u>	<u>63,104,547</u>	<u>130,865</u>	<u>1,776,953</u>
Net current assets		<u>47,761,185</u>	<u>22,979,532</u>	<u>16,349,770</u>	<u>17,617,484</u>
		<u>101,529,795</u>	<u>73,223,505</u>	<u>58,069,560</u>	<u>59,822,310</u>
Financed by:					
Capital and reserves					
Share capital	13	52,000,002	52,000,002	52,000,002	52,000,002
Reserves	14	12,270,219	16,403,254	6,041,164	7,822,308
		<u>64,270,221</u>	<u>68,403,256</u>	<u>58,041,166</u>	<u>59,822,310</u>
Minority shareholders' interests	15	–	1,262,746	–	–
Long term and deferred liabilities					
Borrowings	12	36,897,083	3,027,470	–	–
Deferred tax liabilities	16	362,491	530,033	28,394	–
		<u>37,259,574</u>	<u>3,557,503</u>	<u>28,394</u>	<u>–</u>
		<u>101,529,795</u>	<u>73,223,505</u>	<u>58,069,560</u>	<u>59,822,310</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2005.

The notes set out on pages 35 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

income statements

for the year ended 31 December 2004

		Group		Company	
	Note	2004	3.9.2003 to 31.12.2003	2004	2003
	RM	RM	RM	RM	
Revenue	17	<u>101,719,490</u>	<u>63,776,743</u>	<u>324,000</u>	<u>3,721,400</u>
Operating profit/ (loss)	17	3,149,868	5,429,862	(55,396)	3,661,264
Interest income		185,598	34,399	81,625	–
Interest expense	20	(2,545,474)	(415,096)	–	–
Share of profits of associate		23,012	47,070	–	–
Negative goodwill recognised in income statement		–	8,516,103	–	–
Gain on disposal of manufacturing segment	19	<u>425,062</u>	<u>–</u>	<u>850,144</u>	<u>–</u>
Profit before taxation		1,238,066	13,612,338	876,373	3,661,264
Tax expense	21	<u>(3,106,970)</u>	<u>(2,152,180)</u>	<u>(48,526)</u>	<u>(1,022,315)</u>
(Loss)/profit after taxation		(1,868,904)	11,460,158	827,847	2,638,949
Minority interests		<u>344,860</u>	<u>(240,263)</u>	<u>–</u>	<u>–</u>
Net (loss)/profit for the year		<u>(1,524,044)</u>	<u>11,219,895</u>	<u>827,847</u>	<u>2,638,949</u>
Basic (loss)/earnings per ordinary share (sen)	22	<u>(2.93)</u>	<u>70.12</u>		
Dividend per ordinary share (sen)	23	<u>NIL</u>	<u>5.04</u>		

(Note: The results of the continuing operations and the discontinued operation are shown in page 31)

The notes set out on pages 35 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

consolidated income statement

for the year ended 31 December 2004

Group	Note	Continuing operations		Discontinued operation		Total consolidated	
		2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	3.9.2003 to 31.12.2003 RM
Revenue	17	<u>88,016,842</u>	<u>57,715,417</u>	<u>13,702,648</u>	<u>6,061,326</u>	<u>101,719,490</u>	<u>63,776,743</u>
Operating profit/(loss)	17	4,229,417	4,663,277	(1,079,549)	766,585	3,149,868	5,429,862
Interest income		185,598	34,399	–	–	185,598	34,399
Interest expense	20	(2,494,683)	(390,198)	(50,791)	(24,898)	(2,545,474)	(415,096)
Share of profit of associates		23,012	47,070	–	–	23,012	47,070
Negative goodwill recognised in income statement		–	8,516,103	–	–	–	8,516,103
Gain on disposal of manufacturing segment	19	–	–	425,062	–	425,062	–
Profit/(loss) before taxation		1,943,344	12,870,651	(705,278)	741,687	1,238,066	13,612,338
Tax expense	21	<u>(3,106,970)</u>	<u>(1,900,825)</u>	–	<u>(251,355)</u>	<u>(3,106,970)</u>	<u>(2,152,180)</u>
(Loss)/profit after taxation		(1,163,626)	10,969,826	(705,278)	490,332	(1,868,904)	11,460,158
Less: Minority interests		–	–	344,860	(240,263)	344,860	(240,263)
Net (loss)/profit for the year		<u>(1,163,626)</u>	<u>10,969,826</u>	<u>(360,418)</u>	<u>250,069</u>	<u>(1,524,044)</u>	<u>11,219,895</u>

The notes set out on pages 35 to 61 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 2004

<i>Group</i>	Share capital RM	<i>Non- distributable</i> Share premium RM	<i>Distributable</i> Retained profits RM	Total RM
At 3 September 2003	2	–	(3,957)	(3,955)
Issue of shares	52,000,000	6,921,287	–	58,921,287
Share issue expenses	–	(1,733,971)	–	(1,733,971)
Net profit for the period	–	–	11,219,895	11,219,895
At 31 December 2003	<u>52,000,002</u>	<u>5,187,316</u>	<u>11,215,938</u>	<u>68,403,256</u>
At 1 January 2004	52,000,002	5,187,316	11,215,938	68,403,256
Overprovision of share issue expenses	–	11,809	–	11,809
Net loss for the year	–	–	(1,524,044)	(1,524,044)
Dividend – 2003 final	–	–	(2,620,800)	(2,620,800)
At 31 December 2004	<u>52,000,002</u>	<u>5,199,125</u>	<u>7,071,094</u>	<u>64,270,221</u>

Note 13

Company

At 1 January 2003	2	–	(3,957)	(3,955)
Issue of shares	52,000,000	6,921,287	–	58,921,287
Share issue expenses	–	(1,733,971)	–	(1,733,971)
Net profit for the year	–	–	2,638,949	2,638,949
At 31 December 2003	<u>52,000,002</u>	<u>5,187,316</u>	<u>2,634,992</u>	<u>59,822,310</u>
At 1 January 2004	52,000,002	5,187,316	2,634,992	59,822,310
Overprovision of share issue expenses	–	11,809	–	11,809
Net profit for the year	–	–	827,847	827,847
Dividend - 2003 final	–	–	(2,620,800)	(2,620,800)
At 31 December 2004	<u>52,000,002</u>	<u>5,199,125</u>	<u>842,039</u>	<u>58,041,166</u>

Note 13

Note 14

The notes set out on pages 35 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

cash flow statements

for the year ended 31 December 2004

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Cash flows from operating activities				
Profit before taxation	1,238,066	13,612,338	876,373	3,661,264
Adjustments for:				
Amortisation of development expenditure	–	149,298	–	–
Depreciation				
– property, plant and equipment	949,258	393,594	100,430	33,477
– investment properties				
– long term	17,314	6,683	–	–
– short term	64,025	45,555	–	–
Impairment loss on investment properties	–	209,387	–	–
Interest expense	2,545,474	415,096	–	–
Interest income	(185,598)	(34,399)	(81,625)	–
Deferred expenditure written off	–	(1,733,971)	–	(1,733,971)
Loss on disposal of property, plant and equipment	11,708	248,812	–	–
Negative goodwill recognised in income statement	–	(8,516,103)	–	–
Share of profits in associate	(23,012)	(47,070)	–	–
Share of loss in minority interest	344,860	–	–	–
Gain on disposal of discontinued operation	(425,062)	–	(850,145)	–
Unrealised loss/ (gain) on foreign exchange	79,242	(3,984)	–	–
Operating profit before working capital changes	4,616,275	4,745,236	45,033	1,960,770
(Increase)/Decrease in working capital:				
Inventories	(1,121,858)	552,398	–	–
Trade and other receivables	(4,402,833)	(15,673,125)	643,549	(12,310,179)
Trade and other payables	(17,101,481)	10,100,436	5,540,313	1,346,073
Cash (used in)/generated from operations	(18,009,897)	(275,055)	6,228,895	(9,003,336)
Income taxes paid	(3,447,026)	(1,692,634)	(17,142)	–
Interest expense	(2,545,474)	(415,096)	–	–
Net cash (used in)/generated from operating activities	(24,002,397)	(2,382,785)	6,211,753	(9,003,336)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note 30)	–	(4,859,887)	–	–
Disposal of subsidiary (Note 29)	458,878	–	–	–
Interest income	185,598	34,399	81,625	–
Placement of pledged deposit with licensed banks	(961,980)	–	–	–
Purchase of property, plant and equipment (Note ii)	(2,148,682)	(4,540,311)	–	(4,254,423)
Proceeds from disposal of property, plant and equipment	–	731,095	–	–
Purchase of other investments	(4,030,516)	–	–	–
Net cash (used in)/generated from investing activities	(6,496,702)	(8,634,704)	81,625	(4,254,423)

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Cash flows from financing activities				
Proceeds from issuance of shares	–	13,336,325	–	13,336,325
Proceeds from term loans and bank borrowings	46,764,319	1,166,841	–	–
Proceeds from disposal of investments	–	386,950	–	–
Repayments of term loans and other bank borrowings	(13,125,248)	–	–	–
Repayments of hire purchase liabilities	(522,626)	(144,479)	–	–
Dividend paid	(2,620,800)	–	(2,620,800)	–
Net cash generated from/(used in) financing activities	30,495,645	14,745,637	(2,620,800)	13,336,325
Net (decrease)/ increase in cash and cash equivalents	(3,454)	3,728,148	3,672,578	78,566
Cash and cash equivalents at beginning of year	3,728,150	2	78,568	2
Cash and cash equivalents at end of year	3,724,696	3,728,150	3,751,146	78,568

i) Cash and cash equivalents

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

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Deposits placed with licensed banks	5,140,510	2,956,921	3,399,306	–
Cash and bank balances	6,046,184	6,623,500	351,840	78,568
Bank overdrafts	(6,500,018)	(5,852,271)	–	–
	4,686,676	3,728,150	3,751,146	78,568
Pledged deposit	(961,980)	–	–	–
	3,724,696	3,728,150	3,751,146	78,568

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 RM3,246,782 (2003 – RM10,535,888) and Nil (2003 – RM10,250,000) respectively, of which RM1,098,100 (2003 – RM5,995,577) of the Group and of the Company, were acquired by means of hire purchase.

The notes set out on pages 35 to 61 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.

(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.

Intra group 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.

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.

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

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

Depreciation

Freehold land is not amortised. Leasehold land and buildings are amortised in equal instalments over the period of the lease of ninety nine (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:

Buildings	2%
Motor vehicles	20%
Furniture, fittings and office equipment	10% – 20%
Air conditioners and renovation	10%
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) 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.

iii) 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.

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

(f) Investments

i) Investment properties

Investment properties – non-current are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes related and incidental expenditure incurred.

Investment properties – current 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 fifty (50) years. Leasehold land and buildings are amortised in equal instalments over the period of the respective lease of ninety nine (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 other than investments in subsidiaries and associates, are stated at cost. Investments in unquoted subordinated bonds 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

Inventories comprise raw materials, which are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost.

(h) Trade and other receivables

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

(i) Amounts due from/to 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.

(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.

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

(k) Impairment (cont'd)

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 plan

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.

(o) Accounting for hire purchase

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 liabilities.

(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.

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

(p) Income tax (cont'd)

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 rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations is as follows:

	2004 RM	2003 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.

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.

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

(r) Revenue (cont'd)

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.

v) Rental income

Rental income is recognised based on value invoiced to customers during the year.

(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.

(t) Discontinuing operation

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed or terminated pursuant to a single plan which represents a separate major line of business or geographical area of operations and can be distinguished operationally and for financial reporting purposes.

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	Factory and equipment RM	Total RM
<i>Cost</i>							
At 1 January 2004	10,686,062	2,160,055	2,449,210	1,139,455	612,485	1,310,376	18,357,643
Additions	1,675,062	–	1,306,197	226,415	39,108	–	3,246,782
Disposal of subsidiary	–	–	(417,519)	(196,868)	(176,731)	(1,310,376)	(2,101,494)
At 31 December 2004	12,361,124	2,160,055	3,337,888	1,169,002	474,862	–	19,502,931
<i>Accumulated depreciation</i>							
At 1 January 2004	36,381	14,381	181,609	54,410	24,166	59,340	370,287
Charge for the year	109,118	43,124	586,947	160,671	49,398	–	949,258
Disposal of subsidiary	–	–	(31,678)	(27,289)	(7,919)	(59,340)	(126,226)
At 31 December 2004	145,499	57,505	736,878	187,792	65,645	–	1,193,319
<i>Net book value</i>							
At 31 December 2004	12,215,625	2,102,550	2,601,010	981,210	409,217	–	18,309,612
At 31 December 2003	10,649,681	2,145,674	2,267,601	1,085,045	588,319	1,251,036	17,987,356
Depreciation charge for the year ended 31 December 2003	36,381	14,381	181,609	77,717	24,166	59,340	393,594

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

Company	Freehold land and building RM	Total RM
<i>Cost</i>		
At 1 January 2004/31 December 2004	<u>10,250,000</u>	<u>10,250,000</u>
<i>Accumulated depreciation</i>		
At 1 January 2004	33,477	33,477
Charge for the year	<u>100,430</u>	<u>100,430</u>
At 31 December 2004	<u>133,907</u>	<u>133,907</u>
<i>Net book value</i>		
At 31 December 2004	<u>10,116,093</u>	<u>10,116,093</u>
At 31 December 2003	<u>10,216,523</u>	<u>10,216,523</u>
Depreciation charge for the year ended 31 December 2003	<u>33,477</u>	<u>33,477</u>

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

Securities

Certain land and building of the Group costing RM806,454 (2003 – RM806,454) have been pledged as security for loan facilities as set out in Note 12 to the financial statements.

Assets under hire purchase

Included in property, plant and equipment of the Group are plant and machinery acquired under hire purchase arrangements with a net book value of RM2,298,520 (2003 – RM2,452,009).

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	<u>31,603,697</u>	<u>31,988,303</u>

3. INVESTMENT IN SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries, all which are incorporated in Malaysia, 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	
			2004	2003
LFE Engineering Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
Loong Fuat Engineering Limited <i>(formerly known as Loong Fuat Electrical Engineering Limited)</i>	British Virgin Islands	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
Inai Engineering Corporations Limited	British Virgin Islands	Supply of general and specialised electrical and mechanical equipment and components	100%	100%
Loong Fuat Engineering (JB) Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
* LFE Builder Sdn. Bhd. <i>(formerly known as Mee Nyeen Enterprise Sdn. Bhd.)</i>	Malaysia	Property investment	100%	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%	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%	100%

Mayduct Technology Sdn. Bhd. was disposed by the Group on 31 December 2004 (Note 29).

* Company not audited by KPMG.

** Company not audited by KPMG and consolidated using financial statements for management reporting purposes, which are not audited.

Consolidated up to the date of disposal using financial statements for management reporting purposes, which are not audited.

4. INVESTMENT IN ASSOCIATE

	Group	
	2004 RM	2003 RM
Unquoted shares – at cost	280,000	280,000
Share of post-acquisition reserves	40,598	17,586
	320,598	297,586
Represented by:		
Group's share of net assets other than goodwill	280,684	257,672
Goodwill on acquisition	39,914	39,914
	320,598	297,586

The associate of the Group and the Company is as follows:

Name	Country of incorporation	Principal activities	Effective percentage of ownership	
			2004	2003
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

Investment properties – non-current

	Freehold land and buildings RM	Leasehold land and buildings RM	Total RM
Cost			
At 1 January 2004/31 December 2004	215,342	1,304,711	1,520,053
Accumulated depreciation			
At 1 January 2004	1,455	214,615	216,070
Charge for the year	4,278	13,036	17,314
At 31 December 2004	5,733	227,651	233,384
Net book value			
At 31 December 2004	209,609	1,077,060	1,286,669
At 31 December 2003	213,887	1,090,096	1,303,983
For the year ended 31 December 2003			
Depreciation charged	1,455	5,228	6,683
Impairment loss	–	209,387	209,387
	1,455	214,643	226,070

5. INVESTMENT PROPERTIES (CONT'D)

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

The investment properties – non-current of the Group are charged to financial institutions as security for borrowings as disclosed in Note 12 to the financial statements.

Investment properties – current

<i>Cost</i>	Freehold land and buildings RM	Leasehold land and buildings RM	Total RM
At 1 January 2004	1,044,898	2,423,082	3,467,980
Addition	–	64,000	64,000
At 31 December 2004	<u>1,044,898</u>	<u>2,487,082</u>	<u>3,531,980</u>
 <i>Accumulated depreciation</i>			
At 1 January 2004	7,060	38,495	45,555
Charge for the year	20,757	43,268	64,025
At 31 December 2004	<u>27,817</u>	<u>81,763</u>	<u>109,580</u>
 <i>Net book value</i>			
At 31 December 2004	<u>1,017,081</u>	<u>2,405,319</u>	<u>3,422,400</u>
At 31 December 2003	<u>1,037,838</u>	<u>2,384,587</u>	<u>3,422,425</u>
Depreciation charge for the year ended 31 December 2003	<u>7,060</u>	<u>38,495</u>	<u>45,555</u>

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

6. OTHER INVESTMENTS

	Group	
	2004 RM	2003 RM
Investments in unquoted subordinated bonds	<u>3,500,000</u>	<u>–</u>
Quoted shares	29,298,251	28,767,735
Less: Allowance for diminution in value	<u>(53,266)</u>	<u>(53,266)</u>
	<u>29,244,985</u>	<u>28,714,469</u>
	<u>32,744,985</u>	<u>28,714,469</u>
Market value of quoted shares	<u>17,014,726</u>	<u>42,503,869</u>

6. OTHER INVESTMENTS (CONT'D)

Group

Investments in unquoted subordinated bonds are in respect of those bonds issued by Kerisma Berhad, which are under the primary collateralised loan obligations (CLO) programme in order to obtain the term loan of RM35,000,000 during the year.

Investments in quoted shares with a carrying value of RM530,516 (2003 – Nil) have been obtained by utilising the share financing facilities as disclosed in Note 12 to the financial statements.

The carrying values of the quoted shares as at 31 December 2004 exceeded its market value by approximately RM12.2 million. The Board of Directors is of the opinion that such shortfall is temporary and thus, no allowance for diminution in value have been made in the financial statements.

7. INTANGIBLE ASSETS

Group

	Goodwill RM	Development expenditure RM	Total RM
Cost			
At 1 January 2004/31 December 2004	587,872	447,894	1,035,766
Disposal of subsidiary	–	(447,894)	(447,894)
	<u>587,872</u>	<u>–</u>	<u>587,872</u>
Amortisation			
At 1 January 2004	–	149,298	149,298
Disposal of subsidiary	–	(149,298)	(149,298)
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>
Net book value			
At 31 December 2004	<u>587,872</u>	<u>–</u>	<u>587,872</u>
At 31 December 2003	<u>587,872</u>	<u>298,596</u>	<u>886,468</u>
Amortisation charge for the year ended 31 December 2003	<u>–</u>	<u>149,298</u>	<u>149,298</u>

8. INVENTORIES

	Group	
	2004 RM	2003 RM
At cost:		
Raw materials	<u>2,425,976</u>	<u>3,690,545</u>

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	41,150,525	46,712,173	–	–
Retention receivables	15,517,223	12,354,067	–	–
	56,667,748	59,066,240	–	–
Amount due from contract customers	4,398,294	7,504,673	–	–
Other receivables, deposits and prepayments	7,973,094	2,819,775	3,501,475	276,655
Subsidiaries	–	–	9,228,014	19,039,214
	69,039,136	69,390,688	12,729,489	19,315,869

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

Amount due from contract customers

	Group	
	2004 RM	2003 RM
Aggregate costs incurred to date	234,226,369	198,768,679
Add: Attributable profits	43,631,994	41,319,464
Less: Provision for foreseeable losses	(398,019)	–
	277,460,344	240,088,143
Less: Progress billings	(277,637,607)	(232,780,358)
	(177,263)	7,307,785
Amount due to contract customers reclassified (Note 11)	4,575,557	196,888
	4,398,294	7,504,673

Trade receivables

Included in the trade receivables of the Group is an amount of approximately RM10.5 million, of which RM9.4 million has been outstanding for more than one year. Subsequent to year end, the Group has obtained the acknowledgement of debts from the debtor and is currently negotiating for a settlement arrangement, which comprise payments by installments and contra of properties. No allowance for doubtful debts has been made for the amount as the Directors believe that the amount is recoverable, which is premised on the creditworthiness of the aforesaid debtor.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits placed with licensed banks	5,140,510	2,956,921	3,399,306	–
Cash and bank balances	6,046,184	6,623,500	351,840	78,568
	11,186,694	9,580,421	3,751,146	78,568

Deposits placed with licensed banks and financial institutions of the Group of RM961,980 are pledged to banks as security for bank guarantees and overdraft facilities granted to its subsidiaries.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	16,431,687	41,931,613	–	–
Amount due to contract customers (Note 9)	4,575,557	196,888	–	–
Other payables and accrued expenses	5,935,183	9,099,166	125,152	1,774,230
Amount due to Directors	124,182	237,554	–	–
	<u>27,066,609</u>	<u>51,465,221</u>	<u>125,152</u>	<u>1,774,230</u>

Included in other payables of the Group are amounts due to companies in which certain Directors have interests of RM13,615 (2003 – RM432,410). These amounts are unsecured, interest free and have no fixed terms of repayment.

Included in other payables and accrued expenses is an amount of RM2,000,000 (2003 – RM5,000,000) in respect of dividend payable by a subsidiary to the previous shareholders of the said subsidiary pursuant to the restructuring scheme of the initial public offering exercise of the Group in the previous year.

The amount due to Directors is unsecured, interest free and has no fixed terms of repayment.

12. BORROWINGS

	Group	
	2004 RM	2003 RM
Current		
Term loan – secured	1,351,152	1,242,653
Term loans – unsecured	204,167	–
Overdrafts – secured	6,500,018	5,852,271
Bankers' acceptances – unsecured	1,897,166	1,104,365
Trust receipts – unsecured	–	1,296,699
Hire purchase liabilities	463,493	678,390
Share margin financing – secured	582,378	–
	<u>10,998,374</u>	<u>10,174,378</u>
Non-current		
Term loan – secured	840,303	2,199,365
Term loans – unsecured	35,000,000	–
Hire purchase liabilities	1,056,780	828,105
	<u>36,897,083</u>	<u>3,027,470</u>

The secured term loan granted to the Group is secured by way of a third party charge over certain land pledged by the Directors of the Group.

The unsecured term loan of RM35,000,000 granted to a subsidiary bears fixed interest at 7.0% per annum and is to be repayable in a bullet repayment in the fifth year of the drawdown, which is in 2009. The unsecured term loan was granted under the primary collateralised loan obligations (“Primary CLO”) programme.

The share margin financing was granted to a subsidiary to invest in qualifying quoted securities secured by mortgage/qualifying security or assignment of rights in qualifying securities.

Bank overdrafts are secured by way of fixed charges over the Group's long term leasehold land and building and are guaranteed by the Company.

12. BORROWINGS (CONT'D)

Group	Total RM	Under 1 year RM	1 – 2 1 year RM	2 – 5 years RM
Secured term loan – variable at 1.5% above BLR	2,191,455	1,351,152	840,303	–
Unsecured term loan – fixed at 7.0% per annum	35,204,167	204,167	–	35,000,000
Secured overdrafts – variable at 1.2% to 1.8% above BLR	6,500,018	6,500,018	–	–
Unsecured bankers' acceptances – variable at 0.5% to 1.5% above the prevailing interbank rate	1,897,166	1,897,166	–	–
Hire purchase liabilities – fixed at 3.2% to 7.0% per annum	1,520,273	463,493	359,627	697,153
Secured share margin financing – fixed at 9% per annum	582,378	582,378	–	–
	<u>47,895,457</u>	<u>10,998,374</u>	<u>1,199,930</u>	<u>35,697,153</u>

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Payments 2004 RM	Interest 2004 RM	Principal 2004 RM	Payments 2003 RM	Interest 2003 RM	Principal 2003 RM
Less than one year	560,849	97,356	463,493	789,352	110,962	678,390
Between one and five years	1,275,322	218,542	1,056,780	980,335	152,230	828,105
	<u>1,836,171</u>	<u>315,898</u>	<u>1,520,273</u>	<u>1,769,687</u>	<u>263,192</u>	<u>1,506,495</u>

13. SHARE CAPITAL

	Group and Company	
	2004 RM	2003 RM
Ordinary shares of RM1 each:		
Authorised		
Balance at 1 January	100,000,000	100,000
Increased during the year	–	99,900,000
Balance at 31 December	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
Balance at 1 January	52,000,002	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>52,000,002</u>

14. RESERVES

Retained profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM45,000 of its distributable reserves at 31 December 2004, if paid out as dividends.

15. 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.

16. DEFERRED TAXATION

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deferred tax liabilities	362,491	530,033	28,394	–
Deferred tax assets	(518,874)	(1,054,111)	–	–
	<u>(156,383)</u>	<u>(524,078)</u>	<u>28,394</u>	<u>–</u>

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 1.1.2004 RM	Charged/ (Credited) to income statement RM	Disposal of Subsidiary RM	At 31.12.2004 RM
	<i>Deferred tax liabilities</i>			
Property, plant and equipment – capital allowances	530,033	129,389	(296,931)	362,491
<i>Deferred tax assets</i>				
Provisions	(1,054,111)	535,237	–	(518,874)
	<u>(524,078)</u>	<u>664,626</u>	<u>(296,931)</u>	<u>(156,383)</u>
<i>Company</i>		At 1.1.2004	Charged to income statement RM	At 31.12.2004 RM
<i>Deferred tax liabilities</i>				
Property, plant and equipment – capital allowances		–	28,394	28,394

16. DEFERRED TAXATION (CONT'D)

No deferred tax has been recognized for the following items:

	Group	
	2004 RM	2003 RM
Taxable temporary differences	334,932	–
Unabsorbed capital allowances	(240,961)	(275,520)
Unutilised tax losses	(93,971)	(82,637)
	–	(358,157)

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences did not expire under current tax legislation. Deferred tax assets had not been recognised in respect of these items because it was not probable than that future taxable profit would be available against which the companies in the Group could utilise the benefits.

17. OPERATING PROFIT

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Revenue – contract revenue	88,016,842	57,715,417	–	–
– manufacturing	13,702,648	6,061,326	–	–
– rental income	–	–	324,000	80,000
– dividends	–	–	–	3,641,400
	101,719,490	63,776,743	324,000	3,721,400
Contract costs recognised as an expense	(78,442,535)	(51,295,392)	–	–
Cost of manufactured goods	(12,474,830)	(4,359,821)	–	–
	(90,917,365)	(55,655,213)	–	–
Gross profit	10,802,125	8,121,530	324,000	3,721,400
Administration expenses	(10,800,206)	(2,707,710)	(450,881)	(82,101)
Other operating expenses	(1,422,652)	(225,440)	–	–
Other operating income	4,570,601	241,482	71,485	21,965
	3,149,868	5,429,862	(55,396)	3,661,264

Operating profit is arrived at after crediting:

Gain on foreign exchange-unrealised	–	3,984	–	–
Gain on disposal of property, plant and equipment	15,511	58,784	–	–
Interest income	185,598	34,399	81,625	–
Rental income on land and buildings	117,988	131,368	324,000	80,000
Reversal of allowance for doubtful debts	3,492,703	–	–	–
	3,802,800	228,535	405,625	80,000

17. OPERATING PROFIT (CONT'D)

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
and after charging:				
Allowance for doubtful debts	1,270,739	4,777,543	–	–
Amortisation of development expenditure	–	149,298	–	–
Auditors' remuneration				
– Holding company auditors				
– statutory audit	55,400	40,000	20,000	20,000
– Other auditors – statutory audit	9,800	12,600	–	–
– Other services	192,400	–	112,400	–
– Overprovision in prior year	(2,000)	–	–	–
Bad debts written off	–	41,075	–	–
Company's Director				
Remuneration	1,324,740	383,203	–	–
Fees	114,000	21,000	114,000	16,000
Depreciation				
– property, plant and equipment (Note 2)	949,258	393,594	100,430	33,477
– investment properties (Note 5)				
– non-current	17,314	6,683	–	–
– current	64,025	45,555	–	–
Impairment on investments properties	–	209,387	–	–
Loss on disposal of property, plant and equipment	11,708	248,812	–	–
Rental of premises	133,587	206,886	–	–
Rental of equipment	131,495	181,683	–	–
Loss on foreign exchange-realised	48,254	32,240	–	–
Loss on foreign exchange-unrealised	79,242	–	–	–
Provision for foreseeable loss	398,019	–	–	–

18. EMPLOYEE INFORMATION

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Salaries and other benefits	7,725,313	1,762,248	–	–
EPF contributions	814,264	170,429	–	–
Staff costs	8,539,577	1,932,677	–	–

- i) The estimated monetary value of Directors' benefits-in-kind is RM80,569 (2003 – RM42,114)
- ii) The number of employees of the Group and of the Company (including Directors) at the end of the year was 127 (2003 – 106) and Nil (2003 – Nil) respectively.

19. DISCONTINUED OPERATION

On 31 December 2004, the Company entered into a Share Sale Agreement to dispose off its entire manufacturing division, a separate business segment (refer to Note 24). Control of the segment effectively ceased on 31 December 2004.

At 31 December 2003, the manufacturing division had net assets of RM2,539,576 comprising total assets of RM10,808,887 less total liabilities of RM8,269,311. At 31 December 2004, the division had net assets of RM2,151,748. The division was sold for RM1,359,829 and a gain on disposal of RM425,062 was recorded. Note 28 shows the effect of the disposal on individual assets and liabilities of the Group.

At 31 December 2004, the manufacturing division had cash outflows from operating activities of RM435,437, cash outflows of investing activities of RM201,792 and cash inflows from financing activities of RM313,785.

20. INTEREST EXPENSE

	Group	
	2004 RM	3.9.2003 to 31.12.2003 RM
Interest:		
Bank overdrafts	571,185	213,522
Hire purchase	101,541	49,908
Term loans	1,652,318	93,983
Trade financing	220,430	57,683
	2,545,474	415,096

21. TAX EXPENSE

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Current tax expense				
Malaysia – current	795,570	1,861,852	20,132	1,022,315
– prior year	1,379,744	–	–	–
Overseas	267,030	191,097	–	–
	2,442,344	2,052,949	20,132	1,022,315
Deferred tax expense				
– origination and reversal of temporary differences	664,626	99,231	28,394	–
	3,106,970	2,152,180	48,526	1,022,315

21. TAX EXPENSE (CONT'D)

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Reconciliation of effective tax expense				
Profit before taxation	1,238,066	13,612,338	876,373	3,661,264
Income tax using Malaysian tax rate	346,659	3,811,455	245,385	1,025,154
Effect for using different tax rate for chargeable income of up to RM500,000 (2003 – RM100,000) of certain subsidiaries	(80,000)	(8,775)	–	–
Effect of difference tax rates in foreign jurisdiction	(8,831)	135,155	–	–
Non deductible expenses	1,818,256	319,944	32,342	–
Tax exempt income	(258,057)	(2,127,791)	(238,041)	–
Effect of unrecognised deferred tax assets, now recognised	(100,284)	–	–	–
Others	9,483	22,192	–	(2,839)
	1,727,226	2,152,180	39,686	1,022,315
Under provision in prior years	1,379,744	–	8,840	–
Tax expense	3,106,970	2,152,180	48,526	1,022,315

22. EARNINGS PER ORDINARY SHARE – GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net (loss)/profit attributable to ordinary shareholders of RM(1,524,044) (2003 – RM11,219,895) and the weighted average number of ordinary shares outstanding during the year of 52,000,002 (2003 – 16,000,002).

Weighted average number of ordinary shares

	2004 RM	2003 RM
Issued ordinary shares at beginning of the year	52,000,002	2
Effect of shares issued during the year/period	–	16,000,000
Weighted average number of ordinary shares	52,000,002	16,000,002

The diluted earning per ordinary share is not shown as the Company has no dilution in its ordinary shares.

23. DIVIDEND

	Group and Company	
	2004 RM	2003 RM
Final paid		
2003 – 7% less tax (2002 – Nil)	2,620,800	–

The Directors do not recommend any dividend to be paid for the financial year ended 31 December 2004.

24. 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

On 31 December 2004, the manufacturing operation was discontinued (Note 29).

Geographical segments

The electrical and mechanical engineering segment is operated mainly in Malaysia and also in another principal geographical area in China. Manufacturing segment was 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 based on the geographical location of assets.

2004	Electrical and mechanical engineering RM	<i>Discontinuing</i> Manufacturing RM	Investment holdings RM	Eliminations RM	Consolidated RM
<i>Business segments</i>					
Revenue from external customers	88,016,842	13,702,648	–	–	101,719,490
Intersegment sales	–	10,970	–	(10,970)	–
Total revenue	<u>88,016,842</u>	<u>13,713,618</u>	<u>–</u>	<u>(10,970)</u>	<u>101,719,490</u>
Segment results	<u>4,098,834</u>	<u>(1,079,549)</u>	<u>699,843</u>	<u>(569,260)</u>	<u>3,149,868</u>
Interest income					185,598
Interest expense					(2,545,474)
Share of profit of associates					23,012
Gain on disposal of discontinued operation – manufacturing segment		<u>425,062</u>			<u>425,062</u>
Profit before taxation					1,238,066
Tax expense					(3,106,970)
Minority interests					<u>344,860</u>
Net loss for the year					<u>(1,524,044)</u>

24. SEGMENTAL INFORMATION (CONT'D)

2004	Electrical and mechanical engineering RM	<i>Discontinuing</i> Manufacturing RM	Investment holdings RM	Eliminations RM	Consolidated RM
Segment assets	107,535,937	–	60,867,539	(66,863,788)	101,539,688
Investment in associate	320,598	–	–	–	320,598
Unallocated assets					38,560,800
Total assets					<u>140,421,086</u>
Segment liabilities	(30,488,552)	–	(953,894)	–	(31,442,446)
Unallocated liabilities					(44,708,419)
Total liabilities					<u>(76,150,865)</u>
Capital expenditure	1,572,972	–	1,673,810	–	3,246,782
Depreciation	(930,167)	–	(100,430)	–	(1,030,597)
Non-cash expenses other than depreciation	2,221,964	–	–	–	2,221,964
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
Intersegment sales	–	23,151	–	(23,151)	–
Total revenue	<u>56,444,050</u>	<u>6,084,477</u>	<u>1,271,367</u>	<u>(23,151)</u>	<u>63,776,743</u>
Segment results	<u>4,470,762</u>	<u>766,586</u>	<u>192,514</u>	<u>–</u>	<u>5,429,862</u>
Interest income					34,399
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 period					<u>11,219,895</u>

24. SEGMENTAL INFORMATION (CONT'D)

	Electrical and mechanical engineering RM	Manufacturing RM	Investment holdings RM	Eliminations RM	Consolidated RM
2003					
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					<u>136,328,052</u>
Segment liabilities	(45,968,778)	(4,680,363)	(998,390)	–	(51,647,531)
Unallocated liabilities					(15,014,519)
Total liabilities					<u>(66,662,050)</u>
Capital expenditure	271,838	14,050	10,250,000	–	10,535,888
Depreciation	(237,111)	(123,006)	(33,477)	–	(393,594)
Non-cash expenses other than depreciation	(5,000,296)	(13,365)	–	–	(5,013,661)
		Malaysia RM	Overseas RM	Elimination RM	Consolidation RM
2004					
Geographical segments					
Revenue from external customers by location of customers		77,519,665	24,210,795	(10,970)	<u>101,719,490</u>
Segment assets by location of assets		152,386,585	16,016,891	(66,863,788)	<u>101,539,688</u>
Capital expenditure by location of assets		3,237,831	8,951	–	<u>3,246,782</u>
2003					
Geographical segments					
Revenue from external customers by location of customers		56,183,224	7,593,519	–	<u>63,776,743</u>
Segment assets by location of assets		160,800,808	13,333,680	(73,485,477)	<u>100,649,011</u>
Capital expenditure by location of assets		10,506,670	29,218	–	<u>10,535,888</u>

25. CONTINGENT LIABILITIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
In respect of letters of guarantee issued by banks to third parties (performance guarantee)	13,058,763	25,711,385	–	–
In respect of corporate guarantee issued to financial institutions in respect of credit facilities granted to a subsidiary	–	–	60,900,000	–
In respect of corporate guarantee issued to suppliers of raw materials purchased by a subsidiary	–	–	2,000,000	–
In respect of letter of guarantee issued by a subsidiary to a third party	250,000	2,750,000	–	–

Included in the letters of guarantee issued by a bank to third parties is an amount of RM356,833 (2003 – RM392,453) and RM515,253 (2003 – RM515,253) which is issued on behalf of two subsidiary companies, Loong Fuat Engineering (JB) Sdn. Bhd. and Loong Fuat Engineering Limited respectively.

26. COMMITMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	–	1,555,000	–	–
Contracted but not provided for in the financial statements	610,000	43,000	–	–

27. 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		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Lew Mew Choi, a Director – rental expenses	110,507	273,000	–	–
Liew Kiam Woon, a Director – rental expenses	–	13,000	–	–

27. RELATED PARTIES (CONT'D)

	Group		Company	
	2004 RM	3.9.2003 to 31.12.2003 RM	2004 RM	2003 RM
Transactions				
Company in which Liew Kiam Woon has interest:				
Kajang Rocks Quarry Sdn. Bhd.				
Purchases	7,722	21,055	–	–
Companies in which Lew Mew Choi has interest:				
Busway Industries Sdn. Bhd.				
Purchases	4,955	4,534	–	–
Labour charges paid	226,884	246,087	–	–
Megaduct Marketing Sdn. Bhd.				
Sales	15,500	571,548	–	–
Subsidiaries				
Mayduct Technology Sdn. Bhd.				
Rental expenses paid	–	–	–	17,500
Rental income receivable	–	–	264,000	70,000
LFE Engineering Sdn. Bhd.				
Rental income receivables	–	–	60,000	10,000
Associate				
Kejuruteraan Rayton Sdn. Bhd.				
Purchases	–	126,332	–	–

The transactions have been entered into the normal course of business and have been established under negotiated terms.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group and the Company's business. The Board of Directors reviews and agrees on the 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 review of receivables' ageing. At the balance sheet date, there was no concentration of credit risk other than 65% (2003 – 39%) of trade receivables due from two 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

The Group utilised short term borrowings for working capital purposes and borrows term loans to finance capital expenditure. In view of the low interest rate scenario, exposure to fluctuation of interest rate risk is minimised.

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 subsidiary 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

The Group and the Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Group and the Company's operations and to mitigate the effects of fluctuation in cash flows.

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 reprise or mature, whichever is earlier.

Group	Effective interest rate per annum %	Total RM	Within 1 year RM	1-5 years RM	After 5 years RM
2004					
Financial assets					
Deposits placed with licensed banks	3.3	5,140,510	5,140,510	—	—
Unquoted subordinated bonds	*	3,500,000	3,500,000	—	—
Financial liabilities					
Bank overdrafts – secured	7.6	6,500,018	6,500,018	—	—
Bankers' acceptances – unsecured	2.9	1,897,166	1,897,166	—	—
Term loan – unsecured	7.0	35,204,167	204,167	—	35,000,000
Term loan – secured	7.5	2,191,455	2,191,455	—	—
Secured share margin financing	9.0	582,378	582,378	—	—
2003					
Financial assets					
Deposits placed with licensed banks	3.0	2,956,921	2,956,921	—	—
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 loans – secured	7.5	(3,442,018)	(1,242,653)	(2,199,365)	—
Trust receipts – unsecured	4.7	(1,296,699)	(1,296,699)	—	—

* Nil during the year, coupon rate is unfixed as this bond is subordinated and interest payments depend on residual cash available.

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 values 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	2004 Carrying amount RM	2004 Fair value RM	2003 Carrying amount RM	2003 Fair value RM
Financial assets				
Quoted shares	29,244,985	17,014,726	28,714,469	42,503,869
Unquoted subordinated bonds	3,500,000	*	–	–
Financial liabilities				
Term loans – unsecured	35,204,167	35,204,167	–	–
Term loans – secured	2,191,455	2,191,455	3,442,018	3,442,018

* No fair value has been disclosed for unquoted subordinated bonds as it is not practical to estimate its fair value due to the lack of market information and the assumptions used in valuation models to value these investments cannot be reasonably established.

The fair values of quoted shares are their quoted bid price at the balance sheet date. The secured term loan approximates its carrying value as the interest rate of the instrument approximates market rate at year end.

The fair value of unsecured term loan approximates the carrying value as the credit rating of the Group has not changed significantly since the drawdown of the term loans and the interest rate of the instrument approximates market rate at year end.

29. DISPOSAL OF SUBSIDIARY

On 30 December 2004, the Company's subsidiary, Mayduct Technology Sdn. Bhd. allotted and issued 1,250 new ordinary shares of RM1.00 each as fully paid-up in cash to a third party at an issue price of RM253.96 per ordinary share thereby increasing its total issued and paid-up share capital from 10,000 comprising 10,000 ordinary shares of RM1.00 each to RM11,250 comprising 11,250 ordinary shares of RM1.00 each.

After the allotment, the Company's shareholding of 5,100 ordinary shares of RM1.00 each in Mayduct Technology Sdn. Bhd. remained unchanged but the effective equity interest of the Company was diluted from 51% to 45.3%.

On 31 December 2004, the Group disposed off Mayduct Technology Sdn. Bhd. for RM1,359,829 giving rise to a gain on disposal of RM425,062 to the consolidated net profit for the year ended 31 December 2004.

The fair value of assets and liabilities disposed in the disposal and the cash flow effects of the disposal are as follows:

	Disposal 2004 RM
Non current assets	
Property, plant and equipment	1,975,268
Development expenditure	298,596
Current assets	
Current liabilities	8,091,602
Non-current liabilities	(7,711,031)
	(502,687)
Net assets	2,151,748
Minority interests	(1,216,981)
	934,767
Gain on disposal	425,062
Consideration receivable	1,359,829

29. DISPOSAL OF SUBSIDIARY (CONT'D)

	Disposal 2004 RM
Cash and cash equivalents disposal off	
Cash and bank balance	45,780
Bank overdrafts	(504,658)
Net cash disposal off	<u>(458,878)</u>

30. 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.

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
	<u>17,233,834</u>
Current assets	92,096,169
Current liabilities	(62,692,127)
Long term liabilities	(5,110,987)
	<u>41,526,889</u>
Net assets	(1,022,483)
Minority interest	(8,516,103)
Negative goodwill on acquisition	<u>31,988,303</u>
Purchase price	(31,988,303)
Consideration satisfied by issuance of shares	(4,859,887)
Bank overdraft acquired	<u>(4,859,887)</u>
Net cash outflow	<u>(4,859,887)</u>

analysis of shareholdings

– as at 30 April 2005

SHARE CAPITAL

Authorised share capital	:	RM100,000,000
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	:	1,141

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of shareholders	%	Shareholdings	%
Less than 100	3	0.26	154	0.00
100 to 1,000	501	43.91	337,900	0.65
1,001 to 10,000	474	41.54	2,086,100	4.01
10,001 to 100,000	119	10.43	3,412,515	6.56
100,001 to less than 5 % of issued share capital	38	3.33	15,815,342	30.42
5% and above of issued share capital	6	0.53	30,347,991	58.36
Total	1,141	100.00	52,000,002	100.00

SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Shareholdings		Note	%
	Direct	Indirect		
Lew Mew Choi	7,604,108	8,557,521	1	31.08
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 Nyeen	710,549	7,605,562	4	15.99
HSBC Holdings PLC	4,167,200	–	8	8.01
Liew Kiam Woon	133,843	4,605,562	5	9.11
Liew Meow Nyeen Realty Sdn Bhd	4,605,562	–	–	8.86
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

Note 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	7,604,108	14.62	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
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	7,604,108	14.62
3.	Liew Meow Nyeau Realty Sdn Bhd	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>	3,580,800	6.89
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	966,501	1.86
11.	Cheong Thiam Fook	952,000	1.83
12.	Liew Meow Nyeau	710,549	1.37
13.	Allianz Life Insurance Malaysia Berhad	657,500	1.26
14.	Allianz Life Insurance Malaysia Berhad	542,800	1.04
15.	Citicorp Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kee Ju-Hun</i>	490,000	0.94
16.	Citicorp Nominees (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>	380,000	0.73
18.	Wong Yoke Fong @ Wong Nyok Fing	365,900	0.70
19.	Ong Bee Bee	350,000	0.67
20.	Razman Md Hashim Bin Che Din Md Hashim	300,000	0.58
21.	Allianz General Insurance Malaysia Berhad	263,900	0.51
22.	On Hai Swee	238,168	0.46
23.	ECM Libra Securities Nominees (Asing) Sdn Bhd <i>ECM Libra Securities Limited For Asia New Economy Fund</i>	219,900	0.42
24.	Chang Chai Kin	218,700	0.42
25.	Ong Ai Chin	208,500	0.40
26.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd For OSK-UOB Dana Islam</i>	200,100	0.38
27.	Malaysia Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad</i>	200,000	0.38
28.	Allianz Life Insurance Malaysia Berhad	194,900	0.37
29.	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For MAAKL Value Fund</i>	184,000	0.35
30.	Teo Chin Hwa	168,000	0.32
Total		44,294,790	85.18

list of properties

– as at 31 December 2004

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 31-12-2004 RM	Date of revaluation / *Date of Acquisition
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, currently used as business office of LFEE and the factory rented out	Freehold	153,399	50,427	3	10,116,092.99	11.06.02
H.S. (M) 12069 Lot PT No. 7142 in Taman Cahaya Ampang 5th Mile Jalan Ampang Kuala Lumpur	4-storey light industrial building for investment purposes	Leasehold, 99 years, expiring on 19.04.2082	2,800	2,800	20	740,506.33	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 shoplot for investment purposes (currently rented out)	Freehold	1,600	1,600	37	270,659.84	06.09.04
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	464,987.46	08.03.04
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	336,553.22	16.05.00
Block D, First Floor Phase 7E, Bukit Rahman Putra erected on land held under Master Title H.S. (D) 94706 P.T. No. 28632 in Mukim of Sungai Buloh District of Petaling Selangor Darul Ehsan	Freehold shoplot, for investment purposes	Freehold	1,650	1,360	4	209,608.39	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	249,303.03	* 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 31-12-2004 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	4	93,929.32	*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	4	93,929.32	*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	4	119,321.21	*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	4	123,959.86	13.10.04
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	4	124,879.30	*10.10.01
Unit No. 2004 Kerry Everbright City Tower II Shanghai, China	City apartment for Investment	Leasehold, for a term of 50 years, expiring on 23.09.2042	–	130.45 sq meter	6	194,515.65 (USD)	27.02.04
Unit No. 2005 Kerry Everbright City Tower II, Shanghai, China	City apartment for investment	Leasehold, for a period of 50 years, expiring on 23.09.2042	–	90.64 sq meter	6	135,100.86 (USD)	27.02.04
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	6	89,665.32 (USD)	27.02.04

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 31-12-2004 RM	Date of revaluation / *Date of Acquisition
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)	501,137.57	*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)	515,943.61	*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	4	119,321.21	*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	4	121,375.83	*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	3	157,838.01	*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	3	157,838.01	*1.07.02
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	3	187,085.92	*17.06.02

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 31-12-2004 RM	Date of revaluation / *Date of Acquisition
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	3	194,223.02	*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	3	201,418.52	*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	3	210,051.82	*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	3	61,222.02	*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	3	64,091.78	*17.06.02
Unit 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	3	64,091.78	*17.06.02
Unit F1-2-37 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	–	624	3	61,439.32	*17.06.02

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Since 1967

LFE Corporation Berhad (579343-A)

form of proxy

I/We _____
of _____
being a member / members of LFE CORPORATION BERHAD ("the Company") hereby appoint

of _____
or failing whom _____
of _____

/ the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the THIRD ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at The Hang Jebat Room, Level 3, Mines Beach Resort & Spa, Jalan Dulong, Mines Beach Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Monday, 27 June 2005 at 10.00 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:-

Ordinary Resolution		For	Against
1	Consolidated Audited Financial Statements		
2	Approve payment of Directors' Fees		
3	Re-election of Liew Kiam Woon		
4	Re-election of Chung Tack Soon		
5	Re-election of Tong Hock Sen		
6	Re-appointment of Auditors		
7	Authority For Directors To Allot And Issue Shares		

No. of Shares Held

Dated this _____ day of _____ 2005.

Signature/ common seal of shareholder

NOTES

- 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.
- 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.
- 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.
- Please indicate with an X in the appropriate column as to how you wish your proxy to vote [For or Against] 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.
- 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 (579343-A)
Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan
Malaysia

Fold along this line