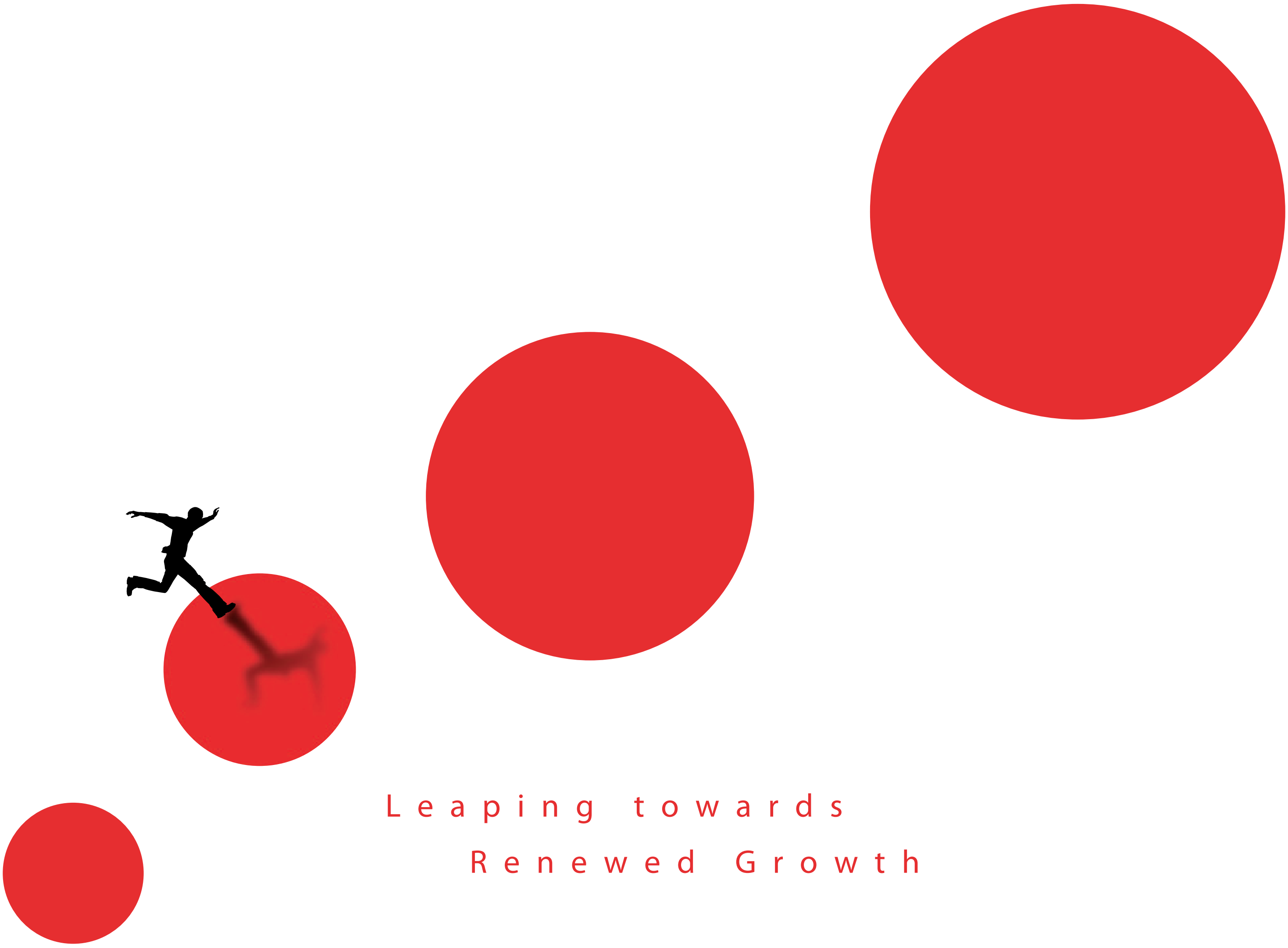
LFE Corporation Berhad (579343-A)

Since 1967



Leaping towards
Renewed Growth

Annual Report 2013

CONTENTS 2013

Managing Director's Statement

Dear valued shareholders,

On behalf of the Board of Directors ("the Board") of LFE Corporation Berhad ("the Company"), I have the pleasure of presenting to you the Annual Report and the Consolidated Audited Financial Statements of the Company and its subsidiary companies ("the Group") for the financial year ended 31 July 2013.

FINANCIAL REVIEW

For the financial year ended 31 July 2013, the Group registered a higher consolidated revenue of RM 72.53 million, an increase of RM 46.95 million or 183.5% as compared to the previous year's revenue of RM 25.58 million. The higher revenue is achieved from the construction, mechanical and electrical engineering segments, the Group's core business and industry.

The profit before tax of the Group for the current financial year is RM 13.9 million whilst profit after tax attributable to shareholders for the same financial year is RM 13.4 million.

The profit before tax of 19% achieved for the current financial year is due to the recognition of revenue on the certification of work done for its overseas projects as well as the reversal of provisional costs taken up in earlier years upon finalisation of work done from suppliers.

The Group has achieved a higher profit after tax for the current financial year due to lower effective taxation rate as a result of set-off against unutilised capital allowances and unabsorbed business loss brought forward.

Hence, the Group's earning per share for the current financial year is 15.8 sen, based on the weighted average number of ordinary shares outstanding during the year.

The Group's shareholders' fund stood at RM 11.1 million as at the financial year ended 31 July 2013, a record of significant rebound from its previous year of negative RM2.6 million.

CORPORATE DEVELOPMENT

On 1 October 2012, the Company triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(a) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as of that date, is considered a PN17 company. The PN17 criteria was triggered as based on the Group's quarterly report for the period ended 31 July 2012, the shareholders' equity is less than 25% of the Group's issued and paid-up capital.

The Group is required to submit its regularisation plan to the relevant authorities within twelve (12) months of the first announcement, i.e. by 30 September 2013. However, on 18 October 2013, upon application, Bursa Securities granted the Company an extension of time of up to 30 December 2013 to submit its regularization plan to regularize the Group's financial condition and business operations. On 30 September 2013, the Company's Proposed Regularization Plan was announced.

DIVIDEND

The Board is not recommending any dividend in respect of the financial year ended 31 July 2013. As the Board is now focusing on the Proposed Regularisation Plan with priorities set for turning around the Group's accumulated retained earnings back to profitability, we are determined to reward our shareholders with increased long term value and returns in the coming years.

Managing Director's Statement (cont'd)

FUTURE PROSPECT

After the Proposed Regularisation Plan, the Group expects to strengthen its financial position and sustain its profitability, even though the Group remains in the same core business and industry. With the recently announced 2014 budget proposal of RM 46.5 billion for Development Expenditure, RM 29 billion is allocated to the economic sector to support the needs of Infrastructure, industrial, agricultural and rural development. In particular, the Government's initiatives to strengthen public transport network of road and rail accessibilities have provided tremendous opportunities to the construction and mechanical, civil and electrical engineering sub-sectors. Hence it is anticipated that a robust growth of 9.6% is forecasted for the construction sector in year 2014.

With our experience and ability to undertake construction and mechanical, electrical and plumbing (MEP) works for large infrastructure projects and high rise luxurious condominiums locally and overseas, we are confident that we are able to secure additional sizeable contracts in 2014 and subsequent years to further enhance our existing order book, given the opportunities that arise in the large infrastructure projects under the Government's Economic Transformation Program and the 10th Malaysia Plan as well as numerous high-end residential properties from the private sector.

The MEP works for infrastructure normally ranges from 10% to 25% of the total cost of civil works, depending on the design requirement and nature of the project. Whereas MEP works for various residential and commercial projects can range from 30% to 40% of the total project cost, depending on the requirement for each project.

Additionally, the Group will continue to explore viable and profitable business opportunities locally and regionally through strategic alliances with both prestigious local and foreign partners to enhance shareholders' value and strengthen its financial foundations.

It is envisaged that the financial position of the Group will be improved upon the successful implementation of the Proposed Regularization Plan.

ACKNOWLEDGEMENT

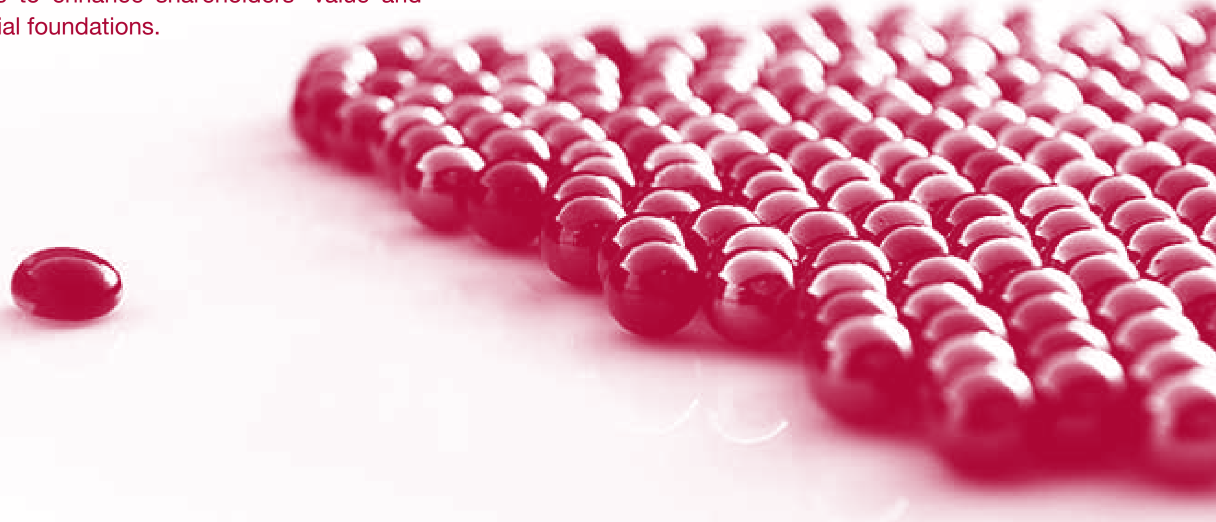
Many thanks to my fellow Board members and the Audit Committee for their precious contributions and invaluable advices throughout the turbulent and trying times, in particular the crucial period whilst the Company triggered the PN 17 criteria.

Our heartfelt appreciation is truly in order to all the relevant parties who have contributed their effort to help with the Company's Proposed Regularization Plan.

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

Last, but not the least, the management team and staff have been very supportive of the Company's effort to move forward and make positive growth. It has been slow and challenging but the team has been relentless in pursuing with me in this battle to grow the Company and move it to a much brighter path. My heartfelt thanks to each and everyone in this team.

LIEW KIAM WOON
Managing Director



Corporate Information

BOARD OF DIRECTORS

LIEW KIAM WOON
Managing Director

KOK TONG YONG
Executive Director

JULIANA QUAH KOOI HONG
Executive Director

DAVID LOW TECK WEE
Senior Independent Non-Executive Director

LOO THIN TUCK
Independent Non-Executive Director

TUNKU AZLAN BIN TUNKU AZIZ
Independent Non-Executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

AUDITORS

Messrs Morison Anuarul Azizan Chew
(AF 1977)
Chartered Accountants

REGISTERED OFFICE

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

SHARE REGISTRAR
SYMPHONY SHARE REGISTRARS SDN BHD

Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Malaysia
Tel: 603-78418000
Fax: 603-78418008
Website : www.symphony.com.my

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

LISTING

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

PRINCIPAL OFFICES

KUALA LUMPUR, MALAYSIA
LFE ENGINEERING SDN BHD

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JOHOR BAHRU, MALAYSIA
LFE ENGINEERING (JB) SDN BHD

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81100 Johor Bahru, Malaysia
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Fax : 607-3515887
Email : lfe@lfe.com.my

VIETNAM
LFE ENGINEERING (VIETNAM) COMPANY LIMITED

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

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Fax : +971 2 650 1071 - ISZL site
Email : dwon@lfe.com.my

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LFE ENGINEERING QATAR WITH LIMITED LIABILITY

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

GROUP STRUCTURE
AS AT 21 NOVEMBER 2013

LFE Corporation Berhad

- **100%** **LFE Engineering Sdn Bhd** *(LFE Engineering Sdn Bhd Abu Dhabi Branch)*
  - **100%** LFE Engineering (JB) Sdn Bhd
  - **100%** LFE Engineering (Vietnam) Company Limited (2)
  - **49%** LFE Engineering Qatar With Limited Liability (3)
- **100%** LFE Technology Sdn Bhd
- **100%** LFE International Limited (1)
- **100%** LFE Builder Sdn Bhd
- **100%** Teratai Megah Sdn Bhd
- **51%** Lynex Construction Sdn Bhd
- **25.5%** Mediaforte Holdings Sdn Bhd
  - **100%** Mediaforte (Malaysia) Sdn Bhd

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

Board of Directors' Profile

Mr Liew Kiam Woon
Managing Director &
Chairman of Risk Management Committee

Mr Liew Kiam Woon, a Malaysian, aged 50, has been an Executive Director of the Company since his appointment to the Board on 15 September 2003 and was subsequently re-designated as Managing Director on 28 September 2010. Currently he is also the Chairman of the Risk Management Committee, a member of the Remuneration Committee, the Managing Director of LFE Engineering Sdn Bhd ("LFEE") and sits on the boards of all of the Company's subsidiaries. He is also actively involved in Master Builders Association of Malaysia and currently sits in the Council.

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

Mr Kok Tong Yong
Executive Director

Mr Kok Tong Yong, a Malaysian, aged 57, has been the Executive Director of the Company since his appointment to the Board on 19 October 2010.

He was previously the Chief Operating Officer of LFE Engineering Sdn Bhd, a wholly-owned subsidiary of the Company. He has 29 years extensive working experience in the construction industry beginning as a design engineer with a consulting firm and leading to experiences as a mechanical and electrical engineer, having held various managerial positions with established main contractors and developers.

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

Board of Directors' Profile (cont'd)

Ms Juliana Quah Kooi Hong
Executive Director

Ms Juliana Quah Kooi Hong, a Malaysian, aged 44, has been the Executive Director of the Company since her appointment to the Board on 19 October 2010. She is currently also a member of the Risk Management Committee.

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

Mr David Low Teck Wee
Senior Independent Non-Executive Director & Chairman of Audit Committee

Mr David Low Teck Wee, a Malaysian, aged 42, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. He was subsequently re-designated as Senior Independent Non-Executive Director on 31 July 2010. Currently, he is also the Chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

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

Board of Directors' Profile (cont'd)

Mr Loo Thin Tuck
Independent Non-Executive Director &
Chairman of Remuneration Committee

Mr Loo Thin Tuck, a Malaysian, aged 48, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. Currently he is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee.

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

He is currently the Managing Partner of Loo Thin Tuck & Co. and Managing Director of the consulting company, Infotax Planning Sdn Bhd. He is currently not a director of any other public company.

YM Tunku Azlan Bin Tunku Aziz
Independent Non-Executive Director &
Chairman of Nomination Committee

YM Tunku Azlan Bin Tunku Aziz, a Malaysian, aged 45, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 5 October 2009. He is also the Chairman of the Nomination Committee and a member of both the Audit Committee and Risk Management Committee.

He is a Fellow member of the Association of Chartered Certified Accountant and a Chartered Accountant of the Malaysia Institute of Accountants. He started his career as a Business Development Officer with a leasing company in 1995 and left in 1996 to join Aseambankers (M) Berhad as a Senior Officer. In 1999, he joined Pengurusan Danaharta Nasional Berhad as Manager, Operations Department and left in 2005. Thereafter, he was the Group Chief Financial Officer and Company Secretary of ARK Resources Berhad until 2009. He is currently a Non-Independent Non-Executive Director of ARK Resources Berhad.

Presently, he is the Chief Financial Officer and Company Secretary of Shapadu Energy & Engineering Sdn Bhd.

Other Information

1) There are no family relationships amongst the Directors and / or major shareholders of the Company.
2) None of the Directors has any conflict of interest with the Company.
3) None of the Directors of the Company has been convicted of any offence other than traffic offences, within the past 10 years.

Statement on Corporate Governance

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

BOARD OF DIRECTORS

Board Composition

The Board currently has 6 members comprising 1 Managing Director, 2 Executive Directors, and 3 Independent Non-Executive Directors, thus complying with the Listing Requirements of Bursa Securities for a minimum of 1/3 of the Board to be independent directors. The Directors bring to the Company a broad mix of business, legal, financial, marketing, project management and technical skills and experience. The Board believes that its existing composition has the required collective skills for the Board to provide clear and effective leadership for the LFE Group ("the Group").

Board Balance

The Board currently has 3 Directors with executive functions and who are responsible for the making of day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities amongst them in order to maintain a balance of control, power and authority within the Management.

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

Board Responsibilities

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

Board Meetings

The Board conducted 5 meetings for the financial year ended 31 July 2013, at which a variety of matters including amongst others, the Group's financial results, the Group's overall performance, challenges faced by the Group, business development activities, internal control issues and related party transactions were considered and deliberated upon. Details of attendance of the Directors at the Board meetings are as follows:-

Director	No. of Meeting Attended
Liew Kiam Woon	5 out of 5
Kok Tong Yong	5 out of 5
Juliana Quah Kooi Hong	5 out of 5
David Low Teck Wee	5 out of 5
Loo Thin Tuck	5 out of 5
Tunku Azlan Bin Tunku Aziz	4 out of 5

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

Board Committees

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

Statement on Corporate Governance (cont'd)

Audit Committee

(comprising entirely Independent Non-Executive Directors)

David Low Teck Wee
(member of the Malaysian Institute of Accountants) - Chairman
Loo Thin Tuck
(member of the Malaysian Institute of Accountants) - Member
Tunku Azlan Bin Tunku Aziz
(member of the Malaysian Institute of Accountants) - Member

Nomination Committee

(comprising entirely Independent Non-Executive Directors)

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

Remuneration Committee

(comprising mainly Independent Non-Executive Directors)

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

Risk Management Committee

Liew Kiam Woon - Chairman
Tunku Azlan Bin Tunku Aziz - Member
Juliana Quah Kooi Hong - Member

Supply of Information

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

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

Appointments to the Board

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

Re-election of Directors

According to the Company's Articles of Association ("the Articles"), any Director who is appointed during the year shall retire at the Company's annual general meeting following his appointment and 1/3 of the Board who do not retire as aforesaid, will retire by rotation at every annual general meeting. The Articles further provide that every Director is subject to retirement once in every 3 calendar years and all retiring Directors are eligible for re-election. All Directors who have attained the age of 70 years are required to submit themselves for re-appointment annually at the Company's annual general meetings in accordance with Section 129(6) of the Companies Act, 1965 ("the Act").

Directors' Training

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

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

During the financial year ended 31 July 2013, the Directors have attended various training programmes, seminars, conferences and evening talks, which include topics, amongst others, relating to corporate governance, finance, project, risk management and audit. Details of the Directors' participation are as follows:-

Liew Kiam Woon

- Advocacy Sessions on Disclosure for CEOs and CFOs
  Organized by: Bursa Malaysia Berhad
  Date: 4 September 2012

Kok Tong Yong

- ISO 9001:2008 Awareness and Internal Audit Training
  Organized by : DMQC Services Sdn Bhd
  Date : 12 & 13 June 2013

Juliana Quah Kooi Hong

- ISO 9001:2008 Awareness and Internal Audit Training
  Organized by : DMQC Services Sdn Bhd
  Date : 12 & 13 June 2013

Loo Thin Tuck

- Future of Corporate Reporting
  Organized by : ACCA Malaysia
  Date : 12 June 2013

Statement on Corporate Governance (cont'd)

Tunku Azlan Bin Tunku Aziz

- Corporate Integrity System Malaysia
  Organized by : Bursa Malaysia Berhad
  Date : 29 November 2012

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

DIRECTORS' REMUNERATION

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

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

The remuneration of the Directors derived from the Group for the financial year ended 31 July 2013 are as follows:-

Type of Remuneration	Executive Directors RM	Non – Executive Directors RM	Total RM
Fees	-	48,000	48,000
Salaries, wages, bonus and allowances	864,000	19,000	883,000
Defined contribution plan	86,400	-	86,400
Benefits-in-kind	6,000	-	6,000
Total	956,400	67,000	1,023,400

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 July 2013 are as follows:-

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

SHAREHOLDERS

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

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

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES ("CSR")

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

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

Statement on Corporate Governance (cont'd)

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

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

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

Risk Management and Internal Control

The Board is committed to maintaining a sound system of internal control within the Group. The Board acknowledges that a good system of internal control covering all aspects of the business including compliance and risk management is required to safeguard shareholders' investment and the Group's assets.

The cost incurred for the internal audit function for the financial year ended 31 July 2013 is RM20,000.

Information on the Group's internal control is set out in the Statement on Risk Management and Internal Control located on page 16 to 17 of this report.

Relationship with the Auditors

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

Compliance Statement

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

a) The Chairman of the Board must be an independent non-executive director;
b) Details of remuneration of each directors;
c) Formalise, periodically review and make public Board Charter;
d) Absence of strategic plan;
e) Absence of succession planning process;
f) Absence of policy on ethics and code of conduct for Board of Directors; and
g) Corporate disclosure policy.

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

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

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

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

(i) Defining the Board schedule of matters of those functions reserved to the Board and delegated to management;
(ii) Implementing a whistle blowing policy and procedure to provide employees with a mechanism to monitor compliance to the code of ethics;
(iii) Setting out clearly the code of conduct that stipulates the sound principles to provide guidance to stakeholders on the ethical behaviours to be expected from the Group;
(iv) Defining its business sustainability policy and ensuring its current business decision making process incorporates the elements of Environment, Social and Governance ("ESG") within its value chain in the business processes; and
(v) Formalising the above actions into its Board Charter and creating a new page on corporate governance in the present corporate website to keep the public and shareholder informed of its progress and status of the above actions.

This statement was reviewed and approved by the Board on 19 November 2013.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee of LFE Corporation Berhad ("LFE" or "the Company") currently comprises the following Independent Non-Executive Directors, namely:-

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Audit Committee is governed by the following Terms of Reference which have been revised by the Board pursuant to Chapter 15 of the Listing Requirements of Bursa Malaysia Securities Berhad on 19 November 2013.

Objectives

1.1 To provide additional assurance to the Board by giving objective and independent review of the 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 ensure 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 the Management.

1.6 To reinforce the objectivity of the Internal Auditors.

Membership

2.1 The members of the Audit Committee shall be appointed by the Board pursuant to a Board Resolution. All members of the Audit Committee shall be Non-Executive Directors who possess adequate financial knowledge to discharge their functions effectively. It shall comprise at least three (3) members of whom a majority shall be Independent Non-Executive Directors.

2.2 An alternate Director and an Executive Director of the Company is not eligible for membership in the Audit Committee.

2.3 At least one (1) member of the Audit Committee:-

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

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

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

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

2.3.3 must possess such qualifications as may from time to time be prescribed by Bursa Malaysia Securities Berhad.

2.4 A member who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he/she leaves.

2.5 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 Audit Committee, the Board shall, within two (2) months of that event but in any case, not later than three (3) months, appoint amongst such other Directors, a new member to make up the minimum number required herein subject to all of the requirements with regards to the composition of the Audit Committee and the qualification of such new member as contained in these Terms of Reference.

2.6 The Chairman of the Audit Committee shall be appointed by the Board, or failing which, amongst the members of the Audit Committee themselves PROVIDED THAT he/she must be an Independent Non-Executive Director.

Authority

3.1 It shall have the resources and full access to both the Internal Auditors and External Auditors as well as all employees of the Group including but not limited to the Management, the Chief Executive Officer and the Chief Financial Officer of the Company or the Group (by whatever name called) and any information which it requires in the course of performing its duties, and the management and / or employee shall provide the fullest cooperation in providing the information and resources to the Audit Committee, and in implementing or carrying out all requests made by the Audit Committee.

3.2 It shall have direct communication channels with the External Auditors and Internal Auditors with or without the presence of the Management.

Audit Committee Report (cont'd)

3.3 It shall also have the authority to obtain, at the cost of the Company or the Group, independent legal and/or other professional advice and to secure attendance of outsiders with relevant experience and expertise at its meetings if it considers this necessary.

3.4 It shall also have the power to establish Sub-Audit Committee(s) and delegate its powers to such Sub-Audit Committee(s) for the purpose of carrying out certain investigations on its behalf in such manner as the Audit Committee deems fit and necessary and, to appoint any person(s) as member(s) of the Sub- Audit Committee(s) and/or as Head of Internal Audit who shall report directly to the Audit Committee.

Functions

4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.

4.2 To nominate a person or persons as the External Auditor(s).

4.3 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, and to review the adequacy of the existing external audit arrangements, with particular emphasis on the scope and quality of the audit.

4.4 To consider the audit fee and any question of resignation or dismissal of the External Auditors.

4.5 To review with the External Auditors their evaluation of the internal control system.

4.6 To review the scope of the internal audit programmes and procedures, consider the results of internal audit investigations in all aspects of the Group and assess the Management's response and to ensure that appropriate actions are taken on the recommendations of the internal audit function.

4.7 To review and evaluate the adequacy and effectiveness of the internal audit function, and that it has the necessary authority to carry out its work, and to review and evaluate the adequacy and effectiveness of the internal control systems as well as the management information systems, the administrative, operating and accounting policies employed.

4.8 To review the adequacy and effectiveness of risk management, internal control and governance systems.

4.9 To review the statement on internal control and recommend to the Board for inclusion in the annual report.

4.10 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.

4.11 To review the Company's quarterly and annual financial reports, before submission 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.

4.12 To review all related party transactions and all potential conflict of interest situations that may arise within the Company or the Group.

4.13 To identify and direct any special projects or investigations if deem necessary.

4.14 To discuss problems and reservations arising from the interim and final audits, and any other matter the External Auditors and/or Internal Auditors may wish to discuss in the absence of the Management, where necessary.

4.15 To review the reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment.

4.16 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.

4.17 To review reports and consider recommendations of the Sub-Audit Committee(s), if any.

4.18 To review any appraisal or assessment of the performance of members of the internal audit function who are full-time employees of the Group, if any.

4.19 To take cognisance of resignations of internal audit staff members who are full-time employee of the Group, if any, and provide such resigning staff member an opportunity to submit his /her reasons for resigning.

Meetings

5.1 The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee 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.

Audit Committee Report (cont'd)

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 Audit Committee.

5.6 Proceedings of all meetings held and resolutions passed as referred to in Paragraph 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 Audit Committee and the reports submitted thereat.

5.8 The External Auditors and Internal Auditors shall have the right to appear and be heard at any meeting and shall appear before the Audit Committee when so required by the Audit Committee.

5.9 Upon the request of the External Auditors or Internal Auditors, the Chairman shall convene a meeting to consider any matters the External Auditors or Internal Auditors believe should be brought to the attention of the Directors or shareholders of the Company.

5.10 The Audit Committee shall function independently of the other Directors and officers of the Company or the Group. Such other Directors or officers may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

5.11 The Audit Committee shall meet with the External Auditors at least twice 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 Audit Committee.

Audit Committee Meetings

During the financial year, the Audit Committee conducted 5 meetings of which all were duly convened with sufficient notices given to all Audit Committee members together with the agenda, report and proposals for deliberation at the meetings.

Representatives from the External Auditors and Internal Auditors, as the case may be, and the Financial Controller were in attendance to present the relevant reports and proposals to the Audit Committee at the meetings which included inter alia, the Auditors' audit plans and audit reports, the quarterly results of the Company and the audited financial statements for the financial year ended 31 July 2013.

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

Name of Audit Committee Member	No. of Audit Committee Meetings
David Low Teck Wee	5 out of 5
Loo Thin Tuck	5 out of 5
Tunku Azlan Bin Tunku Aziz	4 out of 5

Summary of Activities of the Audit Committee

The Audit Committee has carried out the following activities during the financial year in the discharge of its duties:

- Reviewed with External Auditors their evaluation of the internal control system;
- Noted and reviewed the reports of the External Auditors on the statement on internal control, thereafter recommended to the Board for inclusion in the annual report;
- Reviewed all quarterly financial results of the Company including the announcements pertaining thereto prior to recommending them for the Board's approval, focusing particularly on any changes in accounting policies, compliance with accounting standards and other legal requirements;
- To discuss problems and reservations arising from final audits, and any other matter with the External Auditors in the absence of the Executive Directors and the Management;
- Reviewed the assistance given by the Company's officers and employees to the External and Internal Auditors;
- Considered the audit fee and any question of resignation of the External Auditors; and

Summary of Activities of the Internal Audit

In the discharge of its duties, the Audit Committee is supported by an external consultant that adopts a risk based audit methodology in identifying, evaluating and improving the effectiveness of the internal control systems of the Group. The internal audit function is independent of the activities, it reports directly to the Audit Committee.

This Audit Committee Report was reviewed and approved by the Audit Committee on 19 November 2013.

Statement on Risk Management and Internal Control

Introduction

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

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

Board's Responsibility

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

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

The Board is assisted by Senior Management in implementing the Board approved policies and procedures on risk and control by identifying and analysing risk information; designing, operating suitable internal controls to manage and control these risks; and monitoring effectiveness of risk management and control activities.

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

Risk Management

At the date of approval of this statement, the Group has updated its enterprise risk management ("ERM") framework which proactively identifies, evaluates and manages key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated and organised approach entity-wide. It outlines the ERM methodology which is in line with the *ISO 31000:2009, Risk management – Principles and guidelines,* mainly promoting the risk ownership and continuous monitoring of key risks identified.

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

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

Internal Control

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

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

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

The other salient features of the Group's systems of internal controls are as follows:-

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

- Directors with executive functions 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

Statement on Risk Management and Internal Control (cont'd)

with the responsibility to ensure that the systems of internal controls are put into place accordingly;

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

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

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

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

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

Internal Audit

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

However, during the financial year no internal audits were carried out in view of the financial condition of the Group. Management have provided assurance that the internal audit function will be immediately resumed once the financial conditions of the Group signs of improvement.

Review by Board

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

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

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

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

The Board also received assurance from the MD and CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

In addition, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2013 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

Conclusion

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

The above statement is made in accordance with the resolution of the Board dated 19 November 2013.

Statement on Directors' Responsibilities

This statement made pursuant to 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad, is to explain the responsibilities of the Board of Directors ("the Directors" or "the Board") of LFE Corporation Berhad ("LFE" or "the Company") in relation to the preparation of the Company's annual financial statements. The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the LFE Group ("the Group") at the end of the financial year and the profit and loss account of the Company and the Group for the financial year. Further, the Board is required to ensure that the financial statements have been prepared in compliance with the Act, the Listing Requirements and in accordance with the applicable approved accounting standards in Malaysia.

In preparing the financial statements for the financial year ended 31 July 2013 ("the Financial Statements"), the Directors have, with the advice from the external auditors:

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

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

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

This statement was reviewed and approved by the Board on 19 November 2013.

Additional Compliance Information

1. **Utilisation of Proceeds**
   There were no proceeds raised from any corporate exercises during the financial year ended 31 July 2013.

2. **Share buybacks**
   There were no share buyback transactions made by the Company during the financial year ended 31 July 2013.

3. **Options, Warrants or Convertible Securities**
   There were no options, warrants or convertible securities issued by the Company during the financial year ended 31 July 2013.

4. **American Depository Receipt ("ADR")/Global Depository Receipt ("GDR")**
   During the financial year ended 31 July 2013, the Company did not sponsor any ADR or GDR programme.

5. **Related Party Transactions**
   The aggregate value of the Related Party Transactions for the financial year ended 31 July 2013 is set out in Note 35 of the Audited Financial Statements.

6. **Imposition of Sanctions/Penalties**
   There were no sanctions/penalties imposed on the Company & its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 July 2013.

7. **Non-audit Fees**
   There were no non-audit fees payable to the External Auditors for the financial year ended 31 July 2013.

8. **Profit Estimate, Forecast or Projection Variation In Results**
   There were no material variance between the audited results for the financial year ended 31 July 2013 and the unaudited results announced to Bursa Securities on 11 September 2013. The Company did not publish any profit estimates, forecasts or projections for the financial year ended 31 July 2013.

9. **Profit Guarantee**
   There was no profit guarantee received by the Company during the financial year ended 31 July 2013.

10. **Material Contracts**
    There were no other material contracts (not being contracts entered into in the ordinary course of business) either subsisting or entered into during the financial year ended 31 July 2013, by the Company and its subsidiaries which involved the interest of the Directors and substantial shareholders.

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

Financial Statements

Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2013.

Principal Activities

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

The principal activities of the subsidiary companies are stated in Note 5 to the financial statements.

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

On 1 October 2012, the Company triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(a) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as of that date is considered a PN17 company. The PN17 criteria was triggered as a consequence of the Company's unaudited quarterly announcement for the full financial year ended 31 July 2012 that was announced on 28 September 2012 wherein the shareholders' equity of the Company on a consolidated basis was less than 25% of the Company's issued and paid-up capital and such shareholders' equity was less than RM40 million. The Company has a timeline of twelve months up to 30 September 2013 to submit its regularisation plan to the regulatory authorities.

On 28 February 2013, the Company entered into a Debt Restructuring Agreement ("DRA") with scheme creditors to restructure their bank borrowings.

On 23 September 2013, the Company submitted an application to Bursa Securities to seek approval for an extension of time of up to three months from the date of the original submission timeline to submit their regularisation plan to regularise the Group's financial condition and business operations.

On 30 September 2013, the Company proposed to undertake proposals as disclosed in Note 39 to the financial statements.

On 18 October 2013, Bursa Securities granted the Company an extension of time up to 30 December 2013 to submit a regularisation plan to the regulatory authorities.

In the event the Company fails to comply with the obligations to regularise its condition, all its listed securities will be suspended from trading on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-listing procedures shall be taken against the Company, subject to the Company's right to appeal against the de-listing.

Financial Results

	Group RM	Company RM
Net profit/(loss) for the financial year attributable to:		
Owners of the Company	13,435,155	(210,587)

Dividend

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

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year under review.

Directors' Report (cont'd)

Directors

The Directors who served since the date of the last report are as follows:

Liew Kiam Woon
David Low Teck Wee
Loo Thin Tuck
Tunku Azlan Bin Tunku Aziz
Juliana Quah Kooi Hong
Kok Tong Yong

Directors' Interests

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

	Number of ordinary shares of RM1.00 each			
	At 1.8.2012	Acquired	Disposed	At 31.7.2013
LFE Corporation Berhad				
Direct interest:				
Liew Kiam Woon	4,133,843	-	-	4,133,843
Kok Tong Yong	25,000	-	-	25,000
Indirect interest:				
Liew Kiam Woon	4,605,562	-	-	4,605,562 ^

^ Deemed interested by virtue of his substantial shareholdings in Liew Meow Nyean Realty Sdn Berhad ("LMNRSB") of which LMNRSB is the registered owner of the shares in the Company.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

Directors' Benefits

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

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

Other Statutory Information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps: -

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

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other Statutory Information (cont'd)

(b) 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 allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company 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

(iii) 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.

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

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

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

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

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year ended 31 July 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature; and

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

Significant and Subsequent Events

The significant and subsequent events are disclosed in Note 39 to the financial statements.

Auditors

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

Signed in accordance with a resolution of the Directors.

LIEW KIAM WOON

JULIANA QUAH KOOI HONG

KUALA LUMPUR

Statement By Directors

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

We, LIEW KIAM WOON and JULIANA QUAH KOOI HONG, being two of the Directors of LFE CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 28 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 41, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors.

LIEW KIAM WOON

JULIANA QUAH KOOI HONG

KUALA LUMPUR

Statutory Declaration

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

I, LIEW KIAM WOON, being the Director primarily responsible for the financial management of LFE CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 28 to 77 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed LIEW KIAM WOON at Kuala Lumpur)
in the Federal Territory this)

LIEW KIAM WOON

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

To The Members Of LFE Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of LFE Corporation Berhad, which comprise the statements of financial position as at 31 July 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 77.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of the financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As stated under Note 13 to the financial statements, included in the trade receivables are past due outstanding trade receivables of RM70,408,163 (2012: RM76,386,453) due from Tamouh, the developer for the Zone C Towers, Zone E1 Mall and Zone E2 Hotel and Apartment, Plot One, Marina Square projects in Al Reem Island, Abu Dhabi, United Arab Emirates. The Zone C Towers and Zone E1 Mall projects were awarded to ISZL Consortium ("ISZL") whereas the Zone E2 Hotel and Apartment project was awarded to IJM-LFE Joint Venture ("IJM-LFE"). The Zone C Towers project has been completed and a final certificate has been issued. However, the Zone E1 Mall and Zone E2 Hotel and Apartment projects have been suspended. ISZL and IJM-LFE are now in advanced stages of negotiation with Tamouh on the settlement of the aforesaid outstanding debt, with offers of properties and lands being made by Tamouh. In order to maximize the recoverability of the trade receivables, ISZL and IJM-LFE are in the process of determining the values of the properties and lands and have not accepted the offers yet. Pending the acceptance and valuation being finalised, we are unable as at the date of this report to satisfy ourselves if the outstanding trade receivables are recoverable.

Qualified Opinion

In our opinion, except for the possible effects on the financial statements, if any, of the matters referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2013 and of their financial performances and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(a) to the financial statements which indicates that the financial statements of the Group and of the Company are prepared on a going concern basis. The ability of the Group and of the Company to continue as going concern is dependent upon the successful and timely formulation and implementation of a regularisation plan and finalisation with scheme creditors to restructure their bank borrowings under a debt restructuring agreement.

Independent Auditors' Report (cont'd)

To The Members Of LFE Corporation Berhad

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the independent auditors' report of the subsidiary company of which we have not acted as auditors, which are indicated in Note 5(b) to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The independent auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification except as disclosed in Note 5(b) to the financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 41 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 2(b) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 August 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 July 2012 and 1 August 2011, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 July 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 July 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 August 2012 do not contain misstatements that materially affect the financial position as of 31 July 2013 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
Approved Number: 1729/05/14 (J/PH)
Partner of Firm

KUALA LUMPUR

Statements Of Financial Position
as at 31 July 2013

		Group			Company		
		31.7.2013	31.7.2012	1.8.2011	31.7.2013	31.7.2012	1.8.2011
	Note	RM	RM	RM	RM	RM	RM
Non-Current Assets							
Property, plant and equipment	3	572,829	850,438	1,287,033	-	-	-
Investment properties	4	402,954	402,954	739,825	-	-	-
Investment in subsidiaries	5	-	-	-	25,576,084	25,576,084	25,576,082
Investment in associated companies	6	141,096	152,405	220,382	25,500	25,500	25,500
Other long term investments	7	-	-	-	-	-	-
Goodwill on consolidation	9	-	-	-	-	-	-
		1,116,879	1,405,797	2,247,240	25,601,584	25,601,584	25,601,582
Current Assets							
Inventories	10	31,098	31,098	663,242	-	-	-
Assets held for sale	11	-	-	930,880	-	-	-
Amount owing by customers on contracts	12	7,509,323	6,889,068	22,768,205	-	-	-
Trade receivables	13	94,676,557	97,479,056	61,561,265	-	-	-
Other receivables	14	3,764,941	6,571,319	4,600,358	45,000	45,000	45,000
Amount owing by subsidiaries	15	-	-	-	18,165,970	19,878,216	20,013,201
Amount owing by associates	16	6,123,175	6,011,427	5,684,019	769,813	769,813	769,813
Amount owing by a former Director	17	-	-	26,506,700	-	-	-
Tax recoverable		140,000	221,412	528,536	-	-	-
Fixed deposits with licensed banks	18	1,222,028	904,089	876,025	-	-	-
Cash and bank balances		1,217,550	2,387,250	2,118,080	1,300	1,210	4,050
		114,684,672	120,494,719	126,237,310	18,982,083	20,694,239	20,832,064

Statements Of Financial Position (cont'd)
as at 31 July 2013

	Note	Group 31.7.2013 RM	Group 31.7.2012 RM	Group 1.8.2011 RM	Company 31.7.2013 RM	Company 31.7.2012 RM	Company 1.8.2011 RM
Current Liabilities							
Amount owing to customers on contracts	12	4,684,298	28,707,223	3,303,980	-	-	-
Trade payables	19	46,390,057	30,985,115	30,580,437	-	-	-
Other payables	20	32,395,339	44,224,173	35,539,490	715,610	2,321,112	2,201,730
Amount owing to subsidiaries	15	-	-	-	103,933	-	-
Amount owing to associates	16	37,786	37,786	37,786	37,786	37,786	37,786
Amount owing to Directors	21	55,563	55,563	55,563	-	-	-
Hire purchase payables	22	77,391	77,391	20,723	-	-	-
Bank borrowings	23	13,481,766	16,881,832	25,171,500	-	-	-
Provision for taxation		480,900	-	-	-	-	-
		97,603,100	120,969,083	94,709,479	857,329	2,358,898	2,239,516
Net current assets/(liabilities)		17,081,572	(474,364)	31,527,831	18,124,754	18,335,341	18,592,548
		18,198,451	931,433	33,775,071	43,726,338	43,936,925	44,194,130
Financed by:							
Share Capital	24	84,900,002	84,900,002	84,900,002	84,900,002	84,900,002	84,900,002
Reserves	25	(73,784,901)	(87,545,501)	(55,205,618)	(41,173,664)	(40,963,077)	(40,705,872)
Equity attributable to owners of the parent		11,115,101	(2,645,499)	29,694,384	43,726,338	43,936,925	44,194,130
Total equity		11,115,101	(2,645,499)	29,694,384	43,726,338	43,936,925	44,194,130
Non-Current Liabilities							
Hire purchase payables	22	53,256	132,734	59,013	-	-	-
Bank borrowings	23	7,019,894	3,437,698	4,015,174	-	-	-
Deferred tax liabilities	26	10,200	6,500	6,500	-	-	-
		7,083,350	3,576,932	4,080,687	-	-	-
		18,198,451	931,433	33,775,071	43,726,338	43,936,925	44,194,130

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

Statements Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 31 July 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	27	72,528,301	25,581,835	-	-
Cost of sales		(53,747,119)	(25,704,561)	-	-
Gross profit/(loss)		18,781,182	(122,726)	-	-
Other operating income		3,935,940	990,808	-	-
Exceptional item	28	-	(26,506,700)	-	-
Administrative expenses		(3,624,164)	(3,893,648)	(210,587)	(257,205)
Other operating expenses		(2,051,086)	(858,704)	-	-
Finance costs	29	(3,126,140)	(2,657,884)	-	-
		13,915,732	(33,048,854)	(210,587)	(257,205)
Share of results of associated company		(11,309)	(67,977)	-	-
Profit/(loss) before taxation	30	13,904,423	(33,116,831)	(210,587)	(257,205)
Taxation	31	(469,268)	(13,400)	-	-
Net profit/(loss) for the financial year		13,435,155	(33,130,231)	(210,587)	(257,205)
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
- Exchange differences arising from translation of foreign operations		325,445	790,348	-	-
Total comprehensive income/ (loss) for the financial year		13,760,600	(32,339,883)	(210,587)	(257,205)

	Note	Group 2013 RM	Group 2012 RM
Net profit/(loss) for the financial year attributable to owners of the Company		13,435,155	(33,130,231)
Total comprehensive profit/(loss) for the financial year attributable to owners of the Company		13,760,600	(32,339,883)
Basic earnings/(loss) per share attributable to owners of the parent (sen)	32	15.82	(39.02)

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

Statements Of Changes In Equity
for the financial year ended 31 July 2013

Group	Attributable to Owners of the Company				
	Non-distributable			Distributable	
	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 August 2012	84,900,002	5,218,125	(712,114)	(92,051,512)	(2,645,499)
Total comprehensive income	-	-	325,445	13,435,155	13,760,600
At 31 July 2013	84,900,002	5,218,125	(386,669)	(78,616,357)	11,115,101
At 1 August 2011	84,900,002	5,218,125	(1,502,462)	(58,921,281)	29,694,384
Total comprehensive income/(loss)	-	-	790,348	(33,130,231)	(32,339,883)
At 31 July 2012	84,900,002	5,218,125	(712,114)	(92,051,512)	(2,645,499)

Company		Distributable		
	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 August 2012	84,900,002	5,218,125	(46,181,202)	43,936,925
Total comprehensive loss	-	-	(210,587)	(210,587)
At 31 July 2013	84,900,002	5,218,125	(46,391,789)	43,726,338
At 1 August 2011	84,900,002	5,218,125	(45,923,997)	44,194,130
Total comprehensive loss	-	-	(257,205)	(257,205)
At 31 July 2012	84,900,002	5,218,125	(46,181,202)	43,936,925

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

Statements Of Cash Flow
For the financial year ended 31 July 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash Flows From Operating Activities					
Profit/(Loss) before taxation		13,904,423	(33,116,831)	(210,587)	(257,205)
Adjustments for:					
Impairment loss on trade receivables		1,246,423	-	-	-
Impairment loss on amount owing by a former Director	28	-	26,506,700	-	-
Depreciation of property, plant and equipment		291,170	403,282	-	-
Gain on disposal of property, plant and equipment		-	(7,368)	-	-
Gain on disposal of investment properties		-	(123,129)	-	-
Gain on disposal of assets held for sale		-	(34,120)	-	-
Inventories written off		-	70,735	-	-
Bad debt written off					
- non trade		79,491	-	-	-
Impairment for trade receivables written back		(918,295)	-	-	-
Share of loss in associates		11,309	67,977	-	-
Fair value adjustment on:-					
- trade receivables		(32,556)	193,516	-	-
- trade payables		(22,921)	(152,203)	-	-
Interest income		(32,636)	(28,128)	-	-
Interest expense		3,126,140	2,657,884	-	-
Operating profit/(loss) before working capital changes		17,652,548	(3,561,685)	(210,587)	(257,205)
(Increase)/Decrease in working capital					
Amount owing by/(to) customers on contracts		(24,643,180)	41,282,380	-	-
Inventories		-	561,410	-	-
Trade and other receivables		5,233,814	(38,082,269)	-	-
Trade and other payables		3,599,029	9,241,564	(1,605,504)	119,382
Amount owing by subsidiaries		-	-	1,816,181	134,985
Amount owing by/(to) associates		(111,748)	(327,408)	-	-
		(15,922,085)	12,675,677	210,677	254,367
Cash generated from/(used in) operations		1,730,463	9,113,992	90	(2,838)
Interest received		32,636	28,128	-	-
Interest paid		(384,305)	(2,657,884)	-	-
Tax refunded		118,242	293,724	-	-
Tax paid		(21,498)	-	-	-
		(254,925)	(2,336,032)	-	-
Net cash from/(used in) operating activities		1,475,538	6,777,960	90	(2,838)

Statements Of Cash Flow (cont'd)

for the financial year ended 31 July 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3(c)	(7,498)	(44,237)	-	-
Investment in subsidiary company		-	-	-	(2)
Proceeds from disposal of property, plant and equipment		17,377	56,911	-	-
Proceeds from disposal of asset held for sale		-	965,000	-	-
Proceeds from disposal of investment properties		-	460,000	-	-
Net cash from/(used in) investing activities		9,879	1,437,674	-	(2)
Cash Flows From Financing Activities					
Increase/(Decrease) in fixed deposits pledged		(317,939)	(39,611)	-	-
Interest expenses		(2,273,796)	-	-	-
Repayment of bank borrowings		(313,209)	(8,334,613)	-	-
Repayment of hire purchase payables		(79,478)	(28,064)	-	-
Net cash used in financing activities		(2,984,422)	(8,402,288)	-	-
Net (decrease)/increase in cash and cash equivalents		(1,499,005)	(186,654)	90	(2,840)
Effect of exchange rate changes		302,005	988,355	-	-
Cash and cash equivalents at beginning of the financial year		(460,473)	(1,262,174)	1,210	4,050
Cash and cash equivalents at end of the financial year		(1,657,473)	(460,473)	1,300	1,210
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		1,217,550	2,387,250	1,300	1,210
Fixed deposits with licensed banks		1,222,028	904,089	-	-
Bank overdrafts		(2,875,023)	(2,847,723)	-	-
		(435,445)	443,616	1,300	1,210
Less: Fixed deposits pledged		(1,222,028)	(904,089)	-	-
		(1,657,473)	(460,473)	1,300	1,210

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

Notes To The Financial Statements

1. Corporate Information

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

The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements.

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

The principal place of business is located at Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan.

On 1 October 2012, the Company triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(a) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as of that date is considered a PN17 company. The PN17 criteria was triggered as a consequence of the Company's unaudited quarterly announcement for the full financial year ended 31 July 2012 that was announced on 28 September 2012 wherein the shareholders' equity of the Company on a consolidated basis was less than 25% of the Company's issued and paid-up capital and such shareholders' equity was less than RM40 million. The Company has a timeline of twelve months up to 30 September 2013 to submit its regularisation plan to the regulatory authorities.

On 28 February 2013, the Company entered into a Debt Restructuring Agreement ("DRA") with scheme creditors to restructure their bank borrowings.

On 23 September 2013, the Company submitted an application to Bursa Securities to seek approval for an extension of time of up to three months from the date of the original submission timeline to submit their regularisation plan to regularise the Group's financial condition and business operations.

On 30 September 2013, the Company proposed to undertake proposals as disclosed in Note 39 to the financial statements.

On 18 October 2013, Bursa Securities granted the Company an extension of time up to 30 December 2013 to submit a regularisation plan to the regulatory authorities.

In the event the Company fails to comply with the obligations to regularise its condition, all its listed securities will be suspended from trading on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-listing procedures shall be taken against the Company, subject to the Company's right to appeal against the de-listing.

2. Significant Accounting Policies

(a) Fundamental accounting concept

The financial statements of the Group has been prepared on a going concern basis as the Directors are confident that its regularisation plan and DRA will be successfully formulated and implemented to strengthen the business operations of the Group. In addition, the Directors are optimistic that the Group's outstanding trade receivables is fully recoverable. Accordingly, the financial statements of the Group do not include any adjustment and classification relating to the recorded assets and liabilities that may be necessary should the Group be unable to continue as a going concern.

(b) Basis of accounting

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company have adopted Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB") on 19 November 2011, which are mandatory for annual financial periods beginning on or after 1 January 2012. As this is the Group's and the Company's first financial statements prepared in accordance with MFRSs, the requirements of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards have been applied.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(b) Basis of accounting (cont'd)

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The Directors of the Company are of the opinion that the transition to MFRSs did not have any material financial and disclosure impacts to the financial statements.

The Directors of the Company anticipate that the application of the following Malaysia Financial Reporting Standards ("MFRSs") which are mandatory and will be effective for the financial periods as stated below will have no material impact on the financial statements of the Group and of the Company.

<u>MFRSs effective on 1 January 2013</u>

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 9 as amended by IASB in June 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvements to MFRSs 2009-2011 cycle	Annual Improvements to MFRSs 2009-2011 Cycle

<u>MFRSs effective on 1 January 2014</u>

Amendments to MFRS 10, MFRS 11 and MFRS 12	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies

<u>MFRSs effective on 1 January 2015</u>

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS 7 and MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group and the Company plans to adopt the abovementioned MFRSs, IC Interpretations and amendments to MFRSs which are relevant to the Group's and to the Company's operations when they become effective.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(b) Basis of accounting (cont'd)

The Directors of the Group and of the Company anticipate that the application of the above MFRSs, IC Interpretations and amendments to MFRSs will have no material impact on the financial statements of the Group and of the Company except as follows:-

MFRS 9 replaces the parts of MFRS 139 that relate to the reclassification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

MFRS 10 has only one basis for consolidation, which is control. Extensive guidance has been provided in the Standard to assist in the determination of control.

MFRS 11 replaces MFRS 131 and introduces new accounting requirements for joint arrangements. MFRS 11 eliminates jointly controlled assets and only differentiates between joint operations and joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, the option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. MFRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirement in MFRS 13 are more extensive than those required in the current standards and therefore there will be no material impact in its future disclosures.

The amendments to MFRS 7 (Disclosure Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. Theses amendments are expected to have no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 10, MFRS 12 and MFRS127 require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Company is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Accordingly, the Group will deconsolidate its subsidiaries upon initial application of these amendments and to fair value the investments in accordance with MFRS 139. These amendments are expected to have no financial impact on the financiail statements of the Group upon its initial application.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. These amendements are expected to have no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount when a cash generating unit (CGU) contain goodwill or intangible assets with indenfinite useful lives but there has been no impairment. Therefore, there will be no financial impact on the financial statements of the Group upon its initial application but may impact future disclosures.

The Annual Improvements to MFRSs 2009-2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendmenets are expected to have no material impact on the financial statements of the Group upon their initial application.

2. Significant Accounting Policies (cont'd)

(c) Functional and presentation currency

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

(d) Significant accounting estimates and judgements

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

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

(i) Revenue recognition of construction contracts

Revenue from work done on construction contracts is recognised based on the percentage of completion method. The stage of completion is determined based on the total costs incurred to date over the estimated total project costs. Allowance for foreseeable losses is made in the financial statements when such losses can be determined.

(ii) Estimation of fair value of properties

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

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

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

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with the accounting policy stated in Note 2(k). This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of other investments

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the other investments and assets held for sale are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to opt for a suitable discount rate in order to calculate the present value of those cash flows.

(v) Impairment of receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant Accounting Policies (cont'd)

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

(vi) Impairment of non financial assets

The Group assesses impairment of property, plant and equipment, land held for development and property development costs when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

(vii) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a reducing balance basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 2(l)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(viii) Allowances for inventory write down

Allowances for inventory write down is made based on an analysis of the ageing profile and expected sales patterns of individual items in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices and expected cost to sell. Changes in the inventory ageing and expected usage profiles can have an impact on the allowance recorded.

(ix) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

(x) Fair value of financial instruments

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

(xi) Impairment of investments in subsidiaries

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

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

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

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

(xii) Contingent liabilities

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

(xiii) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

(e) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associated companies through equity accounting, which are made up to the end of the financial year.

(i) Subsidiary companies

Subsidiary companies are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in the statements of profit or loss and other comprehensive income.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. The accounting policy on goodwill on acquisition of subsidiaries is set out in Note 2(k). If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. Entities which are subject to temporary control are not regarded as subsidiaries and are not consolidated.

Non-controlling interests are measured at the minorities' share of the fair value of identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(e) Basis of consolidation (cont'd)

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Transactions eliminated on consolidation

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

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

(iv) Transaction costs

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

(f) Investment in subsidiary companies

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

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

(g) Investment in associated companies

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

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

Investments in associated companies are accounted for using the equity method of accounting. Investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss in accordance with Note 6 to the financial statements.

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(h) Investment in jointly controlled operations

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

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

(i) Other long term investments

Other long term investments in quoted and unquoted corporations are stated at cost less impairment losses, if any.

(j) Investment properties

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

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

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

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

(k) Goodwill on consolidation

Goodwill arising from consolidation represents the excess of the purchase price over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary companies at the date of acquisition.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently when events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's CGU expected to benefit from synergies of the business combination. An impairment loss is recognised in the consolidated statements of profit or loss and other comprehensive income when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rate on the basis of the carrying amount of each asset in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant Accounting Policies (cont'd)

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Plant and machinery	2 - 3 years
Freehold buildings	50 years
Leasehold building	99 years
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years
Air conditioners and renovation	5 - 10 years

Leasehold land is amortised on a straight line method over the period of the lease.

The depreciable amount is determined after deducting the residual value.

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

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(m) Leases

Lease of property, plant and equipment is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to the ownership. All other leases are treated as operating lease.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

(n) Impairment of non financial assets

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

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

(o) Inventories

Inventories comprising trading merchandise and consumables are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost of inventories comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(p) Construction contracts

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

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

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

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

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(q) Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

The Group classifies its financial assets as loan and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date except for financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statements of financial position.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in statements of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are initially recognised at fair value plus transactions costs that are directly attributable to their acquisitions. Investment in equity instruments whose fair value cannot be reliably measured are valued at cost less impairment loss.

After initial recognition, avaiable-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses.

On the derecognition, the cummulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit and loss.

(r) Impairment of financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in statements of profit or loss and other comprehensive income.

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(s) Cash and cash equivalents

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

(t) Financial liabilities

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

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

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

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

(u) Hire purchase

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statement of profit or loss and other comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the statements of profit or loss and other comprehensive income on a straight line basis over the term of the relevant lease.

(v) Provisions

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(w) Borrowing costs

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the statements of profit or loss and other comprehensive income in the period in which they are incurred.

(x) Foreign currencies

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

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

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

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

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

	2013 RM	2012 RM
United States Dollar (USD)	3.2461	3.1440
100 Vietnamese Dong (VND)	0.0153	0.0151
UAE Dirhams (AED)	0.8681	0.8560
Qatari Riyal (QAR)	0.8893	0.8595

(y) Revenue recognition

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

(i) Construction Contract

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

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

(ii) Goods sold and services rendered

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

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(y) Revenue recognition (cont'd)

(iii) Rental and Interest income

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

(iv) Dividend income

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

(z) Employee benefits

(i) Short term employee benefits

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

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

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

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

(ii) Defined contribution plans

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

(aa) Income taxes

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

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the statements of profit or loss and other comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(bb) Earnings per share

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

(cc) Operating segments

For management purposes, the Group is organised into operating segment based on their business activities. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who will make decisions to allocate resources to the segments and assess the segment performance.

(dd) Reserves

(i) Share Premium

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

(ii) Foreign exchange translation reserves

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

(ee) Equity instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. Property, Plant and Equipment

Group	Plant and machinery RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Air conditioners and renovation RM	Total RM
Cost						
At 1 August 2012	2,722,511	12,780	1,434,226	995,036	244,400	5,408,953
Addition	-	-	-	7,498	-	7,498
Disposals	(19,719)	(12,780)	-	(518,452)	-	(550,951)
Foreign exchange adjustment	-	-	(8,831)	(38,227)	(34,742)	(81,800)
At 31 July 2013	2,702,792	-	1,425,395	445,855	209,658	4,783,700
Accumulated depreciation						
At 1 August 2012	2,565,637	12,780	1,047,389	832,881	99,828	4,558,515
Charge for the financial year	164,693	-	77,864	34,973	13,640	291,170
Disposals	(19,719)	(12,780)	-	(501,076)	-	(533,575)
Foreign exchange adjustment	(23,688)	-	(6,182)	(52,103)	(23,266)	(105,242)
At 31 July 2013	2,686,923	-	1,119,071	314,675	90,202	4,210,871
Carrying amount						
At 31 July 2013	15,869	-	306,324	131,180	119,456	572,829

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, Plant and Equipment (cont'd)

Group	Plant and machinery RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Air conditioners and renovation RM	Total RM
Cost						
At 1 August 2011	3,906,389	12,780	1,360,172	1,154,850	244,272	6,678,463
Additions	-	-	188,800	20,487	4,950	214,237
Disposals	(1,391,523)	-	(130,395)	(209,554)	(4,940)	(1,736,412)
Foreign exchange adjustment	207,645	-	15,649	29,253	118	252,665
At 31 July 2012	2,722,511	12,780	1,434,226	995,036	244,400	5,408,953
Accumulated depreciation						
At 1 August 2011	3,273,576	12,780	1,058,746	959,474	86,854	5,391,430
Charge for the financial year	264,036	-	74,657	49,728	14,861	403,282
Disposals	(1,368,980)	-	(106,396)	(209,554)	(1,939)	(1,686,869)
Foreign exchange adjustment	397,005	-	20,382	33,233	52	450,672
At 31 July 2012	2,565,637	12,780	1,047,389	832,881	99,828	4,558,515
Carrying amount						
At 31 July 2012	156,874	-	386,837	162,155	144,572	850,438

(a) Motor vehicles with carrying amount of RM54,609 (2012: RM68,262) of the Group are held in trust by a Director of the Company.

(b) Included under property, plant and equipment of the Group are motor vehicles with carrying amount of RM195,580 (2012: RM244,475) acquired under hire purchase arrangement.

(c) The aggregate additional cost for the property, plant and equipment of the Group during the financial year under hire purchase and cash payment are as follows:-

	2013 RM	2012 RM
Aggregate costs	7,498	214,237
Hire purchase financing	-	(170,000)
Cash payments	7,498	44,237

Notes To The Financial Statements (cont'd)

4. Investment Properties

	Group 2013 RM	Group 2012 RM
At beginning of year	402,954	739,825
Disposal during the year	-	(336,871)
At end of year	402,954	402,954
Comprises		
- Long term leasehold land and buildings	402,954	402,954

The investment properties of the Group amounting to RM402,954 (2012: RM402,954) have been pledged to a licensed bank to secure the banking facility as disclosed in Note 23 to the financial statements.

The fair value of investment properties are determined by the Directors based on their assessment of available market prices of similar property in the vicinity.

5. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company 2013 RM	Company 2012 RM
Unquoted shares, at cost		
At beginning of year	67,754,703	67,754,701
Addition during the year	-	2
At end of year	67,754,703	67,754,703
Accumulated impairment losses		
At beginning/end of year	(42,178,619)	(42,178,619)
	25,576,084	25,576,084

Notes To The Financial Statements (cont'd)

5. Investment in Subsidiary Companies (cont'd)

(b) The subsidiary companies and shareholdings therein are as follows:

	Name of company	Country of incorporation	Effective interest 2013 %	Effective interest 2012 %	Principal activities
	Direct holding:				
#	LFE Engineering Sdn Bhd ("LFEE")	Malaysia	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works
	LFE Builder Sdn Bhd	Malaysia	100	100	Property investment
	Lynex Construction Sdn Bhd	Malaysia	51	51	General contractors
**	LFE International Limited	British Virgin Islands	100	100	Distribution of consumer electronics products
	Teratai Megah Sdn Bhd	Malaysia	100	100	Building and general contractors
	LFE Technology Sdn Bhd	Malaysia	100	100	Provision of specialised engineering services for extra low voltage electrical systems and instrumental and control systems for intelligent transportation systems applications such as expressway traffic management systems, tunnel plant and traffic management systems and automatic cash transfer systems
	Indirect holding:				
	Subsidiary companies of LFE Engineering Sdn Bhd :				
	LFE Engineering (JB) Sdn Bhd	Malaysia	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works
*	LFE Engineering (Vietnam) Company Limited	Socialist Republic of Vietnam	100	100	Technical design and provision of consultancy services for design, implementation and contracting of mechanical and electrical engineering services

* Companies not audited by Morison Anuarul Azizan Chew

** Companies not required to be audited in its country of incorporation

\# The independent auditors' report on the financial statements of the subsidiary company is qualified due to uncertainties in the recoverability of trade receivables as disclosed in Note 13 to the financial statements.

Notes To The Financial Statements (cont'd)

6. Investment in Associated Companies

(a) Investment in associated companies

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Unquoted shares at cost				
At beginning/end of year	119,840	119,840	25,500	25,500
Share of post acquisition profit of associated company	21,256	32,565	-	-
	141,096	152,405	25,500	25,500

(b) The associate companies and shareholdings therein are as follows:

	Name of company	Country of incorporation	Effective interest 2013 %	Effective interest 2012 %	Principal activities
	Direct holding:				
	Mediaforte Holdings Sdn Bhd ("MHSB")	Malaysia	25.5	25.5	Investment holding
	Indirect holding:				
*	LFE Engineering (Qatar) W.L.L	Qatar	49	49	Provision of mechanical and electrical works and general building contracting

* The financial statements of the associate are not audited by Morison Anuarul Azizan Chew

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

	2013 RM	2012 RM
Assets and liabilities:		
Total assets	22,914,665	25,236,977
Total liabilities	24,653,523	27,682,264
Results:		
Revenue	5,951,003	5,948,875
Loss for the year	(17,258)	(606,341)
Share of results	(11,309)	(67,977)

Notes To The Financial Statements (cont'd)

7. Other Long Term Investments

	Group 2013 RM	Group 2012 RM
Unquoted subordinated bonds, at cost		
At beginning/end of year	3,500,000	3,500,000
Accumulated impairment losses		
At beginning/end of year	(3,500,000)	(3,500,000)
	-	-

8. Investments in Jointly Controlled Operations

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

Name of jointly controlled operations	Country of incorporation	Effective interest 2013 %	Effective interest 2012 %	Principal activities
* IJM Construction Sdn. Bhd. - Sunway Builders Sdn. Bhd. - Zelan Holdings (M) Sdn. Bhd. - LFE Engineering Sdn. Bhd. Consortium ("ISZL")	Abu Dhabi, United Arab Emirates	25	25	Designing, execution and completion of Zone C, Phase 1, Plot 1, Al Reem Island Development, consisting of five towers with an associated podium and villas
* IJM Construction Sdn. Bhd. (Abu Dhabi Branch) - LFE Engineering Sdn. Bhd. (Abu Dhabi Branch) Joint Venture ("IJM-LFE")	Abu Dhabi, United Arab Emirates	30	30	Execution and completion of Zone E2 Hotel Development, Phase 1, Plot 1, Al Reem Islan

* The financial statements of the jointly controlled operations are not audited by Morison Anuarul Azizan Chew.

(b) The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled operations, which are included in the consolidated financial statements are as follows:

	Group 2013 RM	Group 2012 RM
Assets and liabilities:		
Current assets	73,330,677	82,230,881
Non-current assets	4,015	167,727
Total assets	73,334,692	82,398,608
Total liabilities	49,701,690	67,438,759

Notes To The Financial Statements (cont'd)

8. Investments in Jointly Controlled Operations (cont'd)

(b) The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled operations, which are included in the consolidated financial statements are as follows (cont'd):

	2013 RM	2012 RM
Results:		
Revenue	13,067,255	893,276
Expenses	3,313,989	1,405,280
Profit/(Loss) for the year	8,365,620	(1,870,331)

9. Goodwill on Consolidation

	Group	
	2013 RM	2012 RM
At beginning/end of year	1,087,543	1,087,543
Accumulated impairment losses		
At beginning/end of year	(1,087,543)	(1,087,543)
	-	-

10. Inventories

	Group	
	2013 RM	2012 RM
Consumables, at cost	31,098	31,098

In the previous financial year, inventories of the Group amounting to RM70,735 has been written off as an expense.

11. Assets Held For Sale

	Group	
	2013 RM	2012 RM
At beginning of year	-	930,880
Disposals	-	(930,880)
At end of year	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. Amount Owing by/(to) Customers on Contracts

	Group 2013 RM	Group 2012 RM
Contract costs	94,473,831	534,216,394
Add: Attributable profits	12,323,250	30,436,630
	106,797,081	564,653,024
Less: Progress billings including retention sum	(103,596,323)	(586,422,482)
	3,200,759	(21,769,458)
Less: Impairment loss	(375,734)	(48,697)
	2,825,025	(21,818,155)
Represented by:		
Amount owing by customers on contracts	7,509,323	6,889,068
Amount owing to customers on contracts	(4,684,298)	(28,707,223)
Retention sum	14,074,718	20,694,468

13. Trade Receivables

	Group 2013 RM	Group 2012 RM
Trade receivables	90,759,267	86,613,888
Retention sum receivables	14,074,718	20,694,468
	104,833,986	107,308,356
Less: Accumulated impairment loss	(10,157,428)	(9,829,300)
	94,676,557	97,479,056

The Group's normal trade credit terms range from 60 to 90 days (2012: 60 to 90 days). Other credit terms are assessed and approved on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Trade Receivables (cont'd)

Ageing analysis of trade receivables

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

	Group 2013 RM	Group 2012 RM
Neither past due nor impaired	5,271,702	6,520,112
1 - 90 days past due but not impaired	9,002,234	10,359,437
91 - 180 days past due but not impaired	6,382,459	381,915
More than 1 year past due but not impaired	74,020,163	80,217,592
	89,404,856	90,958,944
Fully impaired	10,003,436	9,019,829
Partially impaired	153,992	809,471
	10,157,428	9,829,300
	104,833,986	107,308,356

The trade receivables that are impaired

	Group 2013 RM	Group 2012 RM
Individually	10,003,436	9,019,829
Partially	153,992	809,471
	10,157,428	9,829,300
Allowance for impairment		
At beginning of year	9,829,300	9,829,300
Allowance written back	(918,295)	-
Addition	1,246,423	-
At end of year	10,157,428	9,829,300

The Group has significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables by one major customer, Tamouh Investments LLC ("Tamouh"), a company incorporated in United Arab Emirates amounting to RM70,408,163 (2012: RM76,386,453) which accounts for 67% (2012: 71%) of the total trade receivables of the Group.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long term customers with no history of default in payments.

The Group's trade receivables of RM89,404,856 (2012: RM90,958,944) that are past due at the reporting date but not impaired are unsecured. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Trade Receivables (cont'd)

The trade receivables that are impaired (cont'd)

Included in trade receivables of RM89,404,856 (2012: RM90,958,944) that are past due at the reporting date but not impaired is an amount due from Tamouh, the developer for the Zone C Towers, Zone E1 Mall and Zone E2 Hotel and Apartment, Plot One, Marina Square projects in Al Reem Island, Abu Dhabi, United Arab Emirates amounting to RM70,408,163 (2012: RM76,386,453). The Zone C Towers and Zone E1 Mall projects were awarded to ISZL Consortium ("ISZL") whereas the Zone E2 Hotel and Apartment project was awarded to IJM-LFE Joint Venture ("IJM-LFE"). The Zone C Towers project has been completed and a final certificate has been issued. However, the Zone E1 Mall and Zone E2 Hotel and Apartment projects have been suspended.

Subsequent to the financial year, Tamouh has proposed to ISZL and IJM-LFE ("the contractors") a settlement of the aforesaid amount on the following terms:-

(a) Zone C Towers

(i) The total payment sum due of RM32,745,826 is to be settled by contra of properties in the form of office space located at Tower 2, Marina Square, Abu Dhabi, United Arab Emirates with strata title transfer. This sum includes RM2,208,676 withheld for defects and last moiety of RM7,343,846 that will become payable upon issuance of performance certificate; and

(ii) Determination of value of the aforesaid properties based on a current professional valuation.

(b) Zone E1 Mall

(i) Option 1
If ISZL was to continue to complete the project, then the due sum of RM13,943,811 will be paid during the construction of the new works; or

(ii) Option 2
If ISZL was to discontinue to complete the project, then the due sum of RM13,943,811 shall be secured by land title tranfer with a guaranteed buy-back by Tamouh. The value of the aforesaid land is to be determined based on a current professional valuation.

(c) Zone E2 Hotel and Apartment

(i) The total payment sum due of RM23,718,526 is to be secured by land title tranfer with a guaranteed buy-back by Tamouh; and

(ii) Determination of value of the aforesaid land based on a current professional valuation.

Currently, the contractors have appointed a professional valuer to determine the value of the proposed properties and lands by Tamouh. A settlement agreement between Tamouh and the contractors will be finalised upon acceptance of the proposal. The Directors are of the opinion that the outstanding debt is fully recoverable.

Notes To The Financial Statements (cont'd)

14. Other Receivables

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Other receivables	7,380,156	9,347,787	1,450,224	1,450,224
Less: Accumulated impairment loss	(3,970,502)	(4,023,236)	(1,405,224)	(1,405,224)
	3,409,654	5,324,551	45,000	45,000
Deposits	196,694	1,164,745	-	-
Prepayments	158,593	82,023	-	-
	3,764,941	6,571,319	45,000	45,000

The other receivables that are impaired

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Allowance for impairment				
At beginning of year	4,023,236	4,023,236	1,405,224	1,405,224
Reversal	(52,734)	-	-	-
At end of year	3,970,502	4,023,236	1,405,224	1,405,224

Included in other receivables of the Group are margin deposits with bank for issuance of labour guarantees amounting to RM216,872 (2012: RM526,856).

15. Amount Owing by/(to) Subsidiaries

These represent unsecured interest free advances which are repayable on demand.

16. Amount Owing by/(to) Associates

These represent unsecured interest free advances which are repayable on demand.

17. Amount Owing by A Former Director

	Group 2013 RM	Group 2012 RM
Amount owing by a former Director	26,506,700	26,506,700
Less: Accumulated impairment loss	(26,506,700)	(26,506,700)
	-	-

Notes To The Financial Statements (cont'd)

17. Amount Owing by A Former Director (cont'd)

The amount owing by a former Director as at 31 July 2011 of RM26,506,700 of the Group arose from his undertaking pursuant to advances made for and his profits guarantee obligations on the computer products trading activities carried out by a subsidiary, LFE International Limited ("LFEI"), during the financial year and period ended 31 December 2007 and 31 March 2009 respectively. This undertaking also gave rise to an amount owing to the Company by LFEI of RM17,497,026 after the Directors of the Company have decided out of prudence to disregard and not to recognise in totality the revenue, cost of sales and profit generated from the trading activities of LFEI for these accounting periods.

The undertaking is secured by the former Director's pledge of 25 million shares in Stanton Technologies Limited ("STL"), a Company incorporated in Dubai International Financial Centre, at USD0.30 per share.

The former Director has not met the repayment schedule on or before 21 December 2008 to pay the full amount of undertaking and the actions initiated by the Directors of the Company to recover the amount owing in accordance with terms of the undertakings and pledge are ongoing.

Kuala Lumpur Regional Centre for Arbitration ("KLRCA") had on 29 September 2011 awarded the Company final award of proceedings amounting to RM26,356,698 and the interest rate of 8% per annum until the date of the realisation of the said sum.

The amount has been fully impaired in the previous financial year as disclosed in Note 28 to the financial statements.

18. Fixed Deposits with Licensed Banks

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fixed deposits pledged to licensed banks as collateral to secure :-				
- bank guarantee and banking facilities as disclosed in Note 23 to the financial statements	899,699	904,089	-	-
- bank guarantee for performance bond	322,329	-	-	-
	1,222,028	904,089	-	-

19. Trade Payables

	Group	
	2013 RM	2012 RM
Trade payables	34,378,341	15,341,252
Estimated contract costs incurred/payable	5,078,752	4,217,931
Retention sums payables	6,932,964	11,425,932
	46,390,057	30,985,115

The normal trade credit term granted to the Group is 60 days (2012: 60 days).

Notes To The Financial Statements (cont'd)

20. Other Payables

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Other payables	28,509,003	37,196,937	369,500	2,034,050
Accruals	3,886,336	7,027,236	346,110	287,062
	32,395,339	44,224,173	715,610	2,321,112

Included in other payables of the Group is advances received from customers amounting to RMNil (2012: RM3,202,172).

21. Amount Owing to Directors

These represent unsecured interest free advances which are repayable on demand.

22. Hire Purchase Payables

		Group 2013 RM	Group 2012 RM
(a)	Minimum hire purchase payments		
	Within one year	85,860	85,860
	Between one and two years	59,262	147,209
		145,122	233,069
	Future finance charges	(14,475)	(22,944)
	Present value of hire purchase liabilities	130,647	210,125
(b)	Present value of hire purchase liabilities		
	Within one year	77,391	77,391
	Between one and two years	53,256	132,734
		130,647	210,125
	Analysed as:		
	Repayable within twelve months	77,391	77,391
	Repayable after twelve months	53,256	132,734
		130,647	210,125

The effective interest rates of the Group are between 2.4% and 3.0% (2012: 2.4% and 5.8%) per annum.

Notes To The Financial Statements (cont'd)

23. Bank Borrowings

	Group 2013 RM	2012 RM
Secured		
Bank overdrafts	1,992,871	1,995,257
Revolving credits	3,326,399	5,541,939
	5,319,270	7,537,196
Unsecured		
Bank overdrafts	882,152	852,466
Term loans	14,300,238	11,929,868
	15,182,390	12,782,334
Total bank borrowings	20,501,660	20,319,530

	Group 2013 RM	2012 RM
Analysed as follows:		
Repayable within twelve months		
Secured		
Bank overdrafts	1,992,871	1,995,257
Revolving credits	323,932	5,541,939
	2,316,803	7,537,196
Unsecured		
Bank overdrafts	882,152	852,466
Term loans	10,282,811	8,492,170
	11,164,963	9,344,636
	13,481,766	16,881,832
Repayable after twelve months		
Secured		
Revolving credits	3,002,467	-
Unsecured		
Term loans	4,017,427	3,437,698
	20,501,660	20,319,530
Maturity of borrowings is as follows:		
Within one year	13,481,766	16,881,832
Between one and two years	7,019,894	3,437,698
	20,501,660	20,319,530

Notes To The Financial Statements (cont'd)

23. Bank Borrowings (cont'd)

The weighted average effective interest rate is as follows:

	Group	
	2013	**2012**
	%	**%**
Bank overdrafts	7.6%	7.9% - 8.1%
Term loans	7.6%	8.1% - 8.5%
Revolving credits	7.6%	4.5%

Secured borrowings are secured by way of:

	Group	
	2013	**2012**
	RM	**RM**
Investment properties (Note 4)	402,954	402,954
Fixed deposits with licensed banks (Note 18)	899,699	904,089

Certain short term borrowings are also secured by way of:

(i) Corporate guarantee by the Group;
(ii) Joint and several guarantees by certain Directors of the Group;
(iii) Deed of assignment of contract proceeds of designated contract/project;
(iv) Fixed charge over the project accounts for the proceeds of designated contract/project and sinking fund accounts; and
(v) Pledged as security of assets belonging to the Group and the Managing Director of the Group, and irrevocable instructions to certain third parties for the repatriation of the Group's portion of profits or security money relating to its overseas joint venture projects.

Included in unsecured term loans of the Group is an outstanding amount of RM7,653,432 (2012: RM7,653,432) out of the initial sum of RM35,000,000 payable to a specific purpose vehicle, Kerisma Berhad ("Kerisma"), under a Primary Collaterised Loan Obligations programme ("PCLO"). The Kerisma's bondholders, pursuant to their extraordinary general meeting held on 3 June 2009, have in principle agreed to the Group's restructuring proposal to reschedule the repayments of the term loans.

On 29 July 2011, the Group further entered into a new settlement agreement ("SA") for the PCLO with Kerisma and Malaysian Trustees Berhad ("MTB"). The SA entailed that Kerisma and MTB as trustees and issuers respectively agreed to accept a sum of RM8,477,575 as the settlement amount of the outstanding loan amounting to RM24,221,644 as at 3 June 2010. The issuers and trustees agreed to waive the Group's obligation to repay the sum of RM15,744,069 which arose from the difference between the outstanding loan and the settlement amount. Consequently, the Group had recognised RM15,744,069 as waiver of the PCLO in the financial year ended 31 July 2011.

In the previous financial year, the Group has paid an amount of RM824,143 of the above mentioned settlement amount. However, the repayments were not in accordance with the SA. In addition, the Group has applied to Corporate Debt Restructuring Committee ("CDRC") for a restructuring scheme to mediate the outstanding loans amounting to RM10,639,552 (2012: RM10,539,886) from the financial lenders besides the trustees and issuers.

On 28 February 2013, the Group has entered into a Debt Restructuring Agreement ("DRA") with the aforesaid financial lenders, trustees and issuers ("scheme creditors") relating to the outstanding loans amounting to RM18,292,948 (2012: RM18,193,318). The DRA is now required to be varied in view of the proposed regularisation plan to be submitted to Bursa. The scheme creditors have agreed in principal to the variations and a supplemental DRA is currently in the advanced stages of finalisation.

Notes To The Financial Statements (cont'd)

24. Share Capital

	Group/Company			
	Number of ordinary shares		Amount	
	2013	2012	2013 RM	2012 RM
Authorised				
Ordinary shares of RM1 each:				
At beginning/end of year	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM1 each:				
At beginning/end of year	84,900,002	84,900,002	84,900,002	84,900,002

25. Reserves

The movements in the reserves are reflected in the statements of changes in equity.

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable:				
Share premium	5,218,125	5,218,125	5,218,125	5,218,125
Foreign exchange translation reserves	(386,669)	(712,114)	-	-
Distributable:				
Accumulated losses	(78,616,357)	(92,051,512)	(46,391,789)	(46,181,202)
	(73,784,901)	(87,545,501)	(41,173,664)	(40,963,077)

Share premium represents the excess of the consideration received over the nominal value of the shares issued by the Company.

The foreign exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary items is denominated in either the functional currency of the reporting entity or the foreign operation.

26. Deferred Tax Liabilities

	Group	
	2013 RM	2012 RM
At beginning of year	6,500	6,500
Recognised in statements of profit or loss and other comprehensive income (Note 31)	3,700	-
At end of year	10,200	6,500

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Deferred Tax Liabilities (cont'd)

Represented after appropriate offsetting as follows:

	Group 2013 RM	Group 2012 RM
Deferred Tax Assets	-	(41,578)
Deferred Tax Liabilities	10,200	48,078
	10,200	6,500

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

Deferred tax assets of the Group:-

	Decelerated capital allowances 2013 RM	Decelerated capital allowances 2012 RM
At beginning of year	41,578	41,578
Recognised in statements of profit or loss and comprehensive income	(41,578)	-
At end of year	-	41,578

Deferred tax liabilities of the Group:-

	Accelerated capital allowances 2013 RM	Accelerated capital allowances 2012 RM
At beginning of year	48,078	48,078
Recognised in statements of profit or loss and comprehensive income	(37,878)	-
At end of year	10,200	48,078

Deferred tax assets of the Group have not been recognised in respect of the following items:-

	2013 RM	2012 RM
Unused tax losses	46,938,362	44,461,220
Unabsorbed capital allowances	4,170	890,520
Accelerated capital allowances	(102,707)	(19,624)
	46,839,825	45,332,116

The unused tax losses and unabsorbed capital allowances are available indefinitely for effect against future taxable profits of the subsidiaries in which these items arose. Deferred tax assets have not been recognised in respect of these items as there is no reasonable probability of sufficient taxable profits in these subsidiaries in the foreseeable future.

Notes To The Financial Statements (cont'd)

27. Revenue

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

28. Exceptional Item

	Group 2013 RM	2012 RM
Impairment loss on amount owing by a former Director	-	26,506,700

As stated in Note 17 to the financial statements, impairment adjustment has been made in the previous financial year on the amount owing by a former Director of RM26,506,700. This amount relates to the Director's undertaking pursuant to advances made for and his profits guarantee obligations on the computer products trading activities carried out by a subsidiary, LFE International Limited ("LFEI"), during the financial year and period ended 31 December 2007 and 31 March 2009 respectively.

The amount was fully impaired in the previous financial year as the financial capacity of the former Director to settle the said amount cannot be assessed and therefore there is significant doubt on the recoverability of the said amount inspite of the award given in favour of the Company by Kuala Lumpur Regional Centre for Arbitration Rules ("KLRCA").

29. Finance Costs

	Group 2013 RM	2012 RM
Interest expense on:		
Term loans	1,286,273	971,478
Bank overdrafts	237,384	243,641
Revolving credits	103,172	242,762
Hire purchase	8,469	5,704
Jointly controlled operation	1,490,842	1,194,299
	3,126,140	2,657,884

Notes To The Financial Statements (cont'd)

30. Profit/(Loss) Before Taxation

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Impairment loss on trade receivables	1,246,423	-	-	-
Auditors' remuneration:				
Statutory audit				
- current year	160,316	111,000	30,000	30,000
- under provision in prior year	-	67,497	-	-
Bad debts written off				
- non trade	79,491	-	-	-
Depreciation of property, plant and equipment				
- recognised in statements of profit or loss and other comprehensive income	121,149	120,092	-	-
- recognised in contract costs	170,021	283,190	-	-
Impairment loss on amount owing by a former Director	-	26,506,700	-	-
Realised loss on foreign exchange	42,224	224,260	-	-
Rental of premises	59,138	-	-	-
Rental of plant and machinery recognised in contract cost	4,800	10,770	-	-
Rental of equipment				
- recognised in statements of profit or loss and other comprehensive income	12,840	11,915	-	-
- recognised in contract costs	2,650	11,060	-	-
Inventories written off	-	70,735	-	-
Staff costs:				
Directors' remuneration				
- fees	48,000	48,000	48,000	36,000
Fair value adjustment on:-				
- trade receivables	(32,556)	193,516	-	-
- trade payables	(22,921)	(152,203)	-	-
Gain on disposal of property, plant and equipment	-	(7,368)	-	-
Gain on disposal of investment properties	-	(123,129)	-	-
Gain on disposal of assets held for sale	-	(34,120)	-	-
Interest income	(32,636)	(28,128)	-	-
Impairment for trade receivables written back	(918,295)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Taxation

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current income tax:				
Malaysian income tax				
- Current year tax	480,900	-	-	-
- Over provision in prior years	(16,000)	-	-	-
- Real property gain tax	668	13,400	-	-
	465,568	13,400	-	-
Deferred tax				
- Relating to origination and reversal of temporary differences	16,852	-	-	-
- Over provision in prior years	(13,152)	-	-	-
	3,700	-	-	-
Tax expense for the financial year	469,268	13,400	-	-

Income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable (loss)/profit for the financial year.

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Profit/(Loss) before taxation	13,904,423	(33,116,831)	(210,587)	(257,205)
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	3,476,106	(8,279,208)	(52,647)	(64,301)
Expenses not deductible fo tax purposes	387,189	7,946,348	52,647	64,301
Income not subject to tax	(3,023,235)	(153,977)	-	-
Deferred tax assets not recognised during the year	77,732	517,872	-	-
Utilisation of previously unrecognised tax losses and capital allowances	(420,040)	(31,035)	-	-
Over provision of current taxation in respect of prior years	(16,000)	-	-	-
Over provision of deferred taxation in respect of prior years	(13,152)	-	-	-
Real property gain tax	668	13,400	-	-
Tax expense for the financial year	469,268	13,400	-	-

Notes To The Financial Statements (cont'd)

32. Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial year attributable to owners of the parent of RM13,435,155 (2012: RM(33,130,231)) for the Group and the weighted average number of ordinary shares in issue during the financial year of 84,900,002 (2012: 84,900,002) as follows:

	Group	
	2013 RM	2012 RM
Net profit/(loss) for the financial year attributable to owners of the parent	13,435,155	(33,130,231)
Weighted average number of ordinary shares in issue	84,900,002	84,900,002
Basic earnings/(loss) per share (sen)	15.82	(39.02)

33. Key Management Personnel

The key management personnel compensation is as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits				
- Fees	48,000	48,000	48,000	36,000
- Salaries and other emoluments	889,000	886,467	-	-
	937,000	934,467	48,000	36,000
Post employment benefits				
- Defined contribution plan	86,400	93,540	-	-
	1,023,400	1,028,007	48,000	36,000

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

34. Staff Costs

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff costs (excluding Directors)	2,090,751	3,610,457	-	-
Less: Staff costs recognised in contract costs	(1,050,609)	(2,178,633)	-	-
	1,040,142	1,431,824	-	-

Included in the staff costs above are contributions made to Employees Provident Fund under a defined contribution plan for the Group amounting to RM118,701 (2012: RM148,615).

Notes To The Financial Statements (cont'd)

35. Significant Related Parties Transactions

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Human resources and accounting service fee income from an associate company - LFE Engineering Qatar W.L.L	203,675	203,233	-	-
Interest expense with a jointly controlled operation - ISZL	259,194	259,366	-	-

The Directors are of the opinion that the above transaction have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

36. Contingent Liabilities

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Guarantees given to financial institutions for credit facilities granted to subsidiaries and an associate	-	2,156,000	67,151,160	71,451,160
Guarantees given to financial institutions for credit facilities granted to a jointly control operation	-	-	30,174,000	30,174,000
Guarantees issued by a subsidiary to a third party for a contract awarded	-	250,000	-	-
Performance bonds issued by company to clients in respect of due performance of contracts awarded to subsidiaries	916,785	-	627,900	627,900
	916,785	2,406,000	97,953,060	102,253,060

37. Segment Information – Group

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

The reportable business segments of the Group comprise the following:-

Electrical and Mechanical Engineering	: General and specialised electrical and mechanical engineering services and maintenances works
Technology Products	: Property development activities
Investment	: Investment holding

Notes To The Financial Statements (cont'd)

37. Segment Information – Group (cont'd)

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

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

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

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors.

The accounting policies of the segments are consistent with the accounting policies of the Group.

2013	Electrical and Mechanical Engineering RM	Technology Products RM	Investment RM	Eliminations RM	Total RM
Revenue					
Total Revenue	72,528,301	-	-	-	72,528,301
Results					
Segment profit/(loss)	15,596,790	1,616,350	(217,778)	13,875	17,009,237
Interest income					32,636
Share of results of associated companies					(11,310)
Profit from operations					17,030,563
Finance costs					(3,126,140)
Profit before tax					13,904,423
Income tax expense					(469,268)
Profit after tax					13,435,155
Assets/Liabilities					
Segment assets	120,595,777	24,418	48,044,177	(52,862,821)	115,801,551
Segment liabilities	113,011,537	16,007,208	2,820,872	(27,153,167)	104,686,450

Notes To The Financial Statements (cont'd)

37. Segment Information – Group (cont'd)

2012	Electrical and Mechanical Engineering RM	Technology Products RM	Investment RM	Eliminations RM	Total RM
Revenue					
Total Revenue	25,581,835	-	-	-	25,581,835
Results					
Segment (loss)/profit	(3,661,431)	(2,156)	(264,617)	15,806	(3,912,398)
Interest income					28,128
Impairment loss on amount owing by a former Director					(26,506,700)
Share of results of associated companies					(67,977)
Loss from operations					(30,458,947)
Finance costs					(2,657,884)
Loss before tax					(33,116,831)
Income tax expense					(13,400)
Loss after tax					(33,130,231)
Assets/Liabilities					
Segment assets	126,549,590	23,501	49,865,625	(54,538,200)	121,900,516
Segment liabilities	131,308,450	17,644,140	4,424,543	(28,831,118)	124,546,015

All the inter-segment transactions were carried out on normal commercial basis and in the ordinary course of business.

(b) Geographical segments

2013	Malaysia RM	United Arab Emirates RM	Socialist Republic of Vietnam RM	Elimination RM	Total RM
Revenue	59,435,232	13,067,255	25,814	-	72,528,301
Assets	89,291,328	73,334,692	6,038,352	(52,862,821)	115,801,551
Capital expenditure	7,498	-	-	-	7,498
2012					
Revenue	24,556,684	893,276	131,875	-	25,581,835
Assets	62,769,253	82,398,608	6,280,337	(29,547,682)	121,900,516
Capital expenditure	205,537	-	8,700	-	214,237

(c) Major Customer

The revenue from three major customers amounting to RM47,649,026 (2012: RM13,629,582) represents 66% (2012: 53%) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. Financial Instruments

(a) Financial risk management objectives and policies

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

(b) Foreign currency exchange risk

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

Exposure to foreign currency risk

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

Functional Currency	**Vietnamese Dong ("VND") RM**	**UAE Dirhams ("AED") RM**	**Qatari Riyal ("QAR") RM**	**United States Dollar ("USD") RM**	**Total RM**
Group					
2013					
Amount owing by subsidiary company					
Ringgit Malaysia	687,222	-	-	15,846,726	16,533,948
Amount owing by associate company					
Ringgit Malaysia	-	-	5,353,362	-	5,353,362
Trade receivables					
Ringgit Malaysia	-	70,408,163	-	-	86,394,031
Trade payables					
Ringgit Malaysia	-	21,682,957	-	-	31,469,806
2012					
Amount owing by subsidiary company					
Ringgit Malaysia	-	634,565	-	17,489,669	634,565
Amount owing by associate company					
Ringgit Malaysia	-	-	4,727,290	-	4,727,290
Amount owing by subsidiary company					
Ringgit Malaysia	412,039	-	-	-	412,039
Trade receivables					
Ringgit Malaysia	-	76,386,453	-	-	-
Trade payables					
Ringgit Malaysia	-	12,508,318	-	-	-

As at the reporting date, the impact of change in 5% on RM exchange rate against the functional currency of a subsidiary company, with all other variables remain constant, is immaterial to the Group's profit/(loss) net of tax and equity.

Notes To The Financial Statements (cont'd)

38. Financial Instruments (cont'd)

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

Currency risk sensitivity analysis

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

Group

	Profit/(Loss) net of tax RM
AED/RM – strengthening/weakening 5%	2,436,260
QAR/RM – strengthening/weakening 5%	267,668
VND/RM – strengthening/weakening 5%	34,361
USD/RM - strengthening/weakening 5%	792,336
	3,530,625

(c) Interest rate risk

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

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	Group	
	2013 RM	**2012 RM**
Floating rate instrument		
Term Loan	7,019,894	3,437,698

Interest rate risk sensitivity analysis

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

Group	**Profit/(Loss) net of tax 100bp Increase/ (Decrease)**
Floating rate instrument:-	
Term Loan	70,199

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. Financial Instruments (cont'd)

(d) Credit risk

Exposure to credit risk

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

Credit risk concentration profile

At reporting date, there were significant concentrations of credit risk as disclosed in Note 13 to the financial statements. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statements of financial position.

(e) Liquidity and cash flow risk

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

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

Maturity analysis

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

Group	**On demand or within one year RM**	**One to five years RM**	**Total RM**
Financial liabilities:-			
Trade and other payables	78,785,396	-	78,785,396
Bank borrowings	13,481,766	7,019,894	20,501,660
Hire purchase payables	77,391	53,256	130,647
	92,344,553	7,073,150	99,417,703
Company			
Financial liabilities:-			
Trade and other payables	715,610	-	715,610

Notes To The Financial Statements (cont'd)

38. Financial Instruments (cont'd)

(f) Fair values

The aggregate fair values of the other financial liabilities as at 31 July 2013 are as follows:

	2013		2012	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair Value RM
Group				
Financial liabilities				
Hire purchase payables	53,256	50,725	132,734	124,100
Bank borrowings	7,019,894	6,664,045	3,437,698	2,407,920

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

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

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

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

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

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Interest rates used to determined fair value:-

	2013 % p.a.	2012 % p.a.
Hire purchase payables	4.7% - 5.7%	2.4% - 5.8%
Bank borrowings	5.3% - 5.4%	8.1% - 8.5%

Notes To The Financial Statements (cont'd)

39. Significant and Subsequent Events

On 28 February 2013, the Company entered into a Debt Restructuring Agreement ("DRA") with scheme creditors to restructure their bank borrowings.

On 23 September 2013, the Company submitted an application to Bursa Securities to seek approval for an extension of time of up to three months from the date of the original submission timeline to submit their regularisation plan to regularise the Group's financial condition and business operations.

On 30 September 2013, the Company proposed to undertake the following proposals:

(i) Proposed capital reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia involving the cancellation of RM0.70 of the par value of every existing ordinary share of RM1.00 each in the Company;

(ii) Proposed reduction of share premium account of the Company of up to RM5,218,125 based on the audited financial statements of the Company for the financial year ended 31 July 2013 pursuant to Section 60(2) and 64(1) of the Companies Act, 1965 in Malaysia;

(iii) Proposed renounceable rights issue of up to 42,450,001 new ordinary shares of RM0.30 each on the basis of one (1) Rights Share for every two (2) of the Company's ordinary shares of RM0.30 each held after the completion of the Proposed Capital Reduction and Proposed Share Premium Reduction, on an entitlement date to be determined later;

(iv) Proposed private placement of up to 66,666,667 new ordinary shares of RM0.30 each in the Company to be subscribed by strategic investors at an issue price of RM0.30 per Placement Share;

(v) Proposed part settlement of debt owing to the Scheme Creditors; and

(vi) Proposed amendments to the relevant clauses of the Memorandum and Articles of Association of the Company and the cancellation in its existing authorised share capital to facilitate the change in par value of the existing ordinary share from RM1.00 each to RM0.30 each.

On 18 October 2013, Bursa Securities granted the Company an extension of time up to 30 December 2013 to submit a regularisation plan to the regulatory authorities.

40. Capital Management

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

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

	Group	
	2013 RM	2012 RM
Bank borrowings	20,501,660	20,319,530
Hire purchase payables	130,647	210,125
Cash and cash equivalents	(1,217,550)	(2,387,250)
Net borrowings	19,414,757	18,142,405
Equity attributable to owners of the parent	11,115,101	(2,645,499)
Gearing ratio	1.75	(6.86)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

41. Realised and Unrealised Profit/Losses (Supplementary Information)

	Group RM	Company RM
2013		
Total accumulated losses of the company and its subsidiary companies:-		
Realised losses	(78,451,798)	(46,391,789)
Unrealised losses	(10,200)	-
	(78,461,998)	(46,391,789)
Total accumulated losses of the associated companies:-		
Realised losses	(154,359)	-
	(78,616,357)	(46,391,789)
2012		
Total accumulated losses of the company and its subsidiary companies:-		
Realised losses	(91,901,964)	(46,181,202)
Unrealised losses	(6,500)	-
	(91,908,464)	(46,181,202)
Total accumulated losses of the associated companies:-		
Realised losses	(143,048)	-
	(92,051,512)	(46,181,202)

The above disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

42. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 July 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 19 November 2013.

List of Properties
as at 31 July 2013

Title / Location	Description / existing use	Tenure	Total land area	Built-up area	Age of building/ land (years)	NBV as at 31.07.2013 RM	Date of revaluation/ *Date of Acquisition
26-329 No. 38, Jln Hijau 1/7, Pinggiran Lembah Hijau 1, Bandar Tasik Puteri, Rawang, erected on land held under H.S. (D) 32209, P.T. No. 20064, Mukim of Rawang, District of Gombak, State of Selangor	Double storey link house for investment purpose	Leasehold for a period of 99 years, expiring on 11.07.2060	1,040 sq. ft.	1,200 sq. ft.	13	137,484	01.10.2001
8-154 No. 59, Jln 7A/7, Bandar Tasik Puteri, Kundang, Rawang, erected on land held under H.S. (D) 32195, P.T. No. 20050, Mukim of Rawang, District of Gombak, State of Selangor	Double storey link house for investment purpose	Leasehold for a period of 99 years, expiring on 11.07.2060	365.84 sq. m	1,566 sq. ft.	11	265,471	17.06.2002

Analysis of Shareholdings
as at 21 November 2013

Authorised Share Capital	:	RM100,000,000
Issued and fully paid-up Share Capital	:	RM84,900,002
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share
Number of Shareholders	:	1,207

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No of Shareholders	%	Shareholdings	%
Less than 100	10	0.83	350	0.00
100 – 1,000	331	27.42	191,200	0.23
1,001 - 10,000	364	30.16	2,080,200	2.45
10,001 to less than 5% of issued share capital	93	7.71	51,019,161	60.09
5% and above of issued share capital	3	0.25	15,405,691	18.15
Total	1,207	100.00	84,900,002	100.00

Substantial Shareholders
As per the Register of Substantial Shareholders

	Shareholdings		
Name	Direct	Indirect	%
Liew Kiam Woon	4,133,843	4,605,562*	10.29
Alan Rajendram A/L Jeya Rejendram	6,534,000	-	7.70
Liew Teow Woon	6,120,021	4,605,562*	12.63
Liew Meow Nyean Realty Sdn Bhd	4,605,562	-	5.42
Liew Chee Woon	4,700,108	4,605,562*	10.96

Notes:-
* *Deemed interest pursuant to Section 6A of the Companies Act, 1965*

Directors' Interests in Shares
As per the Register of Directors' Shareholdings

	Shareholdings			
Name	Direct	%	Indirect	%
Liew Kiam Woon	4,133,843	4.87	4,605,562*	5.42
Kok Tong Yong	25,000	0.03	-	-
Juliana Quah Kooi Hong	-	-	-	-
David Low Teck Wee	-	-	-	-
Loo Thin Tuck	-	-	-	-
Tunku Azlan Bin Tunku Aziz	-	-	-	-

Notes:-
* *Deemed interest pursuant to Section 6A of the Companies Act, 1965*

Analysis of Shareholdings (cont'd)
as at 21 November 2013

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Liew Teow Woon	6,100,021	7.18
2.	Liew Chee Woon	4,700,108	5.54
3.	Liew Meow Nyean Realty Sdn Berhad	4,605,562	5.42
4.	Liew Kiam Woon	4,133,843	4.87
5.	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram (SS2)	4,000,000	4.71
6.	Lee Boon Kian	4,000,000	4.71
7.	Mohd Zulkiflee Bin Shafie	3,573,700	4.21
8.	Low Boon Wah @ Lawrence Low	2,640,000	3.11
9.	Shapadu Capital Sdn Bhd	2,451,500	2.89
10.	Lim Tiong Lay	2,000,000	2.36
11.	On Hai Swee	1,832,268	2.16
12.	Thong Lou Hoong	1,810,800	2.13
13.	Fuziah Binti Ali	1,214,700	1.43
14.	Low Sze Ngian	1,100,000	1.30
15.	Kekal Jaya Ventures Sdn Bhd	1,000,000	1.18
16.	Loh Kam Chin	1,000,000	1.18
17.	Ong Ai Chin	872,400	1.03
18.	Kenanga Nominees (Tempatan) Sdn Bhd Peter Yew Cheong Eng (PCS)	813,300	0.96
19.	Tasec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choy Sook Kuen	714,000	0.84
20.	Chang Lau Hoi @ Chang Sow Lan	710,549	0.84
21.	Rudy Ng Chong Jin	700,000	0.82
22.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Yew Beng (E-SJA)	600,000	0.71
23.	Ong Kok Seng	596,000	0.70
24.	Lee Nyek	582,700	0.69
25.	Anwar Rauf Bin Idris	500,000	0.59
26.	Razman Md Hashim Bin Che Din Md Hashim	500,000	0.59
27.	Shirely Wong	400,000	0.47
28.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Hamzah Bin Zainudin (PB)	370,000	0.44
29.	Lan Geok Nam @ Tan Geok Nam	363,101	0.43
30.	Wu Tat Soo	350,000	0.41
		54,234,552	63.90

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting ("the Meeting") of LFE Corporation Berhad ("the Company") will be held at the Boardroom, 1st Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Friday, 27 December 2013 at 10.00 a.m. to transact the following businesses:-

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 July 2013 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees for the financial year ended 31 July 2013. **Resolution 1**

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

   3.1 Tunku Azlan Bin Tunku Aziz **Resolution 2**
   3.2 Ms. Juliana Quah Kooi Hong **Resolution 3**

4. To re-appoint Messrs. Morison Anuarul Azizan Chew as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 4**

As Special Business

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

5. Ordinary Resolution **Resolution 5**
   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

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

6. Special Resolution **Resolution 6**
   Proposed Amendments to the Articles of Association of the Company

   "**THAT** the Proposed Amendments to the Articles of Association of the Company as set out in Appendix 1 of the Annual Report be and are hereby approved."

   ANY OTHER BUSINESS:

7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

BY ORDER OF THE BOARD

Wong Youn Kim
(MAICSA 7018778)
Company Secretary

Kuala Lumpur
5 December 2013

Notice of Annual General Meeting (cont'd)

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies [but not more than two (2)] to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149 (1) (b) of the Companies Act, 1965 shall not apply.

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

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

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

5. Only depositors whose names appear in the Record of Depositors as at 23 December 2013 shall be entitled to attend the Eleventh Annual General Meeting.

Explanatory Notes on Special Business:-

6. Ordinary Resolution 5 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   The proposed Ordinary Resolution under item no. 5 is a new general mandate. If passed, it will give the Directors of the Company the power to issue shares of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

   Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 26 December 2012.

7. Special Resolution 6 – Proposed Amendments to the Articles of Association of the Company

   The Proposed Special Resolution under item no. 6, if passed, will render the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments to the Articles of Association are set out in Appendix 1 attached with the Annual Report.

Statement Accompanying the Notice of Annual General Meeting

1. Eleventh Annual General Meeting of the Company will be held at the Boardroom, 1st Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Friday, 27 December 2013 at 10.00 a.m.

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

   (i) Tunku Azlan Bin Tunku Aziz
   (ii) Ms. Juliana Quah Kooi Hong

   The details of the above Directors seeking re-election are set out in the Profile of Directors as disclosed on pages 7 and 8 of this Annual Report.

3. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 July 2013 are disclosed in the Corporate Governance Statement set out on page 9 of this Annual Report

APPENDIX I

SPECIAL RESOLUTION – AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

THAT the Articles of Association of the Company is proposed to be amended in the following manner:-

Article No.	Existing Articles	Amended Articles
To amend Article 2	**Interpretation** **WORDS** **MEANINGS** - No provisions - No provisions	**Interpretation** **WORDS** **MEANINGS** **Share Issuance Scheme** **A Scheme involving a new issuance of shares to the employees** **Exempt Authorised Nominee** **An authorised nominee defined under the Central Depositories Act which is exempted from compliance with provisions of subsection 25A(1) of the Central Depositories Act.**
To amend Article 62	**Notice to state Members entitled to appoint proxies** In every notice calling a general meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote may appoint one or more (but not more than two (2)) proxies, to attend and vote instead of him. Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy.	**Notice to state Members entitled to appoint proxies** In every notice calling a general meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote may appoint one or more (but not more than two (2)) proxies, to attend and vote instead of him. Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. **Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.**

APPENDIX I (CONT'D)

Article No.	Existing Articles	Amended Articles
To amend Article 76	**Proxy** The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member and Section 149(1)(a) &(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. Save as provided in Article 77, a Member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and each proxy appointed, shall represent a minimum of 1,000 shares. Where the Member intends more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid the Member specifics the proportion of his shareholding to be presented by each proxy.	**Proxy** The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. **A Member of a Company entitled to attend and vote at any General Meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member of the meeting. There shall be no restriction as to the qualification of the proxy and** Sections 149(1)(a) and (b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. Save as provided in Article 77, a Member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and each proxy appointed, shall represent a minimum of 1,000 shares. Where the Member intends more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid the Member specifics the proportion of his shareholding to be presented by each proxy.
To amend Article 78	**Voting Rights** Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy who may but need not be a Member of the Company or by attorney in respect of any share or shares upon which all calls due to the Company have been fully paid. On a show of hands, every person who is a Member or representative or proxy or attorney of a Member shall subject to Article 74 have one (1) vote and on a poll every Member present in person or by representative or by proxy or by attorney shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands and on a poll.	**Voting Rights** Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy who may but need not be a Member of the Company or by attorney in respect of any share or shares upon which all calls due to the Company have been fully paid. On a show of hands, every person who is a Member or representative or proxy or attorney of a Member shall subject to Article 74 have one (1) vote and on a poll every Member present in person or by representative or by proxy or by attorney shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands and on a poll. **A proxy appointed to attend and vote at any General Meeting of the Company shall have the same rights as the member to speak at the meeting.**

APPENDIX I (CONT'D)

Article No.	Existing Articles	Amended Articles
To amend Article 79	**Instrument appointing proxy to be deposited at the Office of the Company** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority, shall be deposited at Office or at such other place as is specific for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.	**Instrument appointing proxy to be deposited at the Office of the Company** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority, shall be deposited at Office or at such other place as is specific for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. **The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the General Meeting should the Member subsequently wish to do so. A Member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/ proxies to vote for him at any General Meeting of the Company PROVIDED:-** **a) Such cable or other telegraphic communication shall have been received forty-eight (48) hours before the time for the holding of the General Meeting or adjourned meeting as the case may be at which the person named in such cable or other telegraphic communication proposes to vote; and** **b) The Directors are satisfied as to the genuiness of such cable or other telegraphic communication.**

FORM OF PROXY

LFE CORPORATION BERHAD (579343-A)

CDS Account No.	
No of Shares Held	

I/We ____

of ____

______________________ being a member / members of LFE CORPORATION BERHAD ("the Company")

hereby appoint ______________________________ of ______________

______________________ or failing whom ______________________________

of ____

/the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the ELEVENTH ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at the Boardroom, 1st Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Friday, 27 December 2013 at 10.00 a.m. and at any adjournment thereof.

I / We direct my / our proxy to vote (see Note 5 herein) for or against the resolutions to be proposed at the Meeting as indicated hereunder:

Ordinary Resolution	For	Against
1. Payment of Directors' Fees		
2. Re-election of Tunku Azlan Bin Tunku Aziz		
3. Re-election of Ms. Juliana Quah Kooi Hong		
4. Re-appointment of Auditors		
5. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
6. Proposed Amendments to the Articles of Association of the Company		

Dated this ______________ day of ______________ 2013

____

Signature/ common seal of shareholder

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two (2)) to attend and vote in his stead. A proxy may but need not be a member of the Company and Sections 149 (1) (b) of the Companies Act, 1965 shall not apply.

2. This Form of Proxy, in the case of an individual, must be signed by the appointor or by his attorney duly authorised in writing and in the case of a body corporate, it must be given under its common seal or signed on its behalf by an attorney or officer of the body corporate duly authorised in writing.

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

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

5. 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.

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

7. Only depositors whose names appear in the Record of Depositors as at 23 December 2013 shall be entitled to attend the Eleventh Annual General Meeting.

Fold along the line

Affix
Postage
Stamp
Here

The Company Secretary

LFE CORPORATION BERHAD (579343-A)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

Fold along the line

LFE Corporation Berhad (579343-A)
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