

annual report **2006**

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

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T h e T U R N A R O U N D ...



Since 1967

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



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## ...has already begun

Admittedly, the impact of a slowdown in the construction industry has put a damper on our performance for the past two years given the fact that we are an integral part of the industry. Things were virtually coming to a standstill due to a scarcity of construction-related projects throughout the nation and this was exacerbated by intensive competition, rising cost of materials and lower profit margins. Simply put, it was a case of striving to put one's head above waters.

Tough times call for tough measures. We certainly did not want our future to be tied to market uncertainties. We want to be masters of our own destiny. That said, we started to aggressively pursue projects in overseas markets, both individually and through strategic partnerships with some of the biggest players in the construction industry and, by diversifying our business portfolio. Although we are not out of the woods as yet, the turnaround has already begun following:

- the securing of several major projects in Abu Dhabi, Qatar and China boosting our order book to approximately RM490 million
- the securing of a US\$100 million contract by our consumer electronics division
- the development of commercial and residential properties in Penang by our property development division, subject to approval by relevant authorities.

Moving forward, we see a brighter future with an expected return to profit levels in the coming years. Clearly, we are more energised today and will continue to build on the momentum in growing our presence both locally and internationally to ensure our long-term sustainability.

**LFE Corporation Berhad**

annual report 2006



Dato' Hamzah bin Zainudin  
Chairman

# chairman's statement

Dear Shareholders,

On behalf of the Board of Directors of LFE Corporation Berhad ("LFE" or "Company"), it is my pleasure to present to you the Annual Report and Audited Financial Statements of our Company for the financial year ended 31 December 2006.

## Operating Environment And Business Review

The Group has started to turnaround. Our mechanical and electrical engineering ("M&E") division has secured 2 major projects in the Middle East namely Phase 1 Plot 1 Zone C of the Al Reem Island Development project in Abu Dhabi, The United Arab Emirates and the New Doha International Airport project in Qatar, 1 major project in China namely the Shangri-la Hotel Wenzhou project and the Johor Baru Nursing School project. These contracts together with other existing projects have brought the Group's M&E order book to approximately RM490 million which will lead to increased turnover from this division for the next 2 financial years.

I congratulate LFE Engineering Sdn Bhd ("LFEE") for being a consortium member with some of the largest construction companies in Malaysia namely IJM Construction Sdn Bhd, Zelan Holdings (M) Sdn Bhd and Sunway Builders Sdn Bhd for the Phase 1 Plot 1 Zone C Al Reem Island Development project in Abu Dhabi. This involvement has elevated our stature amongst the industry players and I envisage it will open more doors for our M&E division particularly for projects abroad.

The Group has successfully embarked into the consumer electronics ("CE") business. The Board and I believe that LFE International Limited can be a big player in this industry as it has already secured a USDollar 100 million contract to supply CE goods to Northcom Handels GMBH of Austria.

Our 51% owned subsidiary, Bestgate Development Sdn. Bhd., has already started to submit development plans for the proposed property development project in Nibong Tebal, Penang consisting of 12 units of double storey shop offices and 102 units of double storey terrace houses on a piece of freehold land measuring approximately 10 acres. In this sector, we are seriously looking for more suitable land bank to further develop this property development division.





## Corporate Development

### *Fund Raising Exercises*

For the financial year 2006, the Company has undertaken 2 fund raising corporate exercises. The first being a Private Placement of 5.2 million new ordinary shares of RM1.00 each at an issue price of RM1.00 per share. This exercise was completed on 3 October 2006. The Company then undertook a Restricted Issue of up to 40 million new ordinary shares of RM1.00 each which shall be implemented in tranches. 10 million new ordinary shares of RM1.00 each were issued at an issue price of RM1.00 per share pursuant to this Restricted Issue. The total proceeds of RM15.2 million raised from these 2 exercises were substantially utilised for the Group's working capital. Subsequent to the financial year end, another 5 million new ordinary shares of RM1.00 each were issued at an issue price RM1.00 per share pursuant to the Restricted Issue raising another RM5 million in proceeds.

### *Disposal of Fixed Asset*

On 14 July 2006, the Company entered into a Sale and Purchase Agreement with our Managing Director and major shareholder, Mr Lew Mew Choi for the proposed disposal of our head office being all that piece of freehold industrial land measuring in total approximately 3.75 acres, held under Title No. H.S. (M) 16668, PT 43118, Batu 13, Jalan Sungai Besi, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor together with all existing buildings and structures erected thereon to Mr Lew Mew Choi at a total cash consideration of RM11.3 million. This transaction was completed on 21 March 2007 and the proceeds arising therefrom was utilised to reduce the Group's bank borrowings.

### *New Investments*

Subsequent to the financial year end, LFEE has acquired a 49% equity interest in a newly incorporated company in Qatar called LFE Engineering Qatar WLL and has set up a registered branch in Abu Dhabi, The United Arab Emirates to undertake our business activities in Qatar and Abu Dhabi respectively.

## Financial Review

For the financial year ended 31 December 2006, our Group posted an increase in consolidated revenue of 170% to RM109.8 million as compared to RM40.7 million in the previous financial year mainly due to higher billings in 2006 arising from a higher order book in 2005 as compared to 2004. The higher revenue and a lower provision for diminution in the Group's investment in Sunway Infrastructure Berhad ("SIB") shares has resulted in lowering the Group's loss before tax for the financial year under review to RM19.8 million as compared to the loss before tax of RM38.5 million for the financial year ended 31 December 2005. Loss after tax and minority interest was at RM20.6 million as compared to the preceding year's loss after tax and minority interest of RM38.7 million. The Group's total shareholders' funds stood at RM19.8 million as at the financial year ended 31 December 2006.

## Dividend

The Board of Directors is not recommending any dividend in respect of the financial year ended 31 December 2006 due to the losses suffered. Nevertheless, our directions and priorities remain focused in turning the Group around and back to profitability, and we are determined to reward our shareholders with increased long term value and returns in the coming years.



## chairman's statement

### Future Prospects

The revenue growth and the projects secured from the overseas markets in 2006 have given our M&E division an impetus to step up efforts to vie for more contracts from outside of Malaysia particularly from the emerging markets through strategic alliances with both local and foreign partners. Currently, overseas contracts have contributed in aggregate to approximately 92.6% of the Group's total combined outstanding order book of approximately RM840 million for the M&E and CE divisions. Nevertheless, our M&E division will still actively seek for opportunities to participate in local projects from the private sector as well as infrastructure projects available under the 9th Malaysia Plan.

Apart from our M&E activities, we anticipate positive contributions from our CE and property development divisions over the next 2 financial years after consolidating the expected earnings from the USDollar 100 million contract with Northcom Handels GMBH and the development project in Nibong Tebal, Penang.

As regards to our investment in SIB, we remain hopeful that the Group will not suffer much further diminution in the value of this investment that will have a significant adverse impact on our future results.

Notwithstanding any further provisions for diminution in our investment in SIB, the Group expects improvement in performance in the coming year in the light of the major contracts secured in 2006 and some potential contracts in the pipeline.

### Acknowledgement

On behalf of the Board, I would like to take this opportunity to thank Encik Ramli bin Abu Kasim who retired from the Board at the previous annual general meeting, for his invaluable contributions to the Group, and I would like extend our warm welcome to Mr Alan Rajendram A/L Jeya Rajendram and Mr Kee Ju-Hun, who have joined the Board as Non-Executive Directors during the year.

I also wish to commend the Management and staff of the LFE Group for their untiring dedication, commitment and perseverance in enduring the many challenges faced by the Group, and despite it all, have succeeded in turning the Group's performance around.

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

**Dato' Hamzah bin Zainudin**  
Chairman & Independent Non-Executive Director

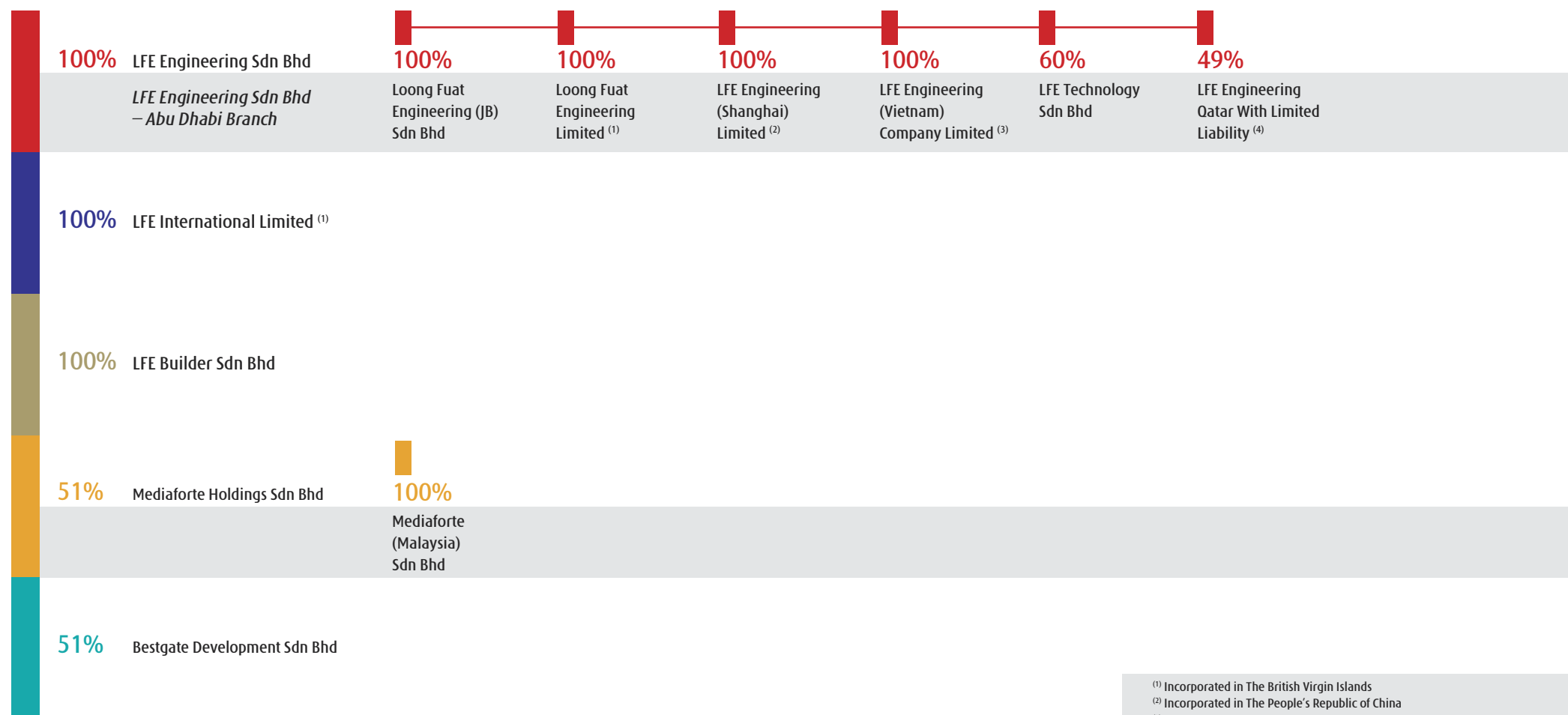
Our involvement in the Phase 1 Plot 1 Zone C Al Reem Island Development project in Abu Dhabi has elevated our stature amongst the industry players and it is envisaged to open more doors for our M & E division, particularly for projects abroad.



# corporate structure

as at 30 April 2007

## LFE Corporation Berhad



<sup>(1)</sup> Incorporated in The British Virgin Islands

<sup>(2)</sup> Incorporated in The People's Republic of China

<sup>(3)</sup> Incorporated in The Socialist Republic of Vietnam

<sup>(4)</sup> Incorporated in Qatar



## BOARD OF DIRECTORS

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

Managing Director  
Lew Mew Choi

Executive Directors  
Liew Kiam Woon  
Chin Soong Jin

Non-Executive Directors  
Liew Meow Nyeon  
Alan Rajendram A/L Jeya Rajendram  
Kee Ju-Hun

Independent Non-Executive Directors  
Chung Tack Soon  
Tong Hock Sen

## AUDIT COMMITTEE

Dato' Hamzah bin Zainudin (Chairman)  
Chung Tack Soon  
Tong Hock Sen  
Chin Soong Jin  
Kee Ju-Hun

## SECRETARY

Ng Wai Peng (MAICSA 7014112)

## REGISTERED OFFICE

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

## SHARE REGISTRARS

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

## AUDITORS

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

## PRINCIPAL BANKERS

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

## PRINCIPAL OFFICES

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

Johor Bahru, Malaysia  
Loong Fuat Engineering (JB) Sdn. Bhd.  
No. 43, Jalan Molek 2/30  
81100 Johor Bahru, Malaysia  
Tel : 607-3539817  
Fax : 607-3515887  
Email : akk@lfe.com.my

## China

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

## Vietnam

LFE Engineering (Vietnam) Company Limited  
10th Floor, Bitexco Building  
19-25 Nguyen Hue Street  
District 1, Ho Chi Minh City, Vietnam  
Tel. : (84) 8-821 6786  
Fax : (84) 8-821 6785  
Email : wyk@lfe.com.my

## Abu Dhabi, United Arab Emirates

LFE Engineering Sdn. Bhd. – Abu Dhabi Branch  
Suite 101 Dhabi Tower  
Hamdan 5th Street  
Abu Dhabi, United Arab Emirates  
Tel : + 971-2-6215667  
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Email : lsk@lfe.com.my

## Qatar

LFE Engineering Qatar With Limited Liability  
P.O. Box 47055, Doha, State of Qatar  
Tel : +974 490 6185  
Fax : +974 490 6217  
Email : dlsj@lfe.com.my

## LISTING

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

## board of directors

from left to right:

front row: Lew Mew Choi, Dato' Hamzah bin Zainudin, Liew Meow Nyeon and Liew Kiam Woon

back row: Chin Soong Jin, Chung Tack Soon, Alan Rajendram a/l Jeya Rajendram, Kee Ju-Hun and Tong Hock Sen



## Dato' Hamzah bin Zainudin

Chairman and Independent Non-Executive Director  
Chairman of Audit Committee

Dato' Hamzah bin Zainudin, a Malaysian, aged 50, was appointed as Chairman and Independent Non-Executive Director and as Chairman of the Audit Committee of LFE Corporation Berhad ("LFE" or "the Company") on 15 September 2003. He graduated from University Technology Malaysia with a Diploma in Quantity Surveying in 1979 and has vast experience in property development having worked for Maju Bangun Sdn Bhd (a subsidiary of The Perak State Development Corporation) as its General Manager from 1980 to 1984. He ventured into private business in 1989 and currently sits on the board of several public companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities") namely, Asian Pac Holdings Berhad and Evermaster Group Berhad. He is also currently Chairman of Evermaster Group Berhad. He has attended 3 out of the 6 Board meetings held during the financial year. He is not a substantial shareholder of the Company and he has no family relationship with any Director and/or substantial shareholder of the Company, and he has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Liew Meow Nyeen

Non-Executive Director

Mr Liew Meow Nyeen, a Malaysian, aged 71, was appointed as a Non-Executive Director of the Company on 15 September 2003. He is also currently the Executive Chairman of LFE Engineering Sdn Bhd ("LFEE"). He started his career as an apprentice and later as a competent wireman with several electrical contracting firms from the 1950s to 1960s. He was certified as a competent 'Wireman Nil' in 1965. With the invaluable hands-on experience that he has acquired in electrical installations over the years, he set up his own electrical contracting business in 1967 called Loong Fuat Electrical Company ("Loong Fuat") as a sole proprietorship which he later sold to LFEE in 1975. He is currently not a director of any other public company. He has attended all of the 6 Board meetings held during the financial year. He is a substantial shareholder of the Company. His wife, Mdm Chang Lau Hoi @ Chang Sow Lan is a substantial shareholder of the Company. His son, Mr Liew Kiam Woon, is an Executive Director and a substantial shareholder of the Company and his brother, Mr Lew Mew Choi, is the Managing Director and a substantial shareholder of the Company. He has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Lew Mew Choi

Managing Director

Mr Lew Mew Choi, a Malaysian, aged 63, was appointed as Managing Director of the Company on 15 September 2003. He is also currently the Managing Director of LFEE and Managing Director of Loong Fuat Engineering Limited. He joined Loong Fuat in 1967 to assist his brother, Mr Liew Meow Nyeen, in the day-to-day operations of Loong Fuat. With the hands-on experience that he has gained in electrical installations for infrastructure, residential and commercial developments, he was promoted to the position of Managing Director of LFEE in 1975. He is currently not a director of any other public company. He has attended 5 out of the 6 Board Meetings held during the financial year. He is a substantial shareholder of the Company. His wife, Mdm Soong Moi @ Song Mou is a substantial shareholder of the Company. His brother, Mr Liew Meow Nyeen, is a Non-Executive Director and a substantial shareholder of the Company and his nephew, Mr Liew Kiam Woon is an Executive Director and a substantial shareholder of the Company. He has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Liew Kiam Woon

Executive Director

Mr Liew Kiam Woon (Kenneth), a Malaysian, aged 44, was appointed as an Executive Director of the Company on 15 September 2003. He is also currently an Executive Director of LFEE. He graduated from the University of Oregon, United States of America in 1987 with a Bachelor of Arts Degree, majoring in Business Administration and has completed a basic mechanical and electrical engineering course conducted by the Association of Consulting Engineers Malaysia. He started his career as a Business Development Executive with MBF Factors Sdn Bhd in 1987 for 3 years. He then joined LFEE in 1990 as a Project Coordinator and has since then progressed himself to his current position. Currently, he also sits on the board of Sunway Infrastructure Berhad, a public company listed on Bursa Securities and is a Council Member of Master Builders Association Malaysia. He has attended all of the 6 Board meetings held during the financial year. He is a substantial shareholder of the Company. His father, Mr Liew Meow Nyeon, is a Non-Executive Director and a substantial shareholder of the Company. His mother, Mdm Chang Lau Hoi @ Chang Sow Lan is a substantial shareholder of the Company and his uncle, Mr Lew Mew Choi is the Managing Director and a substantial shareholder of the Company. He has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Chin Soong Jin

Executive Director & Member of Audit Committee

Mr Chin Soong Jin (Kevin), a Malaysian, aged 40, was appointed as an Executive Director and a member of the Audit Committee of the Company on 15 September 2003. He is also currently the Director of Corporate Affairs of LFEE. He graduated from Monash University, Melbourne in 1990 with a double degree in Bachelor of Economics (Accountancy) and Bachelor of Laws. He started his career at Messrs Chooi & Company and was admitted to practice as an advocate and solicitor of the High Court of Malaya in 1991. He then joined Messrs Khaw & Partners (then known as Messrs Khaw & Hussein) for two and a half years until 1994. Thereafter, in 1994, he joined the corporate finance department of RHB Investment Bank Malaysia Berhad (then known as RHB Sakura Merchant Bankers Berhad) for a period of 6 years until he left and joined the LFE Group in 2000. He is also currently an Independent Non-Executive Director of Linear Corporation Berhad, a public company listed on Bursa Securities. He has attended all of the 6 Board meetings held during the financial year. He is not a substantial shareholder of the Company and he has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Chung Tack Soon

Independent Non-Executive Director &  
Member of Audit Committee

Mr Chung Tack Soon, a Malaysian, aged 45, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 15 September 2003. He obtained a Bachelor of Accounting degree from University Malaya in 1988 and is a member of the Malaysian Institute of Accountants. He started his career in Arthur Andersen in 1988 until 1991. Subsequently, in 1991, he joined CIMB Bank Berhad (then known as Commerce International Merchant Bankers Berhad) as a merchant banker from 1991 to 1994 and was seconded to the stockbroking subsidiary, CIMB Securities Sdn Bhd from 1994 to 1995. In 1995, he assumed the position of Senior Vice President in K&N Kenanga Bhd until 1999 and left to join DC One Technology Sdn Bhd as its Chief Operating Officer from 1999 to 2001. Currently, he is the Chief Executive Officer and Associate Director of Xynaxcom Sdn Bhd and Devonshire Capital Sdn Bhd respectively. He is currently not a director of any other public company. He has attended all of the 6 Board meetings held during the financial year. He is not a substantial shareholder of the Company and has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.



## Tong Hock Sen

Independent Non-Executive Director &  
Member of Audit Committee

Mr Tong Hock Sen (John), a Malaysian, aged 39, was appointed as an Independent Non-Executive Director of the Company on 15 September 2003 and as a member of the Company's Audit Committee on 5 May 2004. He graduated with an Honours Degree in law from the University of Warwick, England in 1991 and was admitted to the Malaysian Bar in 1993. Shortly after his admission to the Bar, he practised law at Messrs. Kiru & Yong. In 1994, he joined the legal department of the Sunway Group of Companies ("Sunway Group"). After a 7-year tenure, he left his position as Head of the Legal Department of the Sunway Group in 2001 and returned to legal practice at Messrs Susie See, Norbaya & Cheah. In 2002, he joined Messrs Shui-Tai as a partner where he now heads the corporate and commercial department. He is currently not a director of any other public company. He has attended all of the 6 Board meetings held during the financial year. He is not a substantial shareholder and has no family relationship with any Director and/or substantial shareholder of the Company, and has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Alan Rajendram A/L Jeya Rajendram

Non-Executive Director

Mr Alan Rajendram A/L Jeya Rajendram, a Malaysian, aged 51, was appointed as a Non-Executive Director of the Company on 19 October 2006. He is also the Sole Director of LFE International Limited. He obtained his Bachelor of Commerce degree from the University of Melbourne, Australia in 1997 and received his early training in public accounting from Deloitte & Haskins from 1977 to 1979. Thereafter, he worked for Messrs Rajendram & Co., an accounting practice owned by his father. In 1983, he left the practice to join The Elrond And Kredin Group of Companies (a privately owned group of companies with diverse interests in manufacturing, property development and investment) as its Chief Executive Officer. After a 5-year stint, he left The Elrond And Kredin Group and returned to work for the Rajendram family-owned businesses within the Stanton Group of Companies which are involved in manufacturing, property development, investment and provision of corporate advisory, management, taxation, secretarial and accountancy services. He is currently the Executive Chairman of Linear Corporation Berhad as well as the Stanton Group of Companies. He has attended 1 Board meeting held after his appointment during the financial year. He is a substantial shareholder of the Company. He has no family relationship with any Director and/or substantial shareholder of the Company, and he has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

## Kee Ju-Hun

Non-Executive Director &  
Member of Audit Committee

Mr Kee Ju-Hun, a Malaysian, aged 37, was appointed as a Non-Executive Director of the Company on 19 October 2006 and as a member of the Company's Audit Committee on 26 April 2007. He obtained his Bachelor of Science degree in Marketing and Finance from the University of Boston, United States of America in 1993. He started his career in 1993 as an Executive Director of South Malaysia Industries Berhad ("SMI"), a public company listed on Bursa Securities. After a 4-year stint, he left SMI to work for the Kee family-owned businesses within the Kee Group of Companies which are involved in property development, investment and provision of corporate advisory services. He is currently still working for the Kee Group of Companies and is also serving as a director of 2 niche private property development companies namely Kenoza Sdn. Bhd. and Tenggara Teguh Sdn. Bhd. He is currently not a director of any other public company. He has attended 1 Board meeting held after his appointment during the financial year. He is not a substantial shareholder of the Company and he has no family relationship with any Director and/or substantial shareholder of the Company, and he has no conflict of interest with the Company nor any conviction for any offence within the past 10 years.

# corporate governance statement

The Board of Directors ("the Board") of LFE Corporation Berhad ("the Company" or "LFE") continues to affirm its overall responsibility in upholding the sound principles of corporate governance within the LFE Group ("the Group") with the objective of building and enhancing long-term shareholders' value.

The Board is pleased to report in this statement the manner in which the Group has applied the principles of good governance and the extent of compliance with the best practices set out in Part 1 and 2 of The Malaysian Code on Corporate Governance ("Code") throughout the financial year ended 31 December 2006.

## 1. BOARD OF DIRECTORS

### 1.1 Board Composition

The Board currently has 9 members comprising 1 Independent Non-Executive Chairman, 1 Managing Director, 2 Executive Directors, 3 Non-Executive Directors and 2 Independent Non-Executive Directors, thus complying with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for a minimum of one-third of the Board to be independent directors. The Directors bring to the Company a broad mix of business, financial, legal, marketing 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 Group. Brief descriptions of the background of each of the Directors are presented on pages 9 to 11 of this annual report.

### 1.2 Board Balance

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

The Independent Non-Executive Directors play a key supporting role, contributing their skills and knowledge in all major matters and issues referred to the Board for

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

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

### 1.3 Board Responsibilities

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

### 1.4 Board Meetings

There were 6 Board meetings held during the financial year. The Board had, at the Board meetings, deliberated and considered a variety of matters including amongst others, the Group's financial results before release to Bursa Securities, the Group's overall performance, recurrent related party transactions and business development activities and strategies. Details of attendance of each of the Director at the Board meetings are disclosed under their respective profiles on pages 9 to 11 of this annual report. All of the Directors have met the minimum 50% attendance at Board meetings during a financial year as required under the Listing Requirements of Bursa Securities. In addition, the Board exercised control on matters that required the Board's approval during the intervals between the scheduled Board meetings through the circulation of Directors' Circular Resolutions prepared from time to time by the company secretary.

### 1.5 Board Committee

The Board has delegated certain of its functions to the Audit Committee ("AC") in order to enhance business and operational efficiency and to comply with the Listing Requirements of Bursa Securities as well as in line with the best practices prescribed in the Code. The AC functions in accordance with its terms of reference set out by the Board. The AC comprises 3 Independent Non-Executive Directors, 1 Non-Executive Director and 1 Executive Director and the Chairman of the AC reports the outcome of the AC meetings to the Board. Information on the AC and its activities during the financial year are presented in the Audit Committee Report on pages 15 to 17 of this annual report.

## 1.6 Supply of Information

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

## 1.7 Appointments to the Board

The Code endorses as a good practice, a formal procedure for appointments to the Board based on the recommendation of a nomination committee. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that this responsibility be delegated to a committee. In place of a nomination committee, the Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company ("the Articles") and in compliance with all legal and regulatory obligations. Any nomination for the appointment of any new Director will be proposed to the Board and the final decision on the suitability and appointment of any new Director lies with the entire Board. The Board, as a whole, will ensure that the resulting mix of experience and expertise of Board members is sufficient to address issues relating to the Group. 2 new Non-Executive Directors were appointed during the year in place of 1 Non-Executive Director who did not seek for re-election at the Fourth Annual General Meeting of the Company.

## 1.8 Re-election of Directors

According to the Articles, any Director who is appointed during the year shall retire at the Company's annual general meeting following his appointment and one-third of the Board who do not retire as aforesaid, will retire by rotation at every annual general meeting. The Articles further provide that every Director is subject to retirement once in every 3 calendar years and all retiring Directors are eligible for re-election. All of the Directors who are retiring by rotation at the Company's Fifth Annual General Meeting are eligible for re-election and have offered themselves 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"). 1 Director is submitting himself for re-appointment at the Company's Fifth Annual General Meeting pursuant to this requirement.

## 1.9 Directors' Training

The 2 newly appointed Non-Executive Directors have completed the Mandatory Accreditation Programme within the stipulated time-frame and the other Directors have attended training courses which include topics relating to inter alia, "Improving Budgeting Process", "Corporate Disclosure Rules and Regulations in Malaysia" and "The Malaysian Code on Takeovers and Mergers". 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.

## 2. DIRECTORS' REMUNERATION

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

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

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

The remuneration of the Company's Directors derived from the Group during the financial year ended 31 December 2006 are as follows:

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	—	87,000	87,000
Salaries	740,263	60,923	801,186
Benefits-in-kind	47,900	23,950	71,850
Total	788,163	171,873	960,036

#### DIRECTORS' REMUNERATION (cont'd)

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 December 2006 are as follows:

Remuneration Band (RM per annum)	Number of Directors		Total
	Executive Directors	Non-Executive Directors	
Below 50,000	—	4	4
50,001 to 100,000	—	1	1
100,001 to 150,000	—	—	—
150,001 to 200,000	—	—	—
200,001 to 250,000	1	—	1
250,001 to 300,000	2	—	2
300,001 to 350,000	—	—	—
Total	3	5	8

### 3. SHAREHOLDERS

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

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

The various disclosures and announcements to Bursa Securities including quarterly financial results, the annual reports and where appropriate, circulars and press releases;

Open door forums with research analysts, investment bankers, fund managers and business journalists. Price sensitive and undisclosed material information about the Group, is however, not disclosed at these forums until after the relevant prescribed announcements have been made to Bursa Securities.

### 4. ACCOUNTABILITY AND AUDIT

#### 4.1 Financial Reporting

The Board is responsible to present a true and fair assessment of the Group's financial positions and prospects in the Company's quarterly financial results and annual audited financial statements. All quarterly financial results have been reviewed by the AC and approved by the Board prior to announcement to Bursa Securities. A statement by the Directors of their responsibilities in the preparation of the audited financial statements for the financial year ended 31 December 2006 is set out in section 4.4 herein.

#### 4.2 Internal Control

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

The Board had, upon the recommendation of the AC, continued to engage external consultants to carry out the internal audit functions for some operating subsidiaries during the financial year ended 31 December 2006.

The Statement on Internal Control set out on pages 18 and 19 of this annual report provides an overview of the Group's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

#### 4.3 Relationship with the Auditors

The Board maintains a formal and transparent relationship with the Company's external auditors in seeking professional advice and ensuring compliance with the

relevant laws and applicable approved accounting standards in Malaysia. The final quarter results for the year were discussed in the AC meeting with the presence of the external auditors and members of the Board and then approved by the Board, upon the recommendation of the AC, before announcement to Bursa Securities. The Board was also assisted by the AC in the review of the audit plans and audit findings of the external auditors.

#### 4.4 Statement of Directors' Responsibilities

The Directors are required by the Act to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the profit and loss account of the Company and the Group for the financial year. Further, the Board is required to ensure that the financial statements have been prepared in compliance with the Act, the Listing Requirements of Bursa Securities and in accordance with the applicable approved accounting standards in Malaysia.

In preparing the financial statements for the financial year ended 31 December 2006, the Directors, with the advice from the external auditors, have:

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

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

This Statement was approved by the Board on 24 April 2007.



# audit committee report

## COMPOSITION

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

Dato' Hamzah bin Zainudin	Chairman	Independent Non-Executive Director
Chung Tack Soon	Member	Independent Non-Executive Director
Tong Hock Sen	Member	Independent Non-Executive Director
Chin Soong Jin	Member	Executive Director
Kee Ju-Hun	Member (appointed on 26 April 2007)	Non-Executive Director

## TERMS OF REFERENCE OF AUDIT COMMITTEE

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

### Objectives

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

## Membership

- 2.1 The AC shall be appointed by the Board pursuant to a Board Resolution.
- 2.2 It shall comprise at least three (3) Members of whom a majority shall be independent non-executive Directors.
- 2.3 An alternate Director and the chief executive officer of the Company (by whatever name called) is not eligible for membership in the AC.
- 2.4 At least one (1) Member of the AC:
  - 2.4.1 must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - 2.4.2 if he/she is not a member of MIA, he must have at least three (3) years' of working experience and:
    - a. he/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - b. he/she must be a member of one (1) of the associations of accountants specified in part II of the 1st Schedule of the Accountants Act, 1967.

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

- 2.5 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.
- 2.6 If the number of Members is reduced to below three (3) as a result of resignation or death of a Member, or for any other reason(s) the Member ceases to be a Member of the AC, the Board shall, within 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 regard to the composition of the AC and the qualification of such new Member as contained in these Terms of Reference.
- 2.7 The Chairman of the AC shall be appointed by the Board, or failing which, amongst the Members of the AC themselves PROVIDED THAT he/she must be an independent non-executive Director.

## audit committee report

### Authority

- 3.1 The AC shall have explicit authority to carry out the functions and duties and to investigate any matters within these Terms of Reference.
- 3.2 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 Group Company (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 co-operation in providing the information and resources to the AC, and in implementing or carrying out all requests made by the AC.
- 3.3 It shall have direct communication channels with the External Auditors and Internal Auditors with or without the presence of the Management.
- 3.4 It shall also have the authority to obtain, at the cost of the Company or Group Company, 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.
- 3.5 It shall also have the power to establish Sub-AC(s) and delegate its powers to such Sub-AC(s) for the purpose of carrying out certain investigations on its behalf in such manner as the AC deems fit and necessary and, to appoint such officers within the Group as members of the Sub-AC(s).

### Functions

- 4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.
- 4.2 To nominate a person or persons as the External Auditors.
- 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 the scope of the internal audit programmes and procedures, consider the results of internal audit investigations and assess Management's response and actions to rectify any reported shortcoming.
- 4.6 To review and evaluate the adequacy and effectiveness of the internal audit function and the internal control systems as well as the management information systems, the administrative, operating and accounting policies employed.
- 4.7 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.
- 4.8 To review the Company's quarterly and annual financial reports and statements with both the External Auditors and the management and thereafter to submit them to the Board, focusing particularly on any changes in accounting policies and practices; significant adjustments arising from the audit; the going concern assumption; compliance with accounting standards and other legal requirements.

- 4.9 To review all areas of significant financial risks within the Group and the arrangements in place to contain those risks to acceptable levels.
- 4.10 To review all related party transactions and all potential conflict of interest situations that may arise within the Company or Group.
- 4.11 To identify and direct any special projects or investigations it deems necessary.
- 4.12 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.
- 4.13 To review the External Auditors' audit report and management letter and the Management's response thereto.
- 4.14 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.
- 4.15 To review reports and consider recommendations of the Sub-AC(s), if any.

### Meetings

- 5.1 The AC will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the AC so decides to fulfill its duties.
- 5.2 A quorum shall consist of two (2) Members. The majority of Members present must be independent non-executive Directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.
- 5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the Members.

## Meetings (cont'd)

- 5.5 A resolution in writing, signed by all the Members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the AC.
- 5.6 Proceedings of all meetings held and resolutions passed as referred to in Clause 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.
- 5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the AC and the reports submitted thereat.
- 5.8 The External Auditors and Internal Auditors shall have the right to appear and be heard at any meeting and shall appear before the AC when so required by the AC.
- 5.9 Upon the request of the External Auditors 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 AC shall function independently of the other Directors and officers of the Company or Group Company. Such other directors or officers may attend any particular AC meeting only at the AC's invitation, specific to the relevant meeting.
- 5.11 The AC shall meet with the External Auditors and Internal Auditors at least once in a financial year without the presence of any executive board member of the Company or the Management.

## Compliance

- 6.1 The provisions of Articles 119, 120 and 121 of the Company's Articles of Association except as otherwise expressly provided in these Terms of Reference shall apply to the AC.

## AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2006, the AC had 5 AC meetings and 1 Independent AC ("IAC") meeting which was held without the presence of any executive board member or the Management in compliance Clause 5.11 of the Terms of Reference of the AC. All AC and IAC meetings were duly convened with sufficient notice been given to all AC members together with the agenda, report and proposals for deliberation at the meetings.

Save for the IAC meeting, all Directors who are not members of the AC were invited to the AC meetings and responded to all queries raised by the AC thereat. Representatives from the external auditors and internal auditors, as the case may be, and the Group Financial Controller were in attendance to present the relevant reports and proposals to the AC 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 December 2006.

Details of attendance of the AC members at the AC meetings and the Independent AC meeting during the financial year ended 31 December 2006 are as follows:

Name of AC Member	AC Meetings Attended	Independent AC Meeting Attended
Dato' Hamzah bin Zainudin	3	—
Chung Tack Soon	5	1
Tong Hock Sen	5	1
Chin Soong Jin	5	Not applicable

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed all quarterly financial results of the Company including the announcements pertaining thereto before recommending them to the Board for approval;
- Reviewed the audited financial statements of the Company for the financial year ended 31 December 2006 and issues arising from the audit thereof before recommending them to the Board for approval;
- Reviewed with the external auditors, the audit plan and scope of audit for the financial year ended 31 December 2006;
- Reviewed the work done and reports from the internal auditors and considered the findings of internal audit investigations and the Management's response thereto to ensure that appropriate actions are taken by the Management on the recommendations raised by the internal auditors;
- Reviewed the assistance given by the Company's officers and employees to the auditors; and
- Reviewed all recurrent related party transactions that arose in the Group on a quarterly basis.

This Report was approved by the Audit Committee on 24 April 2007.

# statement on internal control

## Introduction

According to the best practices prescribed by The Malaysian Code on Corporate Governance (“the Code”), all listed companies should maintain a sound system of internal controls to safeguard shareholders’ investments and the company’s assets. Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) requires all public companies listed on Bursa Securities to include in their annual reports a statement about the state of internal control of the listed company as a group. The Board of Directors (“the Board”) of LFE Corporation Berhad (“LFE” or “the Company”) is pleased to provide the following statement which outlines the nature and scope of internal control of the LFE Group (“the Group”) during the financial year ended 31 December 2006.

### Board Responsibility

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

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

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

### Enterprise Risk Management Framework

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

Against this backdrop, the Company has established a formal Enterprise Risk Management (“ERM”) framework with the assistance of the external consultant. The Board believes that such an exercise has allowed for a more structured and focused approach in managing the Group’s significant business risks and has enabled the Group to effectively adopt a risk-based internal control system that is embedded within the Group.

The Group’s ERM framework encompasses the following key elements:

- Interviews with Directors and selected Management staff of the Group to identify and evaluate the principal risks faced by the Group resulting in the creation of a database of all risks and controls and a detailed risk register and risk profiles for the pilot companies;
- Issuance of a risk management policy and procedure which outlines the risk framework for the Group and offers practical guidance to all employees in identifying and managing risks;
- Establishment of a risk management structure which outlines the responsibility of the Risk Management Committee and Risk Management Units; and
- Record of the risk assessment process which involves the identification of key risks facing the Group, the potential impact and likelihood of those risks occurring, the effectiveness of controls and the action plans being taken to manage those risks to the desired level. The development of a consolidated risk profile of the Group together with a summary of key findings.



## Internal Audit Function

The Group has outsourced its internal audit function to an external consultant who provides the Board and the Audit Committee with the level of assurance required on the adequacy and the integrity of the system of internal control.

During the financial year, the internal auditors have completed 1 full cycle of internal audit and the findings of the internal audit review has been communicated to the Audit Committee.

The Audit Committee reviewed the reports from internal audit and the Management's responses, before reporting and making recommendations to the Board in strengthening the internal control systems.

## Other Key Elements of Internal Control

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

- The Board meets at least once every quarter and has an agenda to bring to the Board's attention significant matters related to internal control, ensuring that it maintains full and effective supervision over appropriate controls;
- Executive Directors participate actively in the daily operations of the Group and regular operational meetings were held with heads of departments. The heads of departments are delegated with the responsibility to ensure that the system of internal control are put into place accordingly;
- Quarterly review of financial results by the Board and the 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 9001:2000 ("ISO") to provide guidance to employees in carrying out daily tasks and to ensure that there is a clear understanding of the operations of the Group; and
- Scheduled in-house ISO internal audit held once a year to ensure full compliance with the ISO requirements, where findings are discussed during the Management review committee meetings.

## Weaknesses in Internal Controls that Result in Material Losses

There were no material or significant losses incurred during the financial year ended 31 December 2006 as a result of weakness in internal control. The Board and the Management continue to take appropriate measures to improve and strengthen the control environment.

This Statement was reviewed by the Audit Committee and approved by the Board on 24 April 2007.

# additional compliance information

## 1. Utilisation of Proceeds

During the year, the Company has undertaken the following fund raising corporate exercises:

- a. A Private Placement of 5,200,000 new ordinary shares of RM1.00 each which were fully issued at an issue price of RM1.00 per share during the year ("Private Placement"). As at 31 December 2006, the proceeds of RM5,200,000 raised from the Private Placement were utilised as follows:

Purpose	Proposed Utilisation RM'000	Amount Raised RM'000	Amount Utilised RM'000	Variance RM'000
Working capital for the Group	5,050	5,050	5,073	<sup>(4)</sup> 23
Incidental expenses	<sup>(2)</sup> 150	150	<sup>(1)</sup> 127	<sup>(3)</sup> (23)
<b>Total</b>	<b>5,200</b>	<b>5,200</b>	<b>5,200</b>	<b>–</b>

**Note:**

Since the actual expenses incurred <sup>(1)</sup> for the Private Placement was less than as proposed <sup>(2)</sup>, the balance unutilised proceeds proposed for the expenses <sup>(3)</sup> has been utilised as working capital <sup>(4)</sup>.

- b. A Restricted Issue of up to 40,000,000 new ordinary shares of RM1.00 each which shall be issued in tranches ("Restricted Issue"). During the year ended 31 December 2006, 10,000,000 new ordinary shares of RM1.00 each were issued at an issue price of RM1.00 per share pursuant to the Restricted Issue. Subsequent to the year end, another 5 million new ordinary shares of RM1.00 each were issued at an issue price of RM1.00 per share. As at 30 April 2007, the total proceeds of RM15,000,000 raised thus far from the Restricted Issue were utilised as follows:-

Purpose	Proposed Utilisation RM'000	Amount Raised RM'000	Amount Utilised RM'000	Balance Unutilised RM'000
Working capital for the Group	39,700	14,700	14,700	–
Incidental expenses	300	300	57	<sup>(1)</sup> 243
<b>Total</b>	<b>40,000</b>	<b>15,000</b>	<b>14,757</b>	<b>243</b>

**Note:**

The remaining allocation of the proceeds for expenses <sup>(1)</sup> for the Restricted Issue are expected to be utilised within 4 months upon completion of the Restricted Issue.

## 2. Share Buybacks

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

## 3. Options, Warrants or Convertible Securities

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

## 4. Related Party Transactions

The recurrent related party transactions ("RRPT") conducted during the financial year ended 31 December 2006 pursuant to the General Mandate granted by the Company's shareholders on 12 October 2006 are disclosed in Note 28 to the financial statements on pages 57 and 58 of this annual report.

## 5. Imposition of Sanctions / Penalties

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

## 6. Non-audit Fees

The amount of non-audit fees paid or payable to the external auditors by the Group for the financial year ended 31 December 2006 was RM93,000.

## 7. Profit Estimate, Forecast or Projection & Variation In Results

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

## 8. Profit Guarantee

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

## 9. Material Contracts

Save for the Sale and Purchase Agreement dated 14 July 2006 entered into between the Company and Mr Lew Mew Choi, Managing Director and a major shareholder of the Company for the proposed disposal of all that piece of freehold industrial land measuring in total approximately 3.75 acres (equivalent to approximately 163,214 square feet), held under Title No. H.S. (M) 16668, PT 43118, Batu 13, Jalan Sungai Besi, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor together with all existing buildings and structures erected thereon ("the Property") by the Company to Mr Lew Mew Choi, there were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting as at the financial year end ended 31 December 2006 or entered into during the financial year, by the Company and its subsidiaries which involved the interest of the Directors and major shareholders.

## 10. Revaluation of Landed Properties

During the year under review, the Group has reclassified the Group's landed properties in accordance with the International Financial Reporting Standards. Accordingly, a revaluation policy was adopted for investment properties whilst non-investment properties that have been classified as "property, plant and equipment" are not included in the revaluation policy.

# financial statements



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# directors' report

for the year ended 31 December 2006

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

## Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Results

	Group RM'000	Company RM'000
Loss for the year	<u>20,771</u>	<u>1,472</u>

## Reserves and provisions

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

## Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

## Directors of the Company

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

Dato' Hamzah Bin Zainudin  
 Lew Mew Choi  
 Liew Meow Nyeon  
 Liew Kiam Woon  
 Chin Soong Jin  
 Chung Tack Soon  
 Tong Hock Sen  
 Alan Rajendram A/L Jeya Rajendram (appointed on 19.10.2006)  
 Kee Ju-Hun (appointed on 19.10.2006)  
 Ramli Bin Abu Kasim (resigned on 26.06.2006)

## Directors' interests

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

	At 1.1.2006/ Date of appointment#	Number of ordinary shares of RM1 each		At 31.12.2006
		Bought	Sold	
<i>Shareholdings in which Directors have direct interest</i>				
Lew Mew Choi	7,604,108	—	—	7,604,108
Liew Meow Nyeon	710,549	—	—	710,549
Liew Kiam Woon	133,843	—	—	133,843
Alan Rajendram A/L Jeya Rajendram#	100	15,200,000	—	15,200,100
Kee Ju-Hun#	1,022,300	—	—	1,022,300
<i>Shareholdings in which Directors have deemed interests*</i>				
Lew Mew Choi	8,557,521	—	—	8,577,521
Liew Meow Nyeon	7,605,562	—	—	7,605,562
Liew Kiam Woon	4,605,562	—	—	4,605,562

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

By virtue of their interests in the shares of the Company, Lew Mew Choi and Alan Rajendram A/L Jeya Rajendram are also deemed interested in the shares of the subsidiaries during the financial year to the extent that LFE Corporation Berhad has an interest.

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

### Directors' benefits (cont'd)

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

### Issue of shares

During the financial year, the Company issued:

- a) 5,200,002 new ordinary shares of RM1 each for cash for working capital purposes under Private Placement.
- b) 10,000,000 new ordinary shares of RM1 each for cash for working capital purposes under Restricted Issues.

The newly issued shares rank pari-passu with the existing issued shares of the Company.

### Options granted over unissued shares

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

### Other statutory information

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

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

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

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

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the allowance for diminution in value of quoted shares, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

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

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

Lew Mew Choi

Liew Kiam Woon

Kuala Lumpur,  
Date: 24 April 2007



# statement by directors

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

In the opinion of the Directors, the financial statements set out on pages 25 to 59 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Lew Mew Choi

Liew Kiam Woon

Kuala Lumpur,  
Date: 24 April 2007

## statutory declaration

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

I, Liew Kiam Woon, the Director primarily responsible for the financial management of LFE Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 59 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 above named in Kuala Lumpur on 24 April 2007.

Liew Kiam Woon

Before me:

T. Thanapalasingam (No. W036)  
COMMISSIONER FOR OATHS  
KUALA LUMPUR

# report of the auditors

to the members of LFE Corporation Berhad

We have audited the financial statements set out on pages 25 to 59. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 7 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

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

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

KPMG  
Firm Number: AF 0758  
Chartered Accountants

Kuala Lumpur,  
Date: 24 April 2007

Hew Lee Lam Sang  
Partner  
Approval Number: 1862/10/07(I)

# balance sheets

at 31 December 2006

		Group		Company	
	Note	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
<b>Assets</b>					
Property, plant and equipment	3	2,657	15,797	—	10,757
Land held for property development	4	4,200	—	—	—
Intangible assets	5	394	588	—	—
Investment properties	6	5,079	5,245	—	—
Investments in subsidiaries	7	—	—	15,660	150
Investments in associates	8	—	343	—	350
Other investments	9	7,754	15,600	—	—
<b>Total non-current assets</b>		<b>20,084</b>	<b>37,573</b>	<b>15,660</b>	<b>11,257</b>
Receivables, deposits and prepayment	10	92,186	59,075	15,198	6,024
Inventories	11	3,372	5,395	—	—
Tax recoverable		2,013	3,627	—	—
Assets classified as held for sale	12	1,159	—	—	—
Cash and cash equivalents	13	14,629	3,446	5	212
<b>Total current assets</b>		<b>113,359</b>	<b>71,543</b>	<b>15,203</b>	<b>6,236</b>
<b>Total assets</b>		<b>133,443</b>	<b>109,116</b>	<b>30,863</b>	<b>17,493</b>
<b>Equity</b>					
Share capital	14	67,200	52,000	67,200	52,000
Reserves	15	4,934	5,315	5,218	5,218
Accumulated losses		(52,383)	(31,612)	(42,201)	(40,729)
<b>Total equity attributable to shareholders of the Company</b>		<b>19,751</b>	<b>25,703</b>	<b>30,217</b>	<b>16,489</b>
<b>Minority interests</b>		<b>570</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>		<b>20,321</b>	<b>25,703</b>	<b>30,217</b>	<b>16,489</b>

The notes on pages 33 to 59 are an integral part of these financial statements.

## balance sheets

		Group		Company	
	Note	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
<b>Liabilities</b>					
Loans and borrowings	16	37,241	35,655	—	—
Deferred tax liabilities	17	337	184	—	44
<b>Total non-current liabilities</b>		<u>37,578</u>	<u>35,839</u>	<u>—</u>	<u>44</u>
Trade and other payables	18	45,822	30,578	646	960
Loans and borrowings	16	28,598	16,726	—	—
Taxation		1,124	270	—	—
<b>Total current liabilities</b>		<u>75,544</u>	<u>47,574</u>	<u>646</u>	<u>960</u>
<b>Total liabilities</b>		<u>113,122</u>	<u>83,413</u>	<u>646</u>	<u>1,004</u>
<b>Total equity and liabilities</b>		<u>133,443</u>	<u>109,116</u>	<u>30,863</u>	<u>17,493</u>

The notes on pages 33 to 59 are an integral part of these financial statements.

# income statements

for the year ended 31 December 2006

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	19	109,836	40,717	324	324
Cost of sales		(106,685)	(45,598)	—	—
<b>Gross profit/(loss)</b>		<b>3,151</b>	<b>(4,881)</b>	<b>324</b>	<b>324</b>
Other income		4,275	474	959	15
Administrative expenses		(10,423)	(9,595)	(822)	(415)
Other expenses		(12,417)	(21,070)	(1,977)	(41,479)
<b>Results from operating activities</b>		<b>(15,414)</b>	<b>(35,072)</b>	<b>(1,516)</b>	<b>(41,555)</b>
Interest income		18	126	—	—
Finance costs		(4,365)	(3,572)	—	—
<b>Operating loss</b>	20	<b>(19,761)</b>	<b>(38,518)</b>	<b>(1,516)</b>	<b>(41,555)</b>
Share of (loss)/profit after tax and minority interest of equity accounted associates		(29)	7	—	—
<b>Loss before taxation</b>		<b>(19,790)</b>	<b>(38,511)</b>	<b>(1,516)</b>	<b>(41,555)</b>
Tax expense	22	(851)	(197)	44	(16)
<b>Loss for the year</b>		<b>(20,641)</b>	<b>(38,708)</b>	<b>(1,472)</b>	<b>(41,571)</b>
<b>Attributable to:</b>					
Shareholders of the Company		(20,771)	(38,684)	(1,472)	(41,571)
Minority interests		130	(24)	—	—
		<b>(20,641)</b>	<b>(38,708)</b>	<b>(1,472)</b>	<b>(41,571)</b>
<b>Basic loss per ordinary share (sen)</b>	23	<b>(38.89)</b>	<b>(74.39)</b>		

The notes on pages 33 to 59 are an integral part of these financial statements.

# consolidated statement of changes in equity

for the year ended 31 December 2006

Group	Share capital RM'000	<i>Non-distributable</i> Share premium RM'000	Translation reserve RM'000	<i>Distributable</i> Accumulated losses RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
As at 1 January 2005	52,000	5,199	—	7,072	64,271	—	64,271
Overprovision of share issue expenses	—	19	—	—	19	—	19
Exchange differences on translation	—	—	97	—	97	—	97
Net gains recognised directly in equity	—	19	97	—	116	—	116
Loss for the year	—	—	—	(38,684)	(38,684)	(24)	(38,708)
Total recognised income and expense for the year	—	19	97	(38,684)	(38,568)	(24)	(38,592)
Acquisition of new subsidiaries	—	—	—	—	—	24	24
At 31 December 2005/1 January 2006	52,000	5,218	97	(31,612)	25,703	—	25,703
Exchange differences on translation	—	—	(381)	—	(381)	—	(381)
Loss for the year	—	—	—	(20,771)	(20,771)	130	(20,641)
Total recognised income and expense for the year	—	—	(381)	(20,771)	(21,152)	130	(21,022)
Issuance of new ordinary shares							
— private placement	5,200	—	—	—	5,200	—	5,200
— restricted issue	10,000	—	—	—	10,000	—	10,000
Acquisition of new subsidiaries	—	—	—	—	—	440	440
At 31 December 2006	67,200	5,218	(284)	(52,383)	19,751	570	20,321

The notes on pages 33 to 59 are an integral part of these financial statements.



# statement of changes in equity

for the year ended 31 December 2006

Company	<i>Non-distributable</i>		<i>Distributable</i>		
	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total RM'000	Total equity RM'000
At 1 January 2005	52,000	5,199	842	58,041	58,041
Overprovision of share issue expenses	—	19	—	19	19
Loss for the year	—	—	(41,571)	(41,571)	(41,571)
Total recognised income and expense for the year	—	19	(41,571)	(41,552)	(41,552)
At 31 December 2005/1 January 2006	52,000	5,218	(40,729)	16,489	16,489
Loss for the year	—	—	(1,472)	(1,472)	(1,472)
Issuance of new ordinary shares					
– private placement	5,200	—	—	5,200	5,200
– restricted issue	10,000	—	—	10,000	10,000
At 31 December 2006	67,200	5,218	(42,201)	30,217	30,217

The notes on pages 33 to 59 are an integral part of these financial statements.

# cash flow statements

for the year ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Cash flows from operating activities				
Loss before taxation	(19,790)	(38,511)	(1,516)	(41,555)
Adjustments for:				
Allowance for diminution in value of investment	7,846	17,139	—	41,479
Depreciation				
— property, plant and equipment	690	803	100	100
— investment properties	—	86	—	—
Investment written off	—	6	—	—
Interest expense	4,365	3,572	—	—
Interest income	(18)	(126)	—	—
(Gain)/Loss on disposal of property, plant and equipment	(658)	481	(643)	—
Goodwill written off	194	109	—	—
Gain from disposal of investment properties	(166)	(195)	—	—
Share of profit/(loss) in associate	29	(7)	—	—
Write back of share issue expenses	—	19	—	19
Loss on disposal of associate	—	11	—	—
Allowance for doubtful debts	3,848	—	1,977	—
Write back of allowance for doubtful debts	(1,500)	—	—	—
Fair value surplus	(865)	—	—	—
Impairment loss	164	—	—	—
Property, plant and equipment written off	130	—	—	—
Unrealised loss on foreign exchange	—	1	—	—
Operating (loss)/profit before working capital changes	(5,731)	(16,612)	(82)	43

The note on pages 33 to 59 are an intergral part of these financial statements.

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Operating (loss)/profit before working capital changes	(5,731)	(16,612)	(82)	43
Changes in working capital:				
Inventories	2,022	(2,263)	—	—
Trade and other receivables	(26,155)	9,241	149	(3,320)
Trade and other payables	15,249	5,131	(314)	835
Cash used in operations	(14,615)	(4,503)	(247)	(2,442)
Interest expense	(4,365)	(3,572)	—	—
Income taxes refund /(paid)	1,453	(3,582)	—	(6)
<b>Net cash used in operating activities</b>	<b>(17,527)</b>	<b>(11,657)</b>	<b>(247)</b>	<b>(2,448)</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries	(123)	31	(15,160)	—
Interest income	18	126	—	—
Purchase of property, plant and equipment	(93)	(1,151)	—	(741)
Property development costs	(485)	(29)	—	—
Minority interest contribution	—	24	—	—
Proceeds from sale of property, plant and equipment	1,117	565	—	—
Proceed from disposal of investment properties	—	118	—	—
Acquisition of associate	—	(350)	—	(350)
<b>Net cash generated from/(used in) investing activities</b>	<b>434</b>	<b>(666)</b>	<b>(15,160)</b>	<b>(1,091)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	15,200	—	15,200	—
Increase in deposit pledged	73	215	—	—
Proceeds from short term borrowings	39,036	6,090	—	—
Proceeds from long term borrowings	3,097	—	—	—
Repayment of term loans and other bank borrowings	(29,476)	(6,037)	—	—
Repayment of hire purchase liabilities	(330)	(535)	—	—
<b>Net cash generated from/(used in) financing activities</b>	<b>27,600</b>	<b>(267)</b>	<b>15,200</b>	<b>—</b>

The note on pages 33 to 59 are an intergraf part of these financial statements.

## cash flow statements

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Exchange differences on translation	(381)	97	—	—
Net increase/(decrease) in cash and cash equivalents	10,126	(12,493)	(207)	(3,539)
Cash and cash equivalents at beginning of year	(8,768)	3,725	212	3,751
Cash and cash equivalents at end of year	1,358	(8,768)	5	212

### i) Cash and cash equivalents

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

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Deposits placed with licensed banks	687	1,471	—	—
Cash and bank balances	13,942	1,975	5	212
Bank overdrafts	(12,598)	(11,468)	—	—
	2,031	(8,022)	5	212
Pledged deposits	(673)	(746)	—	—
	1,358	(8,768)	5	212

### ii) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM93,000 (2005 - RM1,151,000) of which Nil (2005 - RM1,098,000) were acquired by means of hire purchases.

The notes on pages 33 to 59 are an integral part of these financial statements.

LFE Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

## Registered office and principal place of business

Wisma LFE, Lot 993  
Off Jalan Balakong  
43300 Balakong  
Seri Kembangan  
Selangor Darul Ehsan

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the provision of specialised electrical and mechanical engineering services, trading and maintenance works.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following new and revised Financial Reporting Standards (FRSs) that are effective for periods beginning on or after 1 January 2006, and that have not been applied in preparing these financial statements:

- (i) FRS 117, *Leases* – This FRS is effective for annual periods beginning on or after 1 October 2006. By virtue of the exemption in paragraph 67B of FRS 117, the impact of applying FRS 117 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed;

- (ii) FRS 124, *Related Party Disclosure* – This FRS is effective for annual periods beginning on or after 1 October 2006. By virtue of the exemption in paragraph 22A of FRS 124, the impact of applying FRS 124 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed;
- (iii) FRS 139, *Financial Instruments: Recognition and Measurement* – This FRS has been issued by the MASB but the MASB has yet to announce the effective date of this standard. By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed;
- (iv) Amendment to FRS 119<sub>2004</sub>, *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures* – Certain amendments made to FRS 119<sub>2004</sub> are effective for annual periods beginning on or after 1 January 2007. The adoption of these amendments does not have any significant impact on the financial statements of the Group and of the Company in the period of initial application.
- (v) FRS 6, *Exploration for and Evaluation of Mineral Resources*. This is effective for annual periods beginning on or after 1 January 2007.

On 15 February 2007, the MASB issued the following amendments to FRS and Interpretations (ICs) for entities other than private entities:

- (i) Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation*;
- (ii) IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*;
- (iii) IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*;
- (iv) IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;
- (v) IC Interpretation 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*;
- (vi) IC Interpretation 7, *Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies*; and
- (vii) IC Interpretation 8, *Scope of FRS 2 Share-based Payment*.

The above amendments to FRSs and ICs are effective for annual period beginning on or after 1 July 2007. The initial application of the Amendment to FRS 121 and IC Interpretation 1 do not have any significant impact on the financial statements of the Group and of the Company. Other ICs as issued above are not applicable to the Group and the Company.



### 1. Basis of preparation (cont'd)

#### (a) Statement of compliance (cont'd)

The Group and the Company plans to apply FRS 117, FRS 124, Amendment to FRS 119<sup>2004</sup>, Amendment to FRS 121 and IC Interpretation 1 initially for the annual period beginning 1 January 2007. FRS 6 and the other Interpretations are not applicable to the Group and the Company.

The effects of adopting the new/revised FRSs in 2006 are set out in Note 30.

The financial statements were approved by the Board of Directors on 24 April 2007.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities as explained in their respective accounting policy notes:

- Investment properties
- Non-current assets held for sale

#### (c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation. The comparative consolidated balance sheet and cash flow statement have been restated to take into account the effects of adopting the new or revised FRSs as disclosed in Note 30.

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

##### (ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

## 2. Significant accounting policies (cont'd)

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

#### **(iii) Minority interest**

Minority interest at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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

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

### (b) Foreign currency

#### **(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

### **(ii) Operations denominated in functional currencies other than Ringgit Malaysia**

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

### (c) Property, plant and equipment

#### **(i) Recognition and measurement**

Items of property, plant and equipment, except for freehold land, are stated at cost less accumulated depreciation and impairment losses.

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 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.

## 2. Significant accounting policies (cont'd)

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

#### (ii) *Reclassification to investment property*

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

#### (iii) *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 income statement as incurred.

#### (iv) *Depreciation*

Depreciation is recognised in the income statement on a reducing balance basis to write off the cost of each asset over the estimated useful lives. However, certain subsidiaries adopt the straight line method. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Buildings	50 years
• Motor vehicles	5 years
• Furniture, fittings and office equipment	5 – 10 years
• Air conditioners and renovation	10 years

The depreciation amount is determined after deducting the residual value.

Depreciation method, useful lives and residual values are reassessed at the reporting date.

### (d) Leased assets

Leased in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for leasehold land classified as investment property, the leased assets are not recognized on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

### (e) Intangible assets

#### (i) *Goodwill*

Goodwill (negative goodwill) arises on the acquisition of subsidiaries and associates.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. With the adoption of FRS 3, the carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

#### *Acquisition of minority interest*

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

## 2. Significant accounting policies (cont'd)

### (f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value,
- Investments in non-current debt securities are stated at amortised cost using the effective interest method less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

### (g) Investment property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

In the previous years, all investment properties are stated at cost. Following the adoption of FRS 140, *Investment Property*, all investment property are measured initially and subsequently at fair value with any change therein recognised in the income statement.

This change in accounting policy has been applied retrospectively as allowed by the transitional provisions in FRS 140.80. The effects of adopting FRS 140 are set out in Note 30.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not through the income statement.

When an item of inventory or property development is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to the transfer and its fair value is recognised in the income statement.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the 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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## 2. Significant accounting policies (cont'd)

### (i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

### (j) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

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

In the previous years, non-current assets held for sale were not classified separately on the balance sheet and were measured in accordance with the respective accounting policy. Following the adoption of FRS 5, Non-current Assets Held for Sale and Discontinued Operations, non-current assets held for sale are classified separately as current assets/liabilities. This change in accounting policy is applied prospectively from 1 January 2006.

### (k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of Receivables, deposits and prepayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

### (l) Cash and cash equivalents

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

### (m) Impairment of assets

The carrying amounts of assets except for inventories, assets arising from electrical and mechanical contracts, deferred tax assets, financial assets (other than investments in subsidiaries and associates), and investment property that is measured at fair value are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rate basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### (n) Land held for development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated losses.

Land held for property, development is reclassified as property development cost at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operation cycle.



## 2. Significant accounting policies (cont'd)

### (o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

### (p) Employee benefits

#### (i) *Short term employee benefits*

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (ii) *Defined contribution plans*

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

### (q) Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (i) *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (r) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (s) Revenue

#### (i) *Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods.

#### (ii) *Construction contracts*

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion of the contract is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total 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 are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

#### (iii) *Rental income*

Rental income from investment property is recognised in the income statement based on value invoiced to customers during the year.

#### (iv) *Dividend income*

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

### (t) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### 2. Significant accounting policies (cont'd)

#### (t) Lease payments (cont'd)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### (u) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

#### (v) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### (w) 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 outstanding during the period.

#### (x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air conditioners and renovation RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2005	12,361	2,161	3,338	1,169	475	19,504
Acquisition of subsidiaries	—	—	3	12	—	15
Additions for the year	742	—	—	399	10	1,151
Reclassification	(1,676)	—	—	—	—	(1,676)
Disposals	(278)	(2,115)	(866)	(2)	—	(3,261)
Exchange differences	—	—	(1)	(1)	—	(2)
Transfer from property held for development	1,704	—	—	—	—	1,704
At 31 December 2005/1 January 2006	12,853	46	2,474	1,577	485	17,435
Additions for the year	—	—	—	90	3	93
Disposals/written off	(10,990)	(46)	(77)	(73)	—	(11,186)
Exchange differences	—	—	(14)	(24)	(3)	(41)
Transfer to investment properties	(1,704)	—	—	—	—	(1,704)
At 31 December 2006	159	—	2,383	1,570	485	4,597

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

Group	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air conditioners and renovation RM'000	Total RM'000
<b><i>Depreciation</i></b>						
At 1 January 2005	145	58	737	188	66	1,194
Charge for the year	106	11	471	168	47	803
Disposals/written off	(9)	(67)	(281)	(1)	—	(358)
Exchange differences	—	—	(1)	—	—	(1)
At 31 December 2005/1 January 2006	242	2	926	355	113	1,638
Charge for the year	103	—	333	209	44	690
Disposals/written off	(335)	(2)	(36)	—	—	(373)
Exchange differences	—	—	(9)	(3)	(2)	(15)
At 31 December 2006	10	—	1,214	561	155	1,940
<b><i>Carrying amounts</i></b>						
At 1 January 2005	12,216	2,103	2,601	981	409	18,310
At 31 December 2005/1 January 2006	12,611	44	1,548	1,222	372	15,797
At 31 December 2006	149	—	1,169	1,009	330	2,657

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

Company	Freehold land & building RM'000
<b>Cost</b>	
At 1 January 2005	10,250
Additions	740
At 31 December 2005/1 January 2006	10,990
Disposal	(10,990)
At 31 December 2006	—
<b>Depreciation</b>	
At 1 January 2005	133
Charge for the year	100
At 31 December 2005/1 January 2006	233
Charge for the year	100
Disposal	(333)
At 31 December 2006	—
<b>Carrying amounts</b>	
At 1 January 2005	10,117
At 31 December 2005/1 January 2006	10,757
At 31 December 2006	—

**Assets under hire purchase**

Included in property, plant and equipment of the Group are plant and machinery acquired under hire purchase arrangements with a net book value of RM1,115,000 (2005 - RM1,394,000).

4. Land held for property development

	2006 RM'000	Group 2005 RM'000 Restated
Freehold land at costs		
At 1 January/31 December	3,715	—
Development costs		
At 1 January	—	—
Additions	485	—
At 31 December	485	—
Total	4,200	—

5. Intangible assets

	2006 RM'000	Group 2005 RM'000
Purchased goodwill	394	394
Goodwill arising on consolidation	—	194
	394	588

6. Investment properties

	Group	
	2006 RM'000	2005 RM'000 Restated
At 1 January	5,245	4,709
Acquisitions	1,323	1,665
Disposal	(2,735)	(1,129)
Transfer from property, plant and equipment	1,704	—
Transfer to assets classified as held for sale	(1,159)	—
Change in fair value (Note 20)	701	—
	<u>5,079</u>	<u>5,245</u>
	Group	
	2006 RM'000	2005 RM'000 Restated
Included in above are:		
Freehold land	3,237	1,939
Leasehold land and building with unexpired lease period of more than 50 years	<u>1,842</u>	<u>3,306</u>
	<u>5,079</u>	<u>5,245</u>

**Security**

At 31 December 2006, investment properties with a carrying amount of RM3,300,000 (2005 – RM731,000) are pledged as security for banking facilities (see Note 16).

7. Investments in subsidiaries

	Company	
	2006 RM'000	2005 RM'000 Restated
Unquoted shares, at cost	57,139	41,629
Less: Impairment losses	<u>(41,479)</u>	<u>(41,479)</u>
	<u>15,660</u>	<u>150</u>

The principal activities of the subsidiaries, their places of incorporation, and the interest of the Company are as follows:

Name of company	Country of incorporation	Principal activities	Effective ownership interest	
			2006	2005
LFE Engineering Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
Loong Fuat Engineering Limited	British Virgin Islands	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
LFE International Limited (formerly known as Inai Engineering Corporation Limited)	British Virgin Islands	Supply of general and specialised electrical and mechanical equipment and components	100%	100%
Loong Fuat Engineering (JB) Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
LFE Builder Sdn. Bhd.	Malaysia	Property investment	100%	100%



7. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Effective ownership interest	
			2006	2005
LFE Technology Sdn. Bhd.	Malaysia	Provision of specialised engineering services for extra low voltage electrical systems and instrumental and control systems for intelligent transportation systems applications such as expressway traffic management systems, tunnel plant and traffic management systems, toll collection systems and automatic cash transfer systems	60%	60%
LFE Engineering (Shanghai) Limited *	People's Republic of China	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
Mediaforte Holdings Sdn Bhd	Malaysia	Investment holding company	51%	51%
Mediaforte (Malaysia) Sdn Bhd	Malaysia	Trading and distributing computer products, parts and components	100%	100%
LFE Engineering (Vietnam) Company Limited *	Vietnam	Technical design and provision of consultancy services for design, implementation and contracting of mechanical and electrical engineering services	100%	100%
Bestgate Development Sdn. Bhd. *	Malaysia	Builders and contractors for construction work	51%	35%

\* Not audited by KPMG

8. Investment in associate

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares — at cost	—	350	—	350
Share of post-acquisition reserves	—	(7)	—	—
	<u>—</u>	<u>343</u>	<u>—</u>	<u>350</u>
Represented by: Group's share of net assets other than goodwill	<u>—</u>	<u>343</u>		

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

Name	Country of incorporation	Principal activities	Effective percentage of ownership	
			2006	2005
Bestgate Development Sdn. Bhd.	Malaysia	Builders and contractors for construction work.	—	35%

9. Other investments

	Group	
	2006 RM'000	2005 RM'000
Investments in unquoted subordinated bonds	<u>3,500</u>	<u>3,500</u>
Quoted shares	29,240	29,246
Less: Allowance for diminution in value	(24,986)	(17,140)
Less: Investment written off	<u>—</u>	<u>(6)</u>
	<u>4,254</u>	<u>12,100</u>
	<u>7,754</u>	<u>15,600</u>
Market value of quoted shares	<u>3,737</u>	<u>4,382</u>

## 9. Other investments (cont'd)

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

An allowance for diminution in value has been made in the financial statements for the amount of RM24,985,977 (2005 - RM17,139,096) based on the market price per share as at 15 January 2007. The carrying values of the quoted shares as at 31 December 2006 exceeded its market value by approximately RM515,525.

## 10. Receivables, deposits and prepayments

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000
<b>Trade</b>					
Trade receivables		42,695	31,255	—	—
Less: Allowance for doubtful debts		(3,016)	(2,645)	—	—
		<u>39,679</u>	<u>28,610</u>	<u>—</u>	<u>—</u>
<b>Construction</b>					
work-in-progress		16,800	2,973	—	—
Retention sum		12,045	16,333	—	—
		<u>68,524</u>	<u>47,916</u>	<u>—</u>	<u>—</u>
<b>Non-trade</b>					
Other receivables, deposits and prepayment		25,639	11,159	13,278	2,730
Less: Allowance for doubtful debts		(1,977)	—	(1,977)	—
		<u>23,662</u>	<u>11,159</u>	<u>11,301</u>	<u>2,730</u>
<b>Amount due from subsidiaries</b>		<u>—</u>	<u>—</u>	<u>3,897</u>	<u>3,294</u>
		<u>92,186</u>	<u>59,075</u>	<u>15,198</u>	<u>6,024</u>

Trade receivables denominated in currencies other than the functional currency comprise RM557,000 (2005 - RM3,533,000) of trade receivables denominated in U.S Dollar, RM157,000 (2005 - Nil) of trade receivables denominated in RMB and RM2,591,000 (2005 - RM2,212,000) of trade receivables denominated in VND.

### Construction work-in-progress

	Group 2006 RM'000	Group 2005 RM'000 Restated
Aggregate costs incurred to date	253,238	236,277
Add: Attributable profit	28,584	31,798
Less: Provision for foreseeable losses	(7,311)	(4,622)
	<u>274,511</u>	<u>263,453</u>
Less: Progress billings	(271,051)	(265,749)
	<u>3,460</u>	<u>(2,296)</u>
Amount due to contract customers (Note 18)	13,340	5,269
	<u>16,800</u>	<u>2,973</u>

Retention sums relating to construction work-in-progress of RM12,045,000 (2005 - RM16,333,000). The retention sums are unsecured, interest free and are expected to be collected as follows:

	Group 2006 RM'000	Group 2005 RM'000 Restated
Within 1 year	3,085	3,013
1 - 2 years	2,648	1,572
2 - 3 years	1,470	11,033
3 - 4 years	4,087	715
4 - 5 years	755	—
	<u>12,045</u>	<u>16,333</u>

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

# 11. Inventories

	Group	
	2006 RM'000	2005 RM'000 Restated
At cost:		
Raw materials	2,416	4,855
Finished goods	956	540
	<u>3,372</u>	<u>5,395</u>

# 12. Assets classified as held for sale

	Group	
	2006 RM'000	2005 RM'000
Property, plant and equipment		
Cost	1,170	—
Accumulated depreciation	(11)	—
	<u>1,159</u>	<u>—</u>

# 13. Cash and cash equivalents

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits placed with licensed banks	687	1,471	—	—
Cash and bank balances	13,942	1,975	5	212
	<u>14,629</u>	<u>3,446</u>	<u>5</u>	<u>212</u>

Deposits placed with licensed banks and financial institutions of the Group of RM673,000 (2005 - RM746,000) are pledged to banks as security for bank guarantees and overdraft facilities granted to its subsidiaries.

# 14. Share capital

	Group and Company	
	2006 RM'000	2005 RM'000
Authorised:		
Ordinary shares of RM1 each	100,000	100,000
Issued and fully paid:		
Ordinary shares of RM1 each	52,000	52,000
Issued during the year	15,200	—
	<u>67,200</u>	<u>52,000</u>
On issue at 31 December		

# 15. Reserves

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000 Restated	2005 RM'000
Non-distributable:				
Share premium	5,218	5,218	5,218	5,218
Translation reserve	(284)	97	—	—
	<u>4,934</u>	<u>5,315</u>	<u>5,218</u>	<u>5,218</u>

## Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 16. Loans and borrowings

	Group	
	2006 RM'000	2005 RM'000
<b>Non-current</b>		
Term loans – secured	1,800	–
Term loans – unsecured	35,000	35,000
Hire purchase	441	655
	<u>37,241</u>	<u>35,655</u>
<b>Current</b>		
Term loans – unsecured	4,090	927
Overdraft – secured	12,598	11,468
Bankers' acceptances – unsecured	10,089	2,594
Trust receipts – unsecured	1,607	1,120
Hire purchase liabilities	214	330
Share margin financing – secured	–	287
	<u>28,598</u>	<u>16,726</u>

### Security

The secured term loans granted to the Group are secured by way of first party first fixed charge over a freehold land and is guaranteed by the Company.

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

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

### Unsecured Term Loan

The unsecured term loan of RM35,000,000 is granted to a subsidiary and is repayable in a bullet repayment in the fifth year of the drawdown, which is in 2009. The unsecured term loan was granted under the primary collateralised loan obligations (Primary CLO") programme.

Group	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
Unsecured term loans – fixed at 7.0% per annum	39,090	4,090	–	35,000
Secured term loans – variable at 1.25% to 1.75% above BLR	1,800	–	1,800	–
Secured overdrafts – variable at 1.25% to 1.75% above BLR	12,598	12,598	–	–
Unsecured bankers' acceptances – variable at 0.5% to 1.5% above the prevailing interbank rate	10,089	10,089	–	–
Unsecured trust receipts – variable at 1.0% to 1.5% above BLR	1,607	1,607	–	–
Hire purchase liabilities – fixed at 3.25% to 6.5% per annum	655	214	–	441
	<u>65,839</u>	<u>28,598</u>	<u>1,800</u>	<u>35,441</u>

### Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000	Payments 2005 RM'000	Interest 2005 RM'000	Principal 2005 RM'000
Less than one year	257	43	214	395	65	330
Between one and five years	534	93	441	791	136	655
	<u>791</u>	<u>136</u>	<u>655</u>	<u>1,186</u>	<u>201</u>	<u>985</u>

## 17. Deferred tax liabilities

### Recognised deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

Group	Liabilities	
	2006 RM'000	2005 RM'000 Restated
Property, plant and equipment	—	44
Others	337	140
	<u>337</u>	<u>184</u>

Company	Liabilities	
	2006 RM'000	2005 RM'000 Restated
Property, plant and equipment	—	44

Movement in temporary differences during the year:

Group	At 1.1.2005 RM'000	Recognised in income statement RM'000 (Note 22)	Acquisition of subsidiary RM'000	At 31.12.2005 RM'000	Recognised in income statement RM'000 (Note 22)	At 31.12.2006 RM'000
Property, plant and equipment	362	(318)	—	44	(44)	—
Others	(519)	519	140	140	197	337
	<u>(157)</u>	<u>201</u>	<u>140</u>	<u>184</u>	<u>153</u>	<u>337</u>

Company						
Property, plant and equipment	28	16	—	44	(44)	—

No deferred tax has been recognised for the following items:

	Group	
	2006 RM'000	2005 RM'000
Taxable temporary differences	574	506
Unabsorbed capital allowances	(60)	(48)
Unutilised tax losses	(25,399)	(26,021)
Provisions	—	(7,167)
	<u>(24,885)</u>	<u>(32,730)</u>

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

## 18. Trade and other payables

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade					
Trade payables		23,654	20,007	—	—
Non-trade					
Amount due to subsidiaries		—	—	—	210
Amount due to Directors		1,316	367	—	351
Other payables and accrued expenses		7,512	4,935	646	399
Amount due to contract customers (Note 10)		13,340	5,269	—	—
		<u>45,822</u>	<u>30,578</u>	<u>646</u>	<u>960</u>

Payables denominated in currencies other than the functional currency comprise RM161,000 (2005 - RM6,000) of trade payables denominated in U.S. Dollar and RM1,120,000 (2005 - RM1,673,000) of trade payables denominated in Vietnamese Dong.

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

19. Revenue

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue – contract revenue	100,539	39,935	–	–
– rental income	264	264	324	324
– computer products	9,033	518	–	–
	<u>109,836</u>	<u>40,717</u>	<u>324</u>	<u>324</u>

20. Operating loss

Note	2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	2005 RM'000
Operating loss is arrived at after crediting:				
Gain on disposal of property, plant and equipment	658	–	643	–
Gain on disposal of investment properties	166	195	–	–
Rental income on land and buildings	264	293	324	324
Allowance for doubtful debts written back	1,500	–	–	–
Stamp duty refund	313	–	313	–
Write back of share issue expenses	–	19	–	19
Fair value surplus	<u>865</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note	2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	2005 RM'000
and after charging:				
Allowance for doubtful debts	3,848	3,182	1,977	–
Auditors' remuneration – holding company auditors				
– statutory audit	89	68	30	20
– Other auditors				
– statutory audit	20	1	–	–
– Other services by auditors of the Company	94	34	90	34
– Under provision in prior year	8	3	6	–
Bad debts written off	–	41	–	–
Allowance for diminution in value of investments	9	7,846	17,139	–
Depreciation – property, plant and equipment	3	690	803	100
– investment properties		86	–	–
Loss on disposal of property, plant and equipment		481	–	–
Rental of premises	185	226	–	–
Rental of equipment	35	35	–	–
Rental of plant and machinery	120	226	–	–
Loss on foreign exchange – realised	–	5	–	–
Loss on foreign exchange – unrealised	–	1	–	–
Loss on disposal of associates	–	11	–	–
Provision for foreseeable losses	–	4,224	–	–
Goodwill written off	194	109	–	–

## 20. Operating loss (cont'd)

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
and after charging:				
Property, plant and equipment written off	130	—	—	—
Investment written off	—	6	—	—
Personnel expenses (including key management personnel):				
– Contribution to Employee Provident Fund	521	624	—	—
– Wages, salaries and others	7,404	6,518	—	—
Changes in fair value	164	—	—	—

## 21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors				
– Fees	116	114	87	114
– Remuneration	1,422	754	—	—
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	117	98	10	6
Employees' Provident Fund	89	91	—	—
Total short-term employee benefits	1,744	1,057	97	120

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## 22. Tax expense

### Recognised in the income statement

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense				
Malaysia – current	310	15	—	—
– prior year	—	(119)	—	—
Overseas	668	100	—	—
	978	(4)	—	—
Deferred tax expense				
Current year	197	—	—	—
Original and reversal of temporary differences	(44)	201	(44)	16
	153	201	(44)	16
Tax benefit arising from dividends	(280)	—	—	—
	(127)	201	(44)	16
	851	197	(44)	16



## 22. Tax expense (cont'd)

### Reconciliation of effective tax expense

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loss before taxation	(19,790)	(38,511)	(1,516)	(41,555)
Income tax using				
Malaysian tax rate (2005 – 28%)	(5,541)	(10,783)	(424)	(11,635)
Tax concession	44	(20)	—	—
Non deductible expenses	2,129	2,304	215	11,633
Tax exempt income	(202)	—	—	—
Deferred tax assets not recognised	4,421	9,165	75	—
Other items	—	(351)	90	18
	851	315	(44)	16
Under/(Over) provision in prior years	—	(118)	—	—
	851	197	(44)	16

## 23. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2006 RM'000	2005 RM'000
Loss for the year attributable to shareholders	20,771	38,684
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	52,000	52,000
Effect of shares issued in September 2006	1,353	—
Effect of shares issued in December 2006	55	—
Weighted average number of ordinary shares at 31 December	53,408	52,000
Basic loss per share	(38.89)	(74.39)

## 24. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly asset and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

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

Inter-segment pricing is determined on an arm's length basis.

### Business segments

The Group comprises the following main business segments:

- *Electrical and mechanical engineering.* Provision of general and specialised electrical and mechanical engineering services and maintenance works.
- *Trading and distributing of technology products.* Trading and distributing technology products, parts and components.

Other operations include property and investment holding activities.

### Geographical segments

The electrical and mechanical engineering segment is operated mainly in Malaysia and other principal geographical areas of China and Vietnam.

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

24. Segmental information (cont'd)

*Business segments*

	Electrical and mechanical engineering		Trading and distribution of technology products		Property and investment holdings		Elimination		Consolidated	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue from external customers	100,539	39,934	9,033	519	264	264	—	—	109,836	40,717
Inter-segment revenue	2,315	2,003	16	19	60	60	(2,391)	(2,082)	—	—
<b>Total revenue</b>	<b>102,854</b>	<b>41,937</b>	<b>9,049</b>	<b>538</b>	<b>324</b>	<b>324</b>	<b>(2,391)</b>	<b>(2,082)</b>	<b>109,836</b>	<b>40,717</b>
<b>Segment results</b>	<b>(14,153)</b>	<b>(16,222)</b>	<b>360</b>	<b>(131)</b>	<b>(708)</b>	<b>(41,748)</b>	<b>(913)</b>	<b>23,029</b>	<b>(15,414)</b>	<b>(35,072)</b>
Interest expenses									(4,365)	(3,572)
Interest income									18	126
Share of (loss)/profit of associate									(29)	7
Loss before taxation									(19,790)	(38,511)
Tax expense									(851)	(197)
<b>Loss for the year</b>									<b>(20,641)</b>	<b>(38,708)</b>

24. Segmental information (cont'd)

*Business segments (cont'd)*

	Electrical and mechanical engineering		Trading and distribution of technology products		Property and investment holdings		Elimination		Consolidated	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Segment assets by business	129,727	108,116	3,220	1,641	22,041	20,148	(24,639)	(26,818)	130,349	103,087
Unallocated assets									3,094	5,686
Investment in associate	—	343	—	—	—	—	—	—	—	343
<b>Total assets</b>									<b>133,443</b>	<b>109,116</b>
Segment liabilities	(127,231)	(98,352)	(2,884)	(1,600)	(5,936)	(12,560)	24,389	29,921	(111,662)	(82,591)
Unallocated liabilities									(1,460)	(822)
<b>Total liabilities</b>									<b>(113,122)</b>	<b>(83,413)</b>
Capital expenditure	86	409	7	—	—	742			93	1,151
Depreciation	(583)	(702)	(7)	(1)	(100)	(100)			(690)	(803)
Impairment loss on investment	(7,847)	(17,139)	—	—	—	—			(7,847)	(17,139)
Non-cash expenses other than depreciation and amortisation	(1,871)	(17,301)	—	—	(1,977)	—			(3,848)	(17,301)

## 24. Segmental information (cont'd)

### Geographical segments

	Malaysia		Overseas		Elimination		Consolidation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue from external customers by location of customers	80,573	34,776	31,654	8,023	(2,391)	(2,082)	109,836	40,717
Segment assets by location of assets	123,539	110,483	34,543	25,451	(24,639)	(26,818)	133,443	109,116
Capital expenditure by location of assets	71	885	22	266	—	—	93	1,151

## 25. Financial instruments

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

### Credit risk

Exposure to credit risk is monitored on an ongoing basis via review of receivables' ageing. At the balance sheet date, there was no concentration of credit risk other than 29% (2005 - 45%) of trade receivables due from two trade debtors.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### Interest rate risk

The Group's investments in variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

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

### Foreign currency risk

The Group is exposed to foreign currency risks on sales and purchases that are denominated in a currency other than the Ringgit Malaysia and also from translation of the financial statements of the Company's foreign subsidiary to Ringgit Malaysia. The currencies giving rise to this risk are primarily U.S Dollar (USD) and Vietnamese Dong (VND).

Exposure to foreign currency risks are monitored on an ongoing basis. The Group and the Company do not hedge their foreign currency risks but keeps this policy under review and will take necessary action to minimise the exposure of the risk.

### Liquidity risk

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

## 25. Financial instruments (cont'd)

### Effective interest rates and repricing analysis

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

Group 2006	Effective interest rate per annum	Total RM'000	Within 1 year RM'000	1-5 years RM'000
<b>Financial assets</b>				
Deposits placed with licensed banks	3.3	687	687	—
Unquoted subordinated bonds	*	3,500	3,500	—
<b>Financial liabilities</b>				
Bank overdrafts – secured	8.3	12,598	12,598	—
Bankers' acceptances – unsecured	8.1	10,089	10,089	—
Trust receipts – unsecured	7.8	1,607	1,607	—
Term loan – unsecured	7.6	39,090	4,090	35,000
Term loan – secured	7.8	1,800	—	1,800
<b>2005</b>				
<b>Financial assets</b>				
Deposits placed with licensed banks	3.3	1,471	1,471	—
Unquoted subordinated bonds	*	3,500	3,500	—
<b>Financial liabilities</b>				
Bank overdrafts – secured	7.5	11,468	11,468	—
Bankers' acceptances – unsecured	8.1	2,594	2,594	—
Trust receipts – unsecured	7.8	1,120	1,120	—
Term loan – unsecured	7.0	35,927	927	35,000
Secured share margin financing	9.0	287	287	—

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

### Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It is not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the ability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

Group	Note	2006 Carrying amount RM'000	2006 Fair value RM'000	2005 Carrying amount RM'000	2005 Fair value RM'000
Quoted shares		4,254	3,737	12,100	4,382
<b>Financial liabilities</b>					
Term loans					
– unsecured		39,090	39,090	35,927	35,927
Term loans					
– secured		1,800	1,800	—	—

### Estimation of fair values

The following summarises the methods used in determining the fair values of financial instruments reflected in the table.

Fair value of quoted shares is based on their quoted bid price at the balance sheet date. The secured term loan approximates its carrying value as the interest rate of the instrument approximates market rate at year end.

## 25. Financial instruments (cont'd)

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

## 26. Capital and other commitments

	Group	
	2006 RM'000	2005 RM'000
Capital commitment:		
Property, plant and equipment contracted but not provided for in the financial statements	—	610
Investments		
Approved but not contracted for	—	1,131
	<u>—</u>	<u>1,741</u>

## 27. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
In respect of corporate guarantee issued to financial institutions for credit facilities granted to a subsidiary	—	—	153,200	61,900
In respect of corporate guarantee issued to suppliers of raw materials purchased by a subsidiary	—	—	7,000	7,000

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
In respect of letter of guarantee issued by a subsidiary to a third party	250	250	—	—
In respect of performance bond issued by Company to client in respect of due performance of contracts awarded to subsidiary companies	<u>—</u>	<u>—</u>	<u>628</u>	<u>628</u>

## 28. Related parties

### Transactions with key management personnel

#### Key management personnel compensation

Key management personnel compensation is disclosed in Note 21.

#### Transactions with key management personnel other than compensation

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Low Mew Choi				
— rental expenses	69	113	—	—
— disposal of property	<u>—</u>	<u>—</u>	<u>11,300</u>	<u>—</u>

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

## 28. Related parties (cont'd)

### Identity of related parties

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

The Group has a related party relationship with its subsidiaries (see Note 7), Directors and key management personnel.

Transactions with related parties during the financial year:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Contract revenue	3,331	786	—	—
Rental income	—	2	264	264
Sales of scrap materials	12	—	—	—
Purchase of materials	986	—	—	—

## 29. Acquisition of subsidiaries

### Business combination

On 1 February 2006, the Group acquired an additional 16 percent interest in Bestgate Development Sdn Bhd for RM15,160,000 in cash, increasing its ownership from 35% to 51% resulting in Bestgate Development Sdn Bhd becoming a subsidiary of LFE Corporation Berhad. The carrying amount of Bestgate Development Sdn Bhd's net assets in the consolidated financial statements on the date of acquisition was RM897,753.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

Group	Recognised values on acquisition RM'000
Land held for development	3,715
Cash and bank balances	37
Other receivables	65
Other payable	(2,904)
Net identifiable assets and liabilities	913
Less: Minority interest portion	(440)
At 51%	473
Net cash outflow – 2005	(350)
Net cash outflow	123

## 30. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS3, Business Combination, FRS 136, Impairment of Assets, FRS 138, Intangible Assets, FRS 5, Non-current Assets Held for Sale and Discontinued Operations and FRS 140, Investment Property are summarised below:

### **FRS 3, Business Combination, FRS 136, Impairment of Assets and FRS 138, Intangible Assets**

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement.

This change in accounting policy has no material impact on earnings per share.



## 30. Changes in accounting policies (cont'd)

**FRS 5, Non-current Assets Held for Sale and Discontinued Operations**

Assets and liabilities held for sale are presented separately on the face of the balance sheet, and the results of discontinued operations are presented separately in the income statement. The assets and liabilities of disposal groups are those in which the amounts will be recovered principally through a sale transaction rather than through continuing use. The change in accounting policy is made in accordance with their transitional provisions.

This change in accounting policy does not have an impact on earnings per share.

**FRS 140, Investment Property**

The Group now measures all investment property at fair value with any change therein recognised in the income statement. In accordance with the transitional provisions, FRS 140 has been applied retrospectively and the comparatives have been restated. The change in accounting policy is made in accordance with their transitional provisions.

The change in accounting policy has had no impact to the opening balance of retained earnings reported for 2005 or prior periods.

## 31. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 30 and to conform to the presentation requirements of FRS 101.

Group	As restated RM'000	As previously stated RM'000
<b>Balance sheets</b>		
Non-current assets		
Property, plant and equipment	15,797	14,094
Property held under development	—	1,704
Investment properties	5,245	1,269
Current assets		
Investment properties	—	3,975

Group	As As restated RM'000	previously stated RM'000
<b>Cash flows</b>		
Depreciation		
– investment properties	86	—
– long term	—	17
– short term	—	69

Property amounting to RM1,704,000 in 2005 that was held for development was reclassified from Property held for development to Property, plant and equipment to comply with the requirements of FRS 116, Property, plant and equipment and eventually reclassified to Investment properties in the same financial year to comply with the requirements of FRS 140, Investment property.

# list of properties

as at 31 December 2006

Title/Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft.	Age of building/ land (years)	NBV as at 31-12-2006 RM	Date of revaluation/ *Date of acquisition
Held under Geran 32501 Lot No. 550, Mukim 07 Daerah Seberang Perai Selatan Pulau Pinang	Land for development	Freehold	398,312	Not applicable	Not applicable	3,450,000	*10.01.2005
H.S. (M) 12069 Lot P.T. No. 7142 in Taman Cahaya Ampang 5th Mile Jalan Ampang Kuala Lumpur	4 storey light industrial building for investment purpose	Leasehold for a period of 99 years expiring on 19.04.2082	2,800	2,800	22	750,000	30.12.2006
Bungalow Lot No. 253 (Phase 1A) Bandar Tasik Puteri Kundang on land held under Master Title H.S. (M) 9231, P.T. No. 23803 Gombak, Mukim of Rawang	Bungalow land for investment purpose	Leasehold for a period of 99 years, expiring on 17.12.2099	11,550	Not applicable	Not applicable	255,000	16.05.2000
Serdang Perdana, Phase 1 Unit B-G-07, G-Storey Building No. B erected on land held under Master Title H.S. (D) 103045 P.T. No. 35940 Mukim of Petaling District of Petaling State of Selangor	4 storey shop apartment for investment purpose	Leasehold for a period of 99 years expiring in April 2195	—	1,343	Less than 1 year	246,679	*08.12.2000
Held under GM 333 Lot P.T. No. 1189 Mukim Petaling Dearah Petaling Negeri Selangor	Agricultural land for investment purpose	Freehold	95,260	Not applicable	Not applicable	2,550,000	08.11.2006

Title/Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft.	Age of building/ land (years)	NBV as at 31-12-2006 RM	Date of revaluation/ *Date of acquisition
Lot 26-329 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	1,200	6	110,000	01.10.2001
Lot 16-340 erected on land held under H.S. (D) 32202 P.T. No. 20057 in the Mukim of Rawang District of Gombak State of Selangor	Double storey link house for investment purposes	Leasehold for a period of 99 years expiring on 11.07.2060	1,173	1,380	5	120,000	01.07.2002
Lot 8-107 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	350.89 sq meters	1,566	5	180,000	17.06.2002
Lot 8-154 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 meters	1,566	5	180,000	17.06.2002
Unit No. RC-16-1 erected on lands held under Geran Mukim 1831 & 1832 Lot 220 & 221, & H.S. (D) 75981 P.T. No. 171 Seksyen 83, Bandar & Daerah Kuala Lumpur Negeri Wilayah Persekutuan	Apartment for investment purpose	Freehold	—	1,504	Partly constructed	341,241	*17.04.2006

## list of properties

Title/Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft	Age of building/ land (years)	NBV as at 31-12-2006 RM	Date of revaluation/ *Date of acquisition
Unit No. RC-19-1 erected on lands held under Geran Mukim 1831 & 1832 Lot 220 & 221 & H.S. (D) 75981 P.T. No. 171, Seksyen 83 Bandar & Daerah Kuala Lumpur Negeri Wilayah Persekutuan	Apartment for investment purpose	Freehold	—	1,504	Partly constructed	345,685	*17.04.2006
Lot 28-2B erected on lands held under H.S. (D) 103399 & 103401 P.T. No. 17739 & 17741, Mukim of Batu District of Kuala Lumpur Wilayah Persekutuan	Apartment held for disposal	Freehold	—	913	Partly constructed	386,199	* 24.06.2005
Lot 28-2C erected on lands held under H.S. (D) 103399 & 103401 P.T. No. 17739 & 17741, Mukim of Batu, District of Kuala Lumpur Wilayah Persekutuan	Apartment held for disposal	Freehold	—	913	Partly constructed	386,199	* 24.06.2005
Lot 28-2D erected on lands held under H.S. (D) 103399 & 103401 P.T. No. 17739 & 17741, Mukim of Batu District of Kuala Lumpur Wilayah Persekutuan	Apartment held for disposal	Freehold	—	913	Partly constructed	386,199	* 24.06.2005

# analysis of shareholdings

as at 30 April 2007

## SHARE CAPITAL

Authorised share capital	:	RM100,000,000
Issued and paid-up share capital	:	RM72,200,002
Class of Shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	920

## ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of Shareholders	%	Shareholdings	%
Less than 100	3	0.33	154	0.00
100 to 1,000	394	42.83	253,000	0.35
1,001 to 10,000	368	40.00	1,653,700	2.29
10,001 to 100,000	108	11.74	3,365,815	4.66
100,001 to less than 5 % of issued share capital	43	4.67	25,960,042	35.96
5% and above of issued share capital	4	0.43	40,967,291	56.74
<b>Total</b>	<b>920</b>	<b>100.00</b>	<b>72,200,002</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Shareholdings		Note	%
	Direct	Indirect		
Alan Rajendram A/L Jeya Rajendram	20,200,100	—	—	27.97
Lew Mew Choi	7,604,108	8,557,521	<sup>1</sup>	22.38
Ramli bin Abu Kasim	—	11,557,521	<sup>2</sup>	16.00
Kekal Jaya Holdings Sdn Bhd	8,557,521	—	—	11.85
Soong Moi @ Song Mou	—	8,557,521	<sup>3</sup>	11.85
Liew Meow Nyeon	710,549	7,605,562	<sup>4</sup>	11.51
Liew Kiam Woon	133,843	4,605,562	<sup>5</sup>	6.56
Liew Meow Nyeon Realty Sdn Bhd	4,605,562	—	—	6.38
Chang Lau Hoi @ Chang Sow Lan	—	4,605,562	<sup>6</sup>	6.38

Note <sup>1 to 6</sup>: Indirect interest pursuant to Section 6A of the Companies Act, 1965

## DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

### In The Company

Name	Shareholdings		%	Note
	Direct	%		
Dato' Hamzah bin Zainudin	—	—	—	—
Lew Mew Choi	7,604,108	10.53	8,557,521	11.85
Liew Meow Nyeon	710,549	0.98	7,605,562	10.53
Liew Kiam Woon	133,843	0.18	4,605,562	6.38
Chin Soong Jin	—	—	—	—
Chung Tack Soon	—	—	—	—
Tong Hock Sen	—	—	—	—
Alan Rajendram A/L Jeya Rajendram	20,200,100	27.97	—	—
Kee Ju-Hun	1,022,300	1.42	—	—

Note <sup>1 to 3</sup>: Indirect interest pursuant to Section 6A of the Companies Act, 1965

# thirty (30) largest shareholders

as at 30 April 2007

## THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%	No.	Name	Shareholdings	%
1.	Alan Rajendram A/L Jeya Rajendram	20,200,100	27.98	16.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse	568,900	0.79
2.	Kekal Jaya Holdings Sdn Bhd	8,557,521	11.85	17.	Raymond Fam Chye Soon	545,800	0.76
3.	Lew Mew Choi	7,604,108	10.53	18.	Yong Mee Queen	524,100	0.73
4.	Liew Meow Nyea Realty Sdn Bhd	4,605,562	6.38	19.	Tan Chin Boon @ Tan Choo Boon	500,000	0.69
5.	Kekal Jaya Ventures Sdn Bhd	3,000,000	4.16	20.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kee Ju-Hun	490,000	0.68
6.	Eminent Builders Sdn Bhd	2,600,000	3.60	21.	Wong Yoke Fong @ Wong Nyok Fing	478,800	0.66
7.	Liberty Spear (M) Sdn Bhd	2,585,381	3.58	22.	Lee Kuan Chen	463,700	0.64
8.	Ekuiti Rancak Sdn Bhd	1,650,000	2.29	23.	Leong Yaw Fan	442,500	0.61
9.	Lee Muk Siong	1,500,000	2.08	24.	M.I.T. Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kee Ju-Hun	380,000	0.53
10.	Rudy Ng Chong Jin	1,292,900	1.79	25.	Thong Lou Hoong	379,200	0.53
11.	Lan Geok Nam @ Tan Geok Nam	1,065,901	1.48	26.	Ong Bee Bee	350,000	0.48
12.	Amsec Nominees (Tempatan) Sdn Bhd Tan Soon Muay @ Tan Kim Huay	1,000,000	1.39	27.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Soon Foo	316,000	0.44
13.	Cheong Thiam Fook	952,000	1.32	28.	On Hai Swee	292,168	0.40
14.	Liew Meow Nyea	710,549	0.98	29.	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Peter Yew Cheong Eng	258,300	0.36
15.	Razman Md Hashim Bin Che Din Md Hashim	584,900	0.81	30.	Lim Soon Foo	231,800	0.32
Total						64,130,190	88.82

# notice of 5<sup>th</sup> annual general meeting

## LFE Corporation Berhad (579343-A)



NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting ("the Meeting") of LFE Corporation Berhad ("the Company") will be held at Hang Jebat Room, Level 3, Palace Beach Resort & Spa, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 26 June 2007 at 2.30 p.m. to transact the following businesses:

### Ordinary Business

1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon.  
**Ordinary Resolution 1**
2. To approve the payment of Directors' fees totaling RM87,000 in respect of the financial year ended 31 December 2006.  
**Ordinary Resolution 2**
3. To re-elect the following Directors who retire by rotation pursuant to Article 84 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:
  - 3.1 Lew Mew Choi **Ordinary Resolution 3**
  - 3.2 Chung Tack Soon **Ordinary Resolution 4**To re-elect the following Directors who retire pursuant to Article 91 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:
  - 3.3 Alan Rajendram A/L Jeya Rajendram **Ordinary Resolution 5**
  - 3.4 Kee Ju-Hun **Ordinary Resolution 6**
4. To re-appoint Messrs KPMG as Auditors of the Company who shall hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Directors to fix their remuneration.  
**Ordinary Resolution 7**

### Special Business

To consider, and if thought fit, to pass the following resolutions:

5. **Authority For Directors To Issue Shares Pursuant To The Company's Proposed Restricted Issue Of Up To 40,000,000 New Ordinary Shares of RM1.00 Each**

"That pursuant to the Company's proposed restricted issue of up to 40,000,000 new ordinary shares of RM1.00 each, representing approximately 41.15% of the enlarged issued and paid-up share capital of the Company ("Proposed Restricted Issue") duly approved at the Extraordinary General Meeting ("EGM") of the Company held on 27 December 2006, the details for which are as set out in the Circular To Shareholders dated 12 December 2006, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to allot and issue new ordinary shares of RM1.00 each in the Company upon the terms and in accordance with the Ordinary Resolution I as passed at the said EGM in relation to the Proposed Restricted Issue ; And That such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."  
**Ordinary Resolution 8**
6. **Authority For Directors To Further Allot And Issue Ordinary Shares**

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals, rules and regulations of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to further allot and

issue new ordinary shares of RM1.00 each in the Company at any time, from time to time, at such price(s) and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (other than as a bonus or rights issue) provided that the aggregate number of new ordinary shares to be allotted and issued pursuant to this resolution shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such new ordinary shares and in any one (1) financial year, and that such authority shall remain in force until the conclusion of the next annual general meeting of the Company."  
**Ordinary Resolution 9**

7. **Proposed Renewal of General Mandate For Recurrent Related Party Transactions**

"That subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given for the Company and its subsidiaries ("the Group") to enter into the recurrent related party transactions, as detailed in section 2.4 of the Circular to Shareholders dated 4 June 2007 accompanying the Company's Annual Report 2006 ("the Circular"), which are of revenue in nature and which are transacted within and/or are necessary for the day-to-day operations of the Group and which are carried out on terms no more favourable to the related parties than those generally available to the public or non-related parties and are not to the detriment of the minority shareholders of the Company ("the General Mandate").

And That the General Mandate shall continue to be in force until:

- i. the conclusion of the next annual general meeting of the Company, at which time it will lapse unless by a resolution passed at such meeting, such authority is renewed; or

## notice of annual general meeting

- ii. the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- iii. revoked or varied by resolution passed by the shareholders of the Company in a general meeting ;

whichever is earlier, and that for avoidance of doubt, all such transactions entered into by the Group prior to the date of this resolution be and is hereby approved;

That the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the General Mandate;

And That the estimates given of the recurrent related party transactions specified in section 2.4 of the Circular being provisional in nature, the Directors and/or any of them, be and are hereby authorised to agree to the actual amount or amounts thereof provided that such amount or amounts comply with the procedures set out in section 2.5 of the Circular.”

### Ordinary Resolution 10

#### 8. Re-appointment Of Director Pursuant To Section 129(6) Of The Companies Act, 1965

“That Liew Meow Nyeon, who is above the age of 70 years, be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next annual general meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965.”

### Special Resolution

BY ORDER OF THE BOARD  
Ng Wai Peng (MAICSA 7014112)  
Secretary

Selangor Darul Ehsan, Malaysia  
4 June 2007

#### NOTES

##### 1. Appointment of Proxy

A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149 (1) (b) of the Companies Act, 1965 shall not apply.

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

##### 2. Statement Accompanying The Notice of Fifth Annual General Meeting

Additional information as required under Appendix 8A pursuant to Paragraph 8.28 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) is set out in the Statement Accompanying The Notice of Fifth Annual General Meeting.

##### 3. Explanatory Notes on Special Businesses

###### Ordinary Resolution 8

The shareholders had, at the Company's Extraordinary General Meeting held on 27 December 2006, approved the Company's proposed restricted Issue of up to 40,000,000 new ordinary shares of RM1.00 each representing approximately 41.15% of

the enlarged issued and paid-up share capital of the Company (“Proposed Restricted Issue”), and had authorised the Directors to allot and issue the new ordinary shares pursuant thereto This authority will, pursuant to Section 132D of the Companies Act, 1965, expire at the conclusion of the Fifth Annual General Meeting of the Company. The proposed Ordinary Resolution 8, if passed, will allow the Board of Directors to allot and issue the remaining unissued new ordinary shares of RM1.00 each in the Company pursuant to the Proposed Restricted Issue. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company.

###### Ordinary Resolution 9

The proposed Ordinary Resolution 9, if passed, will empower the Board of Directors to allot and issue new ordinary shares of RM1.00 each up to ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such new ordinary shares in any one (1) financial year, for such purposes and upon such terms as the Directors consider would be in the best interest of the Company (other than as a bonus or rights issue). This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next annual general meeting of the Company.

###### Ordinary Resolution 10

The proposed Ordinary Resolution 10, if passed, will allow the Company and its subsidiaries (“the Group”) to enter into recurrent related party transactions pursuant to paragraph 10.09 (1) of the Listing Requirements of Bursa Securities. The details of the Proposed General Mandate are set out in the Circular to Shareholders dated 4 June 2007 accompanying this annual report.

###### Special Resolution

The proposed Special Resolution is for the purpose of re-appointing Liew Meow Nyeon, who is above the age of 70 years, as a Director of the Company to hold office until the conclusion of the next annual general meeting of the Company in compliance with Section 129(6) of the Companies Act, 1965.

## statement accompanying the notice of 5th annual general meeting

#### DETAILS OF INTEREST OF DIRECTORS STANDING FOR RE-ELECTION & RE-APPOINTMENT

Name of Director	No. of Shares held in the Company as at 30 April 2007	
	Direct	Indirect
Lew Mew Choi	7,604,108	8,557,521
Chung Tack Soon	—	—
Alan Rajendram A/L Jeya Rajendram	20,200,100	—
Kee Ju-Hun	1,022,300	—
Liew Meow Nyeon	710,549	7,605,562

None of the above Directors have any direct interest in the Company's subsidiaries. The Directors' interests, if any, in the subsidiaries are to the extent that the Company has an interest, pursuant to Section 6A of the Companies Act, 1965. The profile and details of the Directors standing for re-election and re-appointment are outlined in pages 9 to 11 of this annual report.



## LFE Corporation Berhad (579343-A)

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of LFE CORPORATION BERHAD ("the Company") hereby appoint  
\_\_\_\_\_  
of \_\_\_\_\_  
or failing whom \_\_\_\_\_  
of \_\_\_\_\_

/the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the FIFTH ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at Hang Jebat Room, Level 3, Palace Beach Resort & Spa, Jalan Dulong, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 26 June 2007 at 2.30 p.m. and at any adjournment thereof.

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

Ordinary Resolution		For	Against
1	Consolidated Audited Financial Statements		
2	Approve payment of Directors' Fees		
3	Re-election of Lew Mew Choi		
4	Re-election of Chung Tack Soon		
5	Re-election of Alan Rajendram A/L Jeya Rajendram		
6	Re-election of Kee Ju-Hun		
7	Re-appointment of Auditors		
8	Authority For Directors To Allot And Issue Shares Pursuant To The Proposed Restricted Issue		
9	Authority For Directors To Further Allot And Issue Shares		
10	Renewal of General Mandate for Recurrent Related Party Transactions		
Special Resolution	Re-appointment of Liew Meow Nyeon		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

No. of Shares Held

\_\_\_\_\_  
Signature/common seal of shareholder

### NOTES

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

The Company Secretary  
**LFE CORPORATION BERHAD**  
Wisma LFE, Lot 993, Off Jalan Balakong  
43300 Balakong, Seri Kembangan  
Selangor Darul Ehsan, Malaysia

Affix  
Stamp