LFE CORPORATION BERHAD (579343-A)
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43300 Balakong, Seri Kembangan
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www.lfe.com.my

LFE Corporation Berhad (579343-A)
Since 1967

refocusing

Annual Report **2007**

Contents

Managing Director's Statement

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of LFE Corporation Berhad ("LFE" or "the Company"), I present to you the Annual Report and Consolidated Audited Financial Statements of our Company for the financial year ended 31 December 2007.

First and foremost, I would like to, on behalf of the Board and Management of LFE, congratulate our former Chairman, YAB Dato' Hamzah bin Zainudin on his appointment as Deputy Minister of Malaysia's Ministry of Housing and Local Government. I would also like to express and place on record our most sincere thanks to YAB Dato' Hamzah for his invaluable guidance during his 4 years tenure as Chairman of LFE. His absence from our Board is indeed a big loss to the LFE Group ("the Group").

Financial Review

For the financial year ended 31 December 2007, our Group recorded higher consolidated revenue of RM131 million and posted an improvement of 19.3% as compared to RM109.8 million in the previous financial year. Mechanical and electrical engineering ("M&E") division contributed 92.6% whilst trading and distribution of computer products accounted for 6.8% of total revenue in 2007.

Group profit before tax for the twelve-month period was RM4.7 million, against a loss of RM19.8 million in the previous financial year. As at financial year ended 31 December 2007, the Group's total shareholders' funds stood at RM40.6 million and the Group's earnings per share was RM0.05 as compared to loss per share of RM0.38 in 2006.

During the year, the Group also recorded other income of RM16.9 million, arising from:- (1) a profit guarantee received by the Company in respect of a subsidiary which was involved in the business of trading in computer electronic products internationally, and (2) the writing back of allowance for diminution in value of the Group's investment in 25,482,901 ordinary shares of RM0.50 each in SILK Holdings Berhad (formerly known as Sunway Infrastructure Berhad) ("SILK") based on the market price of SILK shares as at 31 December 2007. However, this amount was mitigated by an allowance of RM3.6 million arising from the disposal of the same 25,482,901 SILK shares by the Group in June 2008 at RM0.21 per share.

Operations And Business Review

2007 has been a very busy year for the LFE Group whereby all of our resources were in full operational capacities to fulfill the contracts and projects that were secured in 2006.

Most of the contracts secured by our M&E division such as the Phase 1 Plot 1 Zone C Al Reem Island Development project in Abu Dhabi, The United Arab Emirates undertaken by the ISZL Consortium in which LFE Engineering Sdn Bhd has equal partnership together with IJM Construction Sdn Bhd, Zelan Holdings (M) Sdn Bhd and Sunway Builders Sdn Bhd, the New Doha International Airport project in Qatar, the Shangri-la Hotel Wenzhou, China project and the Johor Bahru Nursing School project, are in the advanced stages of development and are expected to complete by end of 2008 and in 2009.

In 2008, we have been awarded a major project in Shanghai, China, namely, the Pudong Kerry Center whilst a letter of intent for the construction and completion of another major project was issued to our 30% joint venture partnership with IJM Construction Sdn Bhd, namely the Phase 1, Plot 1, Zone E2 Hotel Development project in Al Reem Island, Abu Dhabi, The United Arab Emirates. As at the date of this report, our total order book is approximately RM818 million.

Managing Director's Statement

LFE International Limited ("LFEI") commenced business in early 2007 but the business was halted due to circumstances as described in the notes to the financial statements. It is unfortunate for the Group to encounter the challenges posed by the issues raised on this business unit. The Board decided that given the challenges raised by trading in computer products internationally, the Group would no longer engage in such international business and as such, LFEI is in the process of being disposed of.

The audit issues are summarised in the notes to the financial statements and the auditors' report accompanying this annual report. The Company's position on these matters are also reflected in the notes to the financial statements and the Board respects the external auditors' opinion set out in their report.

Corporate Developments

Fund Raising Exercise

During the year ended 31 December 2007, the Company implemented 2 tranches of the Restricted Issue of up to 40 million new ordinary shares of RM1.00 each ("the Restricted Issue Shares") with the issuance of 17.7 million Restricted Issue Shares at an issue price of RM1.00 per share. However, the Company could not implement the final tranche of 12.3 million Restricted Issue Shares upon expiry of the Securities Commission's approval for the Restricted Issue on 26 June 2008 due to lackluster market sentiments and delay in issuance of the Company's 31 December 2007 consolidated audited financial statements. A total of 27.7 million Restricted Issue Shares have been issued at an issue price of RM1.00 per share pursuant to the Restricted Issue and the total proceeds of RM27.7 million raised therefrom has been substantially utilised for the Group's working capital.

Disposal of Assets

Disposal of the Company's headquarters, 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 at a total cash consideration of RM11.3 million, pursuant to the Sale and Purchase Agreement dated 14 July 2006, was completed on 21 March 2007 and the proceeds arising therefrom was utilised for working capital purposes and to reduce the Group's bank borrowings.

Subsequent to the financial year end, the Group has also disposed of its entire investment in 25,482,901 SILK shares at RM0.21 per share which is RM0.04 above the price offered by Infra Bumitek Sdn Bhd ("IBSB") under a mandatory general offer made by IBSB to acquire all of the SILK shares from its shareholders. This disposal was necessary and timely to raise working capital for the Group in lieu of the final tranche of the Restricted Issue which was not implemented. The total net proceeds of RM5.35 million from this disposal was utilised for the Group's working capital.

Consequential to the undertaking from the Company's non-executive director and substantial shareholder, Mr Alan Rajendram A/L Jeya Rajendram, to pay the Company the sum of US$7,526,230.45 (equivalent to approximately RM26,956,699.60 based on the exchange rate of US$1.00 to RM3.5817 as at the close of business on 24 October 2008) on or before 21 December 2008 ("the Undertaking"), as detailed in the notes to the accounts, the Company had, on 27 October 2008, entered into an Amended and Restated Share Sale Agreement to dispose of the Company's entire equity interest in LFEI comprising 1,000 ordinary shares of US$1.00 each to Mr Alan Rajendram A/L Jeya Rajendram at a total sale

Managing Director's Statement

consideration of US$1,000.00 (equivalent to approximately RM3,582.00 based on the exchange rate of US$1.00 to RM3.5817 as at the close of business on 24 October 2008). This disposal will only take place after the Company has received the sum of US$7,526,230.45 pursuant to the Undertaking.

New Investments

Subsequent to the financial year end, the Company invested RM51,000 into a newly incorporated 51% controlled subsidiary called Lynex Construction Sdn Bhd for the purpose of diversifying into the business of general construction in partnership with a civil engineer, who holds the balance equity of 49%. Lynex has the capacity to undertake contracts with "design and build" content.

Dividend

The Board of Directors is not recommending any dividend in respect of the financial year ended 31 December 2007.

Future Prospects

The current financial market crisis affecting the world may lead to a global economic slowdown and that would have an impact on Malaysia and the future prospects of Malaysian companies. We would not be excluded.

We have been concentrating our resources in our M&E and Construction divisions and our presence especially in oil-rich United Arab Emirates and in China may provide some buffer against this backdrop of global uncertainty as these countries may have the resources to insulate themselves. We will therefore continue to grow our presence and efforts overseas in particular the Gulf States in construction and M&E.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to thank our Audit Committee members who had taken to task tirelessly to resolve the audit issues encountered by the Group. My sincere appreciation also goes to the Securities Commission, Bursa Malaysia Securities Berhad and our external auditors for their patience, understanding and co-operation throughout these trying times, and I commend our employees for their continuing efforts in facing the challenges of 2007 and 2008 with utmost professionalism and dedication.

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.

Thank you.

Lew Mew Choi
Managing Director

Corporate Information

Board of Directors

Managing Director
Lew Mew Choi

Executive Directors
Liew Kiam Woon
Chin Soong Jin

Non-Executive Directors
Liew Meow Nyean
Alan Rajendram A/L Jeya Rajendram

Independent Non-Executive Directors
Chung Tack Soon
Kee Ju-Hun

Senior Independent Non-Executive Director
Tong Hock Sen

Audit Committee

Chung Tack Soon (Chairman)
Tong Hock Sen
Kee Ju-Hun

Nomination Committee

Tong Hock Sen (Chairman)
Chung Tack Soon
Kee Ju-Hun

Remuneration Committee

Kee Ju-Hun (Chairman)
Chung Tack Soon
Tong Hock Sen

Risk Management Committee

Liew Kiam Woon (Chairman)
Alan Rajendram A/L Jeya Rajendram
Chin Soong Jin
Tong Hock Sen
Juliana Quah Kooi Hong

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
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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

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
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JOHOR BAHRU, MALAYSIA
LFE Engineering (JB) Sdn Bhd
No. 43, Jalan Molek 2/30
81100 Johor Bahru, Johor, Malaysia
Tel : 607-3539817
Fax : 607-3515887

CHINA
LFE Engineering (Shanghai) Limited
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Kerry Everbright City
218, Tian Mu West Road
Zhabei District, Shanghai 200070, China
Tel : +8621-63176786
Fax : +8621-63535792

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

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LFE Engineering Sdn Bhd – Abu Dhabi Branch
P.O. Box 94830
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Tel : + 971-50-5725363

QATAR
LFE Engineering Qatar With Limited Liability
P.O. Box 47055, Doha, State of Qatar
Tel : +974-4906185
Fax : +974-4906217

Auditor

KPMG
Chartered Accountants

Listing

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

Contact Us At

www.lfe.com.my

Group Structure

as at 3 November 2008

LFE Corporation Berhad

- **100%** — **LFE Engineering Sdn Bhd**
  - ***LFE Engineering Sdn Bhd Abu Dhabi Branch***
  - **100%** LFE Engineering (JB) Sdn Bhd
  - **100%** Loong Fuat Engineering Limited [1]
  - **100%** LFE Engineering (Shanghai) Limited [2]
  - **100%** LFE Engineering (Vietnam) Company Limited [3]
  - **60%** LFE Technology Sdn Bhd
  - **49%** LFE Engineering Qatar With Limited Liability [4]
- **100%** — **LFE International Limited [1]**
- **100%** — **LFE Builder Sdn Bhd**
- **51%** — **Mediaforte Holdings Sdn Bhd**
  - **100%** Mediaforte (Malaysia) Sdn Bhd
- **51%** — **Bestgate Development Sdn Bhd**
- **51%** — **Lynex Construction Sdn Bhd**

(1) Incorporated in The British Virgin Islands
(2) Incorporated in The People's Republic of China
(3) Incorporated in The Socialist Republic of Vietnam
(4) Incorporated in Qatar

Profile of Directors

Lew Mew Choi

Managing Director

Mr Lew Mew Choi, a Malaysian, aged 64, is currently the Managing Director of the Company. He was appointed to the Board and as the Company's Managing Director on 15 September 2003. He is also currently Managing Director of both LFE Engineering Sdn Bhd ("LFEE") and Loong Fuat Engineering Limited, and he sits on the boards of several of the Company's subsidiaries. He joined Loong Fuat Electrical Company ("Loong Fuat") in 1975, a sole proprietorship set up by his brother, Mr Liew Meow Nyean in 1967 to carry out the business of electrical contracting. Loong Fuat was subsequently sold to LFEE in 1975. Mr Lew has over 3 decades of hands-on experience in the mechanical and electrical engineering ("M&E") business and the LFE Group has, under his stewardship, evolved to become a major player in the M&E industry with M&E installation expertise in infrastructure, residential and commercial developments both within and outside of Malaysia. He is currently not a director of any other public company.

Liew Meow Nyean

Non-Executive Director

Mr Liew Meow Nyean, a Malaysian, aged 72, is currently a Non-Executive Director of the Company. He is pioneer of the M&E business of the LFE Group and was appointed to the Board on 15 September 2003. He is also currently the Executive Chairman of 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 and set up his own electrical contracting business, Loong Fuat, in 1967 which he later sold to LFEE in 1975. He is currently not a director of any other public company.

Liew Kiam Woon

Executive Director & Chairman of Risk Management Committee

Mr Liew Kiam Woon (Kenneth), a Malaysian, aged 45, is currently an Executive Director of the Company. He was appointed to the Board and as the Company's Executive Director on 15 September 2003. He is also currently Chairman of the Company's Risk Management Committee and an Executive Director of LFEE. He also sits on the boards of all of the Company's subsidiaries. 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 SILK Holdings Berhad (formerly known as Sunway Infrastructure Berhad), a public company listed on Bursa Securities and is a council member of Master Builders Association Malaysia.

Chin Soong Jin

Executive Director

Mr Chin Soong Jin (Kevin), a Malaysian, aged 41, is currently an Executive Director of the Company. He was appointed to the Board and as an Executive Director of the Company on 15 September 2003. He is also currently the Director of Corporate Affairs of LFEE and sits on the boards of several of the Company's subsidiaries. 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 the Bar 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 currently not a director of any other public company.

Chung Tack Soon

Independent Non-Executive Director & Chairman of Audit Committee

Mr Chung Tack Soon, a Malaysian, aged 46, is currently an Independent Non-Executive Director and Chairman of the Company's Audit Committee. He was appointed to the Board and as a member of the Audit Committee on 15 September 2003, and as Chairman of the Audit Committee on 14 November 2008. He obtained a Bachelor of Accounting degree from University Malaya in 1988 and he is a member of the Malaysian Institute of Accountants. He started his career in Arthur Andersen in 1988 until 1991. Subsequently, 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.

Profile of Directors

Tong Hock Sen

Senior Independent Non-Executive Director & Chairman of Nomination Committee

Mr Tong Hock Sen (John), a Malaysian, aged 40, is currently a Senior Independent Non-Executive Director and Chairman of the Nomination Committee of the Company. He was appointed to the Board on 15 September 2003 and as a member of the Audit Committee on 5 May 2004. He was designated as a Senior Independent Non-Executive Director and appointed as Chairman of the Company's Nomination Committee on 14 November 2008. 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 as an advocate and solicitor of the High Court of Malaya. 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 heading the corporate and commercial department until July 2007 when left to set up his own legal practice namely Messrs. John Tong, and is currently the managing partner of the firm. He is currently not a director of any other public company.

Alan Rajendram A/L Jeya Rajendram

Non-Executive Director

Mr Alan Rajendram A/L Jeya Rajendram, a Malaysian, aged 52 is currently a Non-Executive Director of the Company. He was appointed to the Board on 19 October 2006. He also sits on the board of LFE International Limited. He received his early training in public accounting from Deloittes from 1977 to 1979. He then obtained a Bachelor of Commerce degree from the University of Melbourne, Australia in 1979. Upon graduation, he worked in 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 Deputy Chairman of Stanton Technologies Limited. He is also currently an Executive Director of Linear Corporation Berhad, a public company listed on Bursa Securities.

Kee Ju-Hun

Independent Non-Executive Director and Chairman of Remuneration Committee

Mr Kee Ju-Hun, a Malaysian, aged 38, is currently an Independent Non-Executive Director of the Company. He was appointed to the Board on 19 October 2006. 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.

Other Information

1. Mr Lew Mew Choi, Mr Liew Meow Nyean, Mr Liew Kiam Woon and Mr Alan Rajendram A/L Jeya Rajendram are substantial shareholders of the Company. Save as abovementioned, none of the Directors are substantial shareholders of the Company.

2. Mr Lew Mew Choi is the younger brother of Mr Liew Meow Nyean, and Mr Liew Kiam Woon is the son of Mr Liew Meow Nyean. Save as abovementioned, there are no family relationships amongst the Directors and/or substantial shareholders of the Company.

3. None of the Directors has any conflict of interest with the Company.

4. None of the Directors has been convicted of any offences, other than traffic offences, within the past 10 years.

Corporate Governance Statement

The Board of Directors ("the Directors" or "the Board") of LFE Corporation Berhad ("LFE" or "the Company") remains committed to ensure that the sound principles of corporate governance set out in the Malaysian Code on Corporate Governance ("the Code") are practised with the ultimate objective of protecting and enhancing shareholders' value. To this end, the Board is pleased to report in this statement, which is made in compliance with paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the application of the principles of good governance and the extent of compliance by the Company with the best practices as set out in the Code.

a. Board of Directors

Board Composition

The Board currently has 8 members comprising 1 Managing Director, 2 Executive Directors, 2 Non-Executive Directors and 3 Independent Non-Executive Directors, thus complying with the Listing Requirements of 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 LFE Group ("the Group"). Brief descriptions of the background of each of the Directors are presented on pages 7 to 8 of this annual report.

Board Balance

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

The Independent Non-Executive Directors play a key supporting role, contributing their skills and knowledge in all major matters and issues referred to the Board for consideration and approval. Their 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 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. Tong Hock Sen, has been designated as the Senior Independent Non-Executive Director to whom matters of concern may be conveyed.

The Non-Executive Directors, who are primarily substantial shareholders of the Company, contribute their business acumen and experience in the making of Board decisions.

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, investor relations and internal control policies, significant financial matters, related party transactions and review of financial and operating results and performance of the Group.

Board Meetings

The Board had 5 meetings held during the financial year ended 31 December 2007, at which a variety of matters including amongst others, the Group's financial results, the Group's overall performance, challenges faced by the Group, business development activities, internal control issues and recurrent related party transactions were considered and deliberated upon. Details of attendance of the Directors at the Board meetings are as follows:-

Director	Attendance
Lew Mew Choi	4 out of 5
Liew Meow Nyean	4 out of 5
Liew Kiam Woon	5 out of 5
Chin Soong Jin	5 out of 5
Chung Tack Soon	5 out of 5
Tong Hock Sen	4 out of 5
Alan Rajendram A/L Jeya Rajendram	4 out of 5
Kee Ju-Hun	5 out of 5

All of the Directors have met the minimum 50% attendance at Board meetings during the financial year as required by the Listing Requirements of Bursa Securities. In addition, the Board has exercised control on matters that required the Board's approval during the intervals between the scheduled Board meetings through the circulation of Directors' Circular Resolutions prepared from time to time by the company secretary.

Board Committees

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

Audit Committee
(comprising entirely Independent Non-Executive Directors)

Chung Tack Soon *(member of the Malaysian Institute of Accountants)*	– Chairman
Tong Hock Sen	– Member
Kee Ju-Hun	– Member

Nomination Committee
(comprising entirely Independent Non-Executive Directors)

Tong Hock Sen	– Chairman
Chung Tack Soon	– Member
Kee Ju-Hun	– Member

Remuneration Committee
(comprising entirely Independent Non-Executive Directors)

Kee Ju-Hun	– Chairman
Chung Tack Soon	– Member
Tong Hock Sen	– Member

Risk Management Committee

Liew Kiam Woon	– Chairman
Alan Rajendram A/L Jeya Rajendram	– Member
Chin Soong Jin	– Member
Tong Hock Sen	– Member
Juliana Quah Kooi Hong	– Member

Supply of Information

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

Appointments to the Board

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

Re-election of Directors

According to the Company's Articles of Association ("the Articles"), any Director who is appointed during the year shall retire at the Company's annual general meeting following his appointment and 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 forthcoming Sixth Annual General Meeting ("6th AGM"), namely, Liew Kiam Woon and Tong Hock Sen 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"). One (1) Director, namely, Liew Meow Nyean is submitting himself for re-appointment at the Company's 6th AGM pursuant to this requirement.

The Nomination Committee, after having reviewed the performances of all the Directors, has recommended them for re-election and re-appointment at the 6th AGM. Tong Hock Sen, being Chairman of the Nomination Committee and a Director subject to re-election at the 6th AGM, has abstained from deliberation by the Nomination Committee with regards to his performance and re-election to the Board.

Directors' Training

The Directors have attended and will continue to attend training courses to equip themselves and to keep abreast with developments in corporate matters as well as industry practices for them to discharge their duties more effectively.

b. Directors' Remuneration

The Board adopts a formal and transparent procedure to assess and determine the remuneration packages offered by the Group to individual Directors. In general, the component parts of the remuneration of Executive Directors are structured so as to link rewards to corporate and individual performances as well as in line with prevailing market rates. This structure is to ensure that the Company is able to attract and retain Directors of the caliber needed to run the Group successfully. Independent Non-Executive Directors, on the other hand, receive Director's fees that are approved by shareholders at annual general meetings. The Company also reimburses the Directors with meeting allowances for expenses necessarily incurred by them for attendance at Board meetings.

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

The remuneration of the Company's Directors derived from the Group during the financial year ended 31 December 2007 are as follows:-

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	–	60,000	60,000
Salaries	826,735	40,763	867,498
Bonuses	26,432	1,680	28,112
Benefits-in-kind	42,425	23,950	66,375
Total	**895,592**	**126,393**	**1,021,985**

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 December 2007 are as follows:-

	Number of Directors		
Remuneration Band (RM per annum)	**Executive Directors**	**Non-Executive Directors**	**Total**
Below 50,000	–	3	3
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	1	–	1
300,001 to 350,000	–	–	–
350,001 to 400,000	1	–	1
Total	**3**	**4**	**7**

c. Shareholders

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

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

d. Corporate Social Responsibility Activities

The Group, in its efforts to instill a keen sense of social responsibility within the organisation, had, during the year, carried out a charity drive, involving the Management and the voluntary participation of employees, to raise funds and provide essential provisions such as groceries, educational items such as computers, books and toys to Rumah Anak-Anak Yatim Nurhikmah, a home for under-privileged children, in Kajang, Selangor.

e. Accountability and Audit

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 Audit Committee 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 2007 is presented on page 19 of this annual report.

Internal Control

Whilst matters relating to internal controls and risk management are dealt with in detail by the Audit Committee and the Risk Management Committee respectively, 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 Audit Committee, engaged external consultants, Audex Governance Sdn Bhd, to carry out the internal audit functions during the financial year ended 31 December 2007.

The Statement on Internal Control set out on pages 17 and 18 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.

Relationship with the Auditors

The Board has maintained a formal and transparent relationship with the Company's external auditors, KPMG, in seeking professional advice and ensuring compliance with the relevant laws and applicable approved accounting standards in Malaysia. The Board was also assisted by the Audit Committee in the review of the audit plans and audit findings of the external auditors as well as the internal auditors.

Audit Committee Report

Composition

The Audit Committee of LFE Corporation Berhad ("LFE" or "the Company") currently comprises all 3 of the Independent Non-Executive Directors, namely:-

Chung Tack Soon – Chairman
Tong Hock Sen – Member
Kee Ju-Hun – Member

Terms of Reference of Audit Committee

The Audit Committee is governed by the following Terms of Reference which have been revised by the Board on 23 November 2007 in line with the Malaysian Code on Corporate Governance which was revised in November 2007.

1. Objectives

1.1 To provide additional assurance to the Board by giving objective and independent review of the Group's financial, operational and administrative controls and procedures.

1.2 To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets within the Group.

1.3 To assess and supervise the quality of audits conducted by the Internal Auditors and External Auditors.

1.4 To reinforce the independence of the External Auditors and to 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 the Management.

1.6 To reinforce the objectivity of the Internal Auditors.

2. Membership

2.1 The members of the Audit Committee shall be appointed by the Board pursuant to a Board Resolution. All members of the Audit Committee shall be non-executive directors who possess adequate financial knowledge to discharge their functions effectively.

It shall comprise at least three (3) members of whom a majority shall be independent non-executive Directors.

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

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

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

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

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

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

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

Audit Committee Report

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

2.5 If the number of members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s) the member ceases to be a member of the Audit Committee, the Board shall, within two (2) months of that event but in any case not later than three (3) months, appoint amongst such other Directors, a new member to make up the minimum number required herein subject to all of the requirements with regards to the composition of the Audit Committee and the qualification of such new member as contained in these Terms of Reference.

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

3. Authority

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

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

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

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

4. Functions

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

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

4.3 To discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved, and to review the adequacy of the existing external audit arrangements, with particular emphasis on the scope and quality of the audit.

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

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

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

4.7 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-Audit Committee(s), if any.

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

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

5. Meetings

5.1 The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee so decides to fulfill its duties.

5.2 A quorum shall consist of two (2) members. The majority of members present must be independent non-executive Directors.

5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.

5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.

5.5 A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.

5.6 Proceedings of all meetings held and resolutions passed as referred to in para 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.

5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.

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

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

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

5.11 The Audit Committee shall meet with the External Auditors at least twice in a financial year without the presence of any executive board member of the Company or the Management.

6. Compliance

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

Audit Committee Report

Audit Committee Meetings

During the financial year ended 31 December 2007, the Audit Committee had 6 meetings, 1 of which was held without the presence of any executive board member or the Management. All Audit Committee meetings were duly convened with sufficient notice given to all Audit Committee members together with the agenda, report and proposals for deliberation at the meetings.

Directors who were invited to the Audit Committee meetings responded to all queries raised by the Audit Committee. 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 Audit Committee at the meetings which included inter alia, the auditors' audit plans and audit reports, the quarterly results of the Company and the audited financial statements for the financial year ended 31 December 2007.

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

Name of Audit Committee Member	Audit Committee Meetings Attended
Chung Tack Soon	6 out of 6
Tong Hock Sen	5 out of 6
Kee Ju-Hun	5 out of 6

Summary of Activities of The Audit Committee

The Audit Committee has carried out the following activities in respect of the financial year ended 31 December 2007 in the discharge of its duties:-

- Reviewed with the external auditors, the audit plan and scope of audit for the financial year ended 31 December 2007;
- Reviewed all quarterly financial results of the Company including the announcements pertaining thereto before recommending them to the Board for approval;
- Reviewed all recurrent related party transactions that arose in the Group on a quarterly basis;
- 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 external and internal auditors;
- Reviewed the audit findings of the external auditors in respect of the financial year ended 31 December 2007 and took appropriate actions to address the issues raised by the external auditors which resulted in the engagement of a firm of independent auditors to carry out an investigative audit on a subsidiary of the Company;
- Reviewed the findings of the independent auditors in the investigative audit and took appropriate actions to address inter-alia the risk issues involving the said subsidiary and its effects on the Group which led to the proposed disposal of the said subsidiary;
- Reviewed the audited financial statements of the Company for the financial year ended 31 December 2007 in consultation with the external auditors before recommending them to the Board for approval;

This Report was approved by the Audit Committee on 17 November 2008.

Statement on Internal Control

Introduction

This statement is made pursuant to paragraph 15.27 of the Listing Requirements of Bursa Malaysia Securities Berhad which stipulates that the board of directors of all listed companies must make a statement in its annual report about the state of internal control in the 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, scope and extent of internal control of the LFE Group ("the Group") during the financial year ended 31 December 2007.

Board's Responsibility

The Malaysian Code on Corporate Governance specifies that the board of directors of all listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the group's assets.

The Board of LFE affirms its overall responsibility for the Group's system of internal control and for reviewing its adequacy, integrity and effectiveness. The role of the Management which is composed of directors with executive functions, is to implement the Board's policies on risks and control, and 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.

The system of internal control encompasses financial, operational and compliance controls as well as risk management. 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.

As described in Note 31 of the audited financial statements for the financial year, a Director was made the sole director of a wholly owned subsidiary of the Company pursuant to a Management Agreement and the ensuing series of events are described therein. Following the investigation undertaken on the said subsidiary, the Board has learned and benefited from this experience and is committed to reform and strengthening the internal control system. The Board will take, inter-alia, the following corrective measures of re-inforcing the Risk Management Committee to include a mix of directors from across the Board and has broadened its scope and terms of reference so as to strengthen the effectiveness of the Group's risk management practices, and to also broaden the scope of the internal audit to include, identifying, monitoring and managing risks in new business ventures.

The Board will reappraise the Group's corporate governance, system of internal controls, risk management policies and procedures and it will be an on-going and a continuous process. Where improvements are recommended, it will be implemented with oversight from the Board.

Risk Management

Risk Management is regarded by the Board to be an integral part of managing business operations. The respective Heads of Departments are responsible for managing risks related to their functions on a day-to-day basis. Periodic management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. It is at these meetings that key risks and corresponding controls implemented are communicated amongst the Senior Management Team. Significant risks identified are subsequently brought to the attention of the Audit Committee and the Board.

During the financial year ended 31 December 2007, the Management with the assistance of external consultants completed the update of the Group's key risk profile. The results of the above risk management execise was presented to the Risk Management Committee who made some recommendations to the Audit Committee on 23 November 2007. Risks identified were prioritised in terms of the possibility of their occurence and the impact to the Group's business objectives/goals.

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 ended 31 December 2007, the internal auditors have completed two (2) cycles of internal audit and the findings of the internal audit review has been communicated to the Audit Committee.

Statement on Internal Control

The Audit Committee reviewed the reports from the internal auditors and the Management's responses, before reporting and making recommendations to the Board to strengthen the internal control system.

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;
- Directors with executive functions participate actively in the daily operations of the Group and regular operational meetings were held with heads of departments. The heads of departments are delegated with the responsibility to ensure that the system of internal control is put into place accordingly;
- Representations from the Company in consortium or joint venture are responsible to oversee the administration, operation and performance of the consortium or joint venture and are further responsible to provide on a regular basis, financial and operational information of the consortium or joint venture to the Management of the Company;
- Quarterly review of financial results by the Board and the Audit Committee before announcement to Bursa Securities;
- An organisational structure with defined lines of responsibilities and delegation of authority within which the Management operates;
- The principal operating subsidiary, LFE Engineering Sdn Bhd, has a formalised Quality Procedure Manual ISO 9001:2000 ("ISO") to inter-alia provide guidance to employees in carrying out daily tasks, to ensure that there is a clear understanding of the operations of the Group, to continually improve the effectiveness of our Quality Management System so as to provide our customers with superior products and services;
- Scheduled in-house ISO internal audit held once a year to ensure full compliance with the ISO requirements, where findings are discussed during the Management review committee meetings;
- Training and seminar programmes are identified and scheduled for employees to acquire and/or improve their knowledge and skills in order to meet their performance and work expectation.

Independence of The Audit Committee

The Audit Committee comprises entirely independent non-executive directors and has full access to both the internal and external auditors.

The Audit Committee, on behalf of the Board, considers the effectiveness of the operation of internal control procedures in the Group. The Audit Committee reviews internal control issues identified by the internal audit division, the external auditors and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control system.

Weaknesses In Internal Controls That Result In Material Losses

There were no material or significant losses incurred or provided for during the financial year ended 31 December 2007 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 and to specifically address the concerns elaborated in Note 31 to the audited financial statements.

This Statement was reviewed by the Audit Committee and approved by the Board on 17 November 2008.

Statement on Directors' Responsibilities

This statement, which should be read in conjunction with the report of the auditors set out on pages 27 to 28 of this annual report, made pursuant to 15.27 of the Listing Requirements of Bursa Malaysia Securities Berhad, is to explain the responsibilities of the Board of Directors ("the Directors" or "the Board") of LFE Corporation Berhad ("LFE" or "the Company") in relation to the preparation of the Company's annual financial statements. The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the LFE Group ("the Group") at the end of the financial year and income statement of the Company and the Group for the financial year. Further, the Board is required to ensure that the financial statements have been prepared in compliance with the Act, the Listing Requirements and in accordance with the applicable approved accounting standards in Malaysia.

In preparing the financial statements for the financial year ended 31 December 2007 ("the Financial Statements"), the Directors have, with the advice from the external auditors:-

a) adopted the suitable accounting policies and have applied them consistently;

b) made judgements and estimates that are prudent and reasonable;

c) ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

d) prepared the Financial Statements on a going concern basis.

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

The Directors had, upon the request and advice of the external auditors, took the necessary steps and undertaken the necessary inspections for the purpose of enabling the external auditors to give their audit opinion for the Financial Statements.

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

This Statement was approved by the Board on 17 November 2008.

Additional Compliance Information

1. Utilisation of Proceeds

During the financial year ended 31 December 2007, LFE Corporation Berhad ("the Company") has issued 17,700,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share pursuant to the Company's restricted issue of up to 40,000,000 new ordinary shares of RM1.00 each ("Restricted Issue"). In addition to the 10,000,000 new ordinary shares of RM1.00 each issued at RM1.00 per share during the financial year ended 31 December 2006, the Company has issued a total of 27,700,000 new ordinary shares of RM1.00 each issued at RM1.00 per share raising a total of RM27,700,000 in proceeds pursuant to the Restricted Issue as at 31 December 2007. As at 30 October 2008, the total proceeds of RM27,700,000 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	27,400	27,400	–
Incidental expenses	300	300	300	–
Total	**40,000**	**27,700**	**27,700**	**–**

2. Share Buybacks

There were no share buyback transactions made 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 2007 pursuant to the Shareholders' Mandate granted by the Company's shareholders at the Fifth Annual General Meeting ("5th AGM") held on 26 June 2007 are as follows:-

	Nature of Recurrent Related Party Transaction	Estimated value for a 12-month period pursuant to the Shareholders' Mandate RM	Amount Transacted during the year ended 31.12.2007 RM
(a)	Provision of mechanical and electrical engineering services by the Group to Kejuruteraan Rayton Sdn Bhd [(i)]	5,000,000	1,023,006
(b)	Rental of office and storage premises (including maintenance charges) by the Group from Megaduct Systems (M) Sdn Bhd [(ii)]	365,000	195,388
(c)	Rental of office premises by the Group from Lew Mew Choi [(iii)]	70,000	80,425
(d)	Supply and purchase of materials and goods by the Group to and from Megaduct Technology Sdn Bhd (formerly known as Mayduct Technology Sdn Bhd) [(iv)]	2,000,000	23,281
(e)	Supply and purchase of materials and goods by the Group to and from the Kajang Rocks Group of Companies [(v)]	20,000	–
(f)	Purchase of materials and goods by the Group from Linear Towerline (M) Sdn Bhd (formerly known as Nihon Spindle (M) Sdn Bhd) [(vi)]	–	188,000

Additional Compliance Information

Notes:-

(i) *Kejuruteraan Rayton Sdn Bhd is a company in which Ramli bin Abu Kasim, a substantial shareholder of the Company, has interest as a director and shareholder holding not less than 15% direct interest.*

(ii) *Megaduct Systems (M) Sdn Bhd is a company in which Lew Chih Bok, son of Lew Mew Choi who is a director and substantial shareholder of the Company, has interest as a director and shareholder holding not less than 15% direct interest.*

(iii) *Lew Mew Choi, a director and substantial shareholder of the Company, is the registered and beneficial owner of the office premises.*

(iv) *Megaduct Technology Sdn Bhd (formerly known as Mayduct Technology Sdn Bhd) is a company in which Lew Chih Bok, son of Lew Mew Choi who is a director and substantial shareholder of the Company, has interest as a director and shareholder holding not less than 15% direct interest.*

(v) *The Kajang Rocks Group of Companies comprises Kajang Rocks Quarry Sdn Bhd ("KRQ") and its subsidiary, Kajang Rocks Innopave Premix Sdn Bhd. Liew Meow Nyean, who is a director and substantial shareholder of the Company, is deemed to have interest as a director of KRQ and Liew Kiam Woon, who is a director and substantial shareholder of the Company, is deemed to have interest as a director and shareholder holding not less than 15% direct interest in KRQ.*

(vi) *Linear Towerline (M) Sdn Bhd (formerly known as Nihon Spindle (M) Sdn Bhd) is a wholly-owned subsidiary of Linear Corporation Berhad, a company in which Alan Rajendram A/L Jeya Rajendram, who is a director and substantial shareholder of the Company, has interest as a director and shareholder holding not less than 15% indirect interest. The recurrent related party transactions between the Group and Linear Towerline (M) Sdn Bhd were entered into subsequent to the 5th AGM at which the Shareholders' Mandate was given by the Company's shareholders. The Company will seek shareholders' mandate at the forthcoming Sixth Annual General Meeting ("6th AGM") for the Group to carry on with the recurrent related party transactions with Linear Towerline (M) Sdn Bhd.*

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

There were no non-audit fees paid or payable to the external auditors by the Group in respect of the financial year ended 31 December 2007.

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

The Company did not publish any profit estimates, forecasts or projections for the financial year.

The variance between the unaudited results for the financial year ended 31 December 2007 announced to Bursa Malaysia Securities Berhad ("Bursa Securities") on 28 February 2008 as compared to the audited results released to Bursa Securities on 30 October 2008 are as follows:-

	Audited Results RM'000	**Unaudited Results RM'000**	**Variance RM'000**	**%**
Profit before taxation	4,719	9,250	(4,531)	49.0
Taxation	(944)	(944)	–	–
Profit after tax for the year ("PAT")	3,775	8,306	(4,531)	54.5
Attributable to:				
Equity holders of the Company	3,619	8,150	(4,531)	55.6
Minority interests	156	156	–	–
	3,775	8,306	(4,531)	54.5

Additional Compliance Information

The explanation for the deviation in the PAT is as follows:-

	Note	RM'000
1. Unrealised net foreign exchange gain	a	479
2. Write down of other investment to net realisable value	b	(3,568)
3. Allowance for diminution in value of other investment	c	(1,500)
4. Others		58
		(4,531)

Note a
Unrealised net foreign exchange gain arising from translation of opening balance of foreign operations to functional currency of foreign operations at the exchange rate prevailing on 31 December 2006.

Note b
The amount of write down is the difference between the fair value of the Group's investment in 25,482,901 SILK Holdings Berhad (formerly known as Sunway Infrastructure Berhad) shares based on its market value of RM0.35 per share as at 31 December 2007 and the sale price of the said shares of RM0.21 per share as at 2 June 2008.

Note c
Allowance for diminution in the Group's investment in one unquoted assets backed subordinated secured variable rate bonds ("the Bond") issued by Kerisma Berhad arising from the downgrading of the Bond from "B" to "C" rating released by Malaysia Rating Corporation Berhad on 29 February 2008.

8. Profit Guarantee

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

Alan Rajendram A/L Jeya Rajendram, a non-executive director and substantial shareholder of the Company, had given a profit guarantee of not less than RM6.0 million to the Company in respect of the business of wholly-owned subsidiary LFE International Limited ("LFEI") for 3 full consecutive financial years of 2007, 2008 and 2009. This profit guarantee was crystallised on 28 October 2008 arising from the non-recognition of the business transactions of LFEI for years 2007 and 2008 and in pursuance thereof, Alan Rajendram A/L Jeya Rajendram has undertaken to pay the Company the sum of RM6,827,705 in respect of profit guarantee for the full financial year of 2007 and up to April 2008 when the business of LFEI was suspended.

9. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting as at the financial year ended 31 December 2007 or entered into during the financial year, by the Company and its subsidiaries which involved the interest of the Directors and substantial shareholders.

10. Revaluation of Landed Properties

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

Financial Statements

Directors' Report

for the year ended 31 December 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

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	Company RM
Profit attributable to:		
Shareholders of the Company	3,619,095	(452,192)
Minority interest	156,124	–
	3,775,219	(452,192)

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.

Dividend

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:

Lew Mew Choi
Liew Meow Nyean
Liew Kiam Woon
Chin Soong Jin
Chung Tack Soon
Tong Hock Sen
Alan Rajendram A/L Jeya Rajendram
Kee Ju-Hun
Dato' Hamzah Bin Zainudin (resigned on 15.03.2008)

Directors' interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
The Company				
(Shareholdings in which Directors have direct interests)				
Lew Mew Choi	7,604,108	–	–	7,604,108
Liew Meow Nyean	710,549	–	–	710,549
Liew Kiam Woon	133,843	4,000,000	–	4,133,843
Alan Rajendram A/L Jeya Rajendram	15,200,100	7,000,000	–	22,200,100
Kee Ju-Hun	1,022,300	–	–	1,022,300
(Shareholdings in which Directors have deemed interests*)				
Alan Rajendram A/L Jeya Rajendram	–	100 #	–	100
Lew Mew Choi	8,557,521	–	–	8,577,521
Liew Meow Nyean	7,605,562	20,000 #	(2,000,000)	5,625,562
Liew Kiam Woon	4,605,562	–	–	4,605,562

* *Deemed interest in shares held by virtue of Section 64(4)(c) of the Companies Act, 1965.*

\# *Deemed interest in 100 shares held by the spouse of Alan Rajendram A/L Jeya Rajendram and 20,000 ordinary shares held by the son of Liew Meow Nyean as at the date of enforcement of the Companies (Amendment) Act, 2007. By virtue of Section 134(12)(c) of the Companies Act, 1965, as amended pursuant to the Companies (Amendment) Act, 2007, these deemed interests shall be treated as interests of the Directors in the Company.*

Directors' interests (cont'd)

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 2007 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 or the fixed salary of full time employees of the related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

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

Issue of shares

During the financial year, the Company issued 17,700,000 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.

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

Options granted over unissued shares

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

Directors' Report

Other statutory information (cont'd)

In the opinion of the Directors, except for the write back of allowance for diminution in value of other investments and additional allowance for diminution in value of other investments as disclosed in Note 21 and significant events as disclosed in Note 31 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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.

Significant and subsequent events

The significant and subsequent events are disclosed in Note 31 and Note 32 to the financial statements respectively.

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

Lew Mew Choi

Liew Kiam Woon

Kuala Lumpur, Malaysia
Date: 28 October 2008

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 11* to 83* are drawn up in accordance with the provisions of the Companies Act, 1965 and 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 2007 and of the results of their operations and cash flows for the year ended on that date.

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

Lew Mew Choi

Liew Kiam Woon

Kuala Lumpur, Malaysia
Date: 28 October 2008

** pages 29 to 71 of this annual report*

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 11* to 83* 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 in the Federal Territory on 28 October 2008.

Liew Kiam Woon

Before me:

Aishah Bt Shahul Hameed, PJK
W565
Commission for Oaths
Kuala Lumpur, Malaysia

** pages 29 to 71 of this annual report*

Report of the Auditors

to the members of LFE Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of LFE Corporation Berhad, which comprise the balance sheets as at 31 December 2007 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11* to 83*.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

** pages 29 to 71 of this annual report*

Basis for Qualified Opinion

As discussed in Note 31 to the financial statements:

i. During the audit, we expressed concerns to the Audit Committee regarding LFE International Limited's ("LFEI") trading transactions. The Investigative Accountant engaged by the Audit Committee concluded in their investigation that they noted that there are many inconsistencies and issues in the application of the business model, as explained in Note 31.11;

ii. As of year end, a sum of RM24,217,366 was owed by a Distributor in relation to the trading activities of LFEI. Trading activities of LFEI were voluntarily suspended in April 2008 by a Director of LFEI and in August 2008, the debts due from the Distributor were consequently repaid and the residual sum of US$7,576,230 was placed to the credit of LFEI in the account of a Swedish association. KPMG continued to raise concerns with respect to the Swedish association and a legal opinion was obtained by Management. The appointed lawyer raised concerns regarding the Swedish association for, amongst others, possible non compliance with various Swedish laws in deposit taking, lending and related financial intermediary activities, as explained in Note 31.12;

iii. Given the uncertainties surrounding the Swedish association, on 27 October 2008 the Board of Directors decided not to recognize the trading transactions of LFEI in the Group financial statements, as explained in Note 31.15.1;

iv. Pursuant to the Management Agreement dated 1 March 2007 as explained in Note 31.3, the Director of LFEI has provided a profit guarantee amounting to RM6,208,229 for the financial year ended 31 December 2007 and in this respect had undertook to honour his obligations ("the Undertaking") to pay the full amount of US$7,526,230 (including the advance of RM18,463,000) to the credit of LFEI in connection with the accounts held in the Swedish association. In order to fully secure the Undertaking, the Director further pledged 25 million shares in Stanton Technologies Ltd., a company incorporated in Dubai International Financial Centre ("the Pledge"), as explained in Note 31.13. Following the execution of the Undertaking and Pledge by the Director of LFEI, on 27 October 2008 the Board decided to recognize the profit guarantee and advances to LFEI.

Report of the Auditors

Basis for Qualified Opinion (cont'd)

On 16 July 2008 a Malaysian investment bank performed a desktop valuation which showed that the Stanton Technologies Ltd shares which were pledged as security were valued at no less than US$0.45 per share as explained in Note 31.15.3. We are unable to perform other audit procedures to satisfy ourselves on the value and sufficiency of shares pledged to adequately secure the payment to be made for the amount due from the Director. Accordingly we are unable to satisfy ourselves as to the recoverability of the amounts due to the Group by the Director of RM24,144,592 (as disclosed in Note 10 to the financial statements) and due to the Company by the subsidiary, LFE International Limited of RM4,258,568 (as disclosed in Note 27 to the financial statements).

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recoverability of amount due from a Director to the Group and amount due from LFE International Limited to the Company, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and Company as of 31 December 2007 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and where audited, the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

c) Except as described in the Qualified Opinion paragraph, we are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Johan Idris
Partner
Approval Number: 2585/10/10(J)

Kuala Lumpur,
Date: 28 October 2008

Balance Sheets

as at 31 December 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Assets					
Property, plant and equipment	3	4,396,851	2,657,681	–	–
Land held for property development	4	3,714,320	3,714,320	–	–
Intangible assets	5	–	393,950	–	–
Investment properties	6	6,118,700	5,078,606	–	–
Investments in subsidiaries	7	–	–	20,660,582	15,660,582
Investment in associate	8	–	–	–	–
Other investments	9	7,358,409	7,753,090	–	–
Total non-current assets		21,588,280	19,597,647	20,660,582	15,660,582
Receivables, deposits and prepayment	10	113,153,358	92,186,795	27,912,616	15,198,265
Inventories	11	2,913,229	3,371,958	–	–
Tax recoverable		876,815	2,013,332	–	–
Assets classified as held for sale	12	1,706,556	1,158,597	–	–
Property development cost	4	722,170	485,364	–	–
Cash and cash equivalents	13	29,459,279	14,629,274	218,032	5,437
Total current assets		148,831,407	113,845,320	28,130,648	15,203,702
Total assets		170,419,687	133,442,967	48,791,230	30,864,284
Equity					
Share capital	14	84,900,002	67,200,002	84,900,002	67,200,002
Reserves	15	4,511,915	4,934,010	5,218,125	5,218,125
Accumulated losses		(48,764,406)	(52,383,501)	(42,652,499)	(42,200,307)
Total equity attributable to shareholders of the Company		40,647,511	19,750,511	47,465,628	30,217,820
Minority interest		726,574	570,450	–	–
Total equity		41,374,085	20,320,961	47,465,628	30,217,820

Balance Sheets

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Liabilities					
Loans and borrowings	16	37,050,757	37,240,863	–	–
Deferred tax liabilities	17	164,867	336,722	–	–
Total non-current liabilities		37,215,624	37,577,585	–	–
Payables and accruals	18	72,091,936	45,822,253	1,325,602	646,464
Loans and borrowings	16	18,257,507	28,598,588	–	–
Taxation		1,480,535	1,123,580	–	–
Total current liabilities		91,829,978	75,544,421	1,325,602	646,464
Total liabilities		129,045,602	113,122,006	1,325,602	646,464
Total equity and liabilities		170,419,687	133,442,967	48,791,230	30,864,284

The notes on pages 19* to 83* are an integral part of these financial statements.

** pages 37 to 71 of this annual report*

Income Statements
for the year ended 31 December 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Revenue	19	131,023,480	109,836,048	81,000	324,000
Cost of sales		(121,733,010)	(106,684,912)	–	–
Gross profit		9,290,470	3,151,136	81,000	324,000
Other income		16,910,033	4,275,468	–	956,425
Administrative expenses		(12,493,134)	(10,422,179)	(485,075)	(821,829)
Other expenses		(5,928,036)	(12,417,648)	–	(1,977,224)
Results from operating activities		7,779,333	(15,413,223)	(404,075)	(1,518,628)
Interest income		1,304,454	17,540	10,903	2,741
Finance costs	20	(4,269,915)	(4,365,373)	–	–
Operating profit/(loss)	21	4,813,872	(19,761,056)	(393,172)	(1,515,887)
Share of loss in associate		(94,340)	(28,520)	–	–
Profit/(Loss) before taxation		4,719,532	(19,789,576)	(393,172)	(1,515,887)
Tax expense	23	(944,313)	(851,058)	(59,020)	44,170
Profit/(Loss) for the year		3,775,219	(20,640,634)	(452,192)	(1,471,717)
Attributable to:					
Shareholders of the Company		3,619,095	(20,771,184)	(452,192)	(1,471,717)
Minority interest		156,124	130,550	–	–
		3,775,219	(20,640,634)	(452,192)	(1,471,717)
Basic earnings/(loss) per ordinary share (sen)	26	5.01	(38.89)		

The notes on pages 19* to 83* are an integral part of these financial statements.

** pages 37 to 71 of this annual report*

Statement of Changes in Equity

for the year ended 31 December 2007

Group	Share capital RM	Share premium RM	Translation reserve RM	Accumulated losses RM	Total RM	Minorit interest RM	Total equity RM
	--------- *Non-distributable* ----------						
At 1 January 2006	52,000,002	5,218,125	97,019	(31,612,317)	25,702,829	–	25,702,829
Exchange differences on translation	–	–	(381,134)	–	(381,134)	–	(381,134)
Loss for the year	–	–	–	(20,771,184)	(20,771,184)	130,550	(20,640,634)
Total recognised income and expense for the year	–	–	(381,134)	(20,771,184)	(21,152,318)	130,550	(21,021,768)
Issuance of new ordinary shares							
– Private placement	5,200,000	–	–	–	5,200,000	–	5,200,000
– Restricted issue	10,000,000	–	–	–	10,000,000	–	10,000,000
Acquisition of subsidiary (Note 30)	–	–	–	–	–	439,900	439,900
At 31 December 2006/1 January 2007	67,200,002	5,218,125	(284,115)	(52,383,501)	19,750,511	570,450	20,320,961
Exchange differences on translation	–	–	(422,095)	–	(422,095)	–	(422,095)
Profit for the year	–	–	–	3,619,095	3,619,095	156,124	3,775,219
Total recognised income and expense for the year	–	–	(422,095)	3,619,095	3,197,000	156,124	3,353,124
Issuance of new ordinary shares							
– Restricted issue	17,700,000	–	–	–	17,700,000	–	17,700,000
At 31 December 2007	84,900,002	5,218,125	(706,210)	(48,764,406)	40,647,511	726,574	41,374,085
	Note 14	Note 15	Note 15				

Statement of Changes in Equity

Company	Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
	-----------Non-distributable------------			
At 1 January 2006	52,000,002	5,218,125	(40,728,590)	16,489,537
Loss for the year	–	–	(1,471,717)	(1,471,717)
Issuance of new ordinary shares				
– Private placement	5,200,000	–	–	5,200,000
– Restricted issue	10,000,000	–	–	10,000,000
At 31 December 2006/1 January 2007	67,200,002	5,218,125	(42,200,307)	30,217,820
Loss for the year	–	–	(452,192)	(452,192)
Issuance of new ordinary shares				
– Restricted issue	17,700,000	–	–	17,700,000
At 31 December 2007	84,900,002	5,218,125	(42,652,499)	47,465,628
	Note 14	Note 15		

The notes on pages 19* to 83* are an integral part of these financial statements.

** pages 37 to 71 of this annual report*

Cash Flow Statements

for the year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash flows from operating activities				
Profit/(Loss) before tax	4,719,532	(19,789,576)	(393,172)	(1,515,887)
Adjustments for:				
Allowance for doubtful debts	333,198	3,847,890	–	1,977,224
Allowance for diminution in value of other investment	1,500,000	7,846,881	–	–
Allowance for slow moving inventories	16,036	–	–	–
Bad debts recovered	(318,090)	–	–	–
Bad debts written off	40,532	–	–	–
Impairment loss on goodwill	393,950	195,939	–	–
Interest expense	4,269,915	4,365,373	–	–
Interest income	(1,304,454)	(17,540)	(10,903)	–
Investment properties				
– Fair value surplus	(1,244,873)	(701,336)	–	–
– Gain on disposal	(226,243)	(166,277)	–	–
Loss on disposal of quoted investment	6,350	–	–	–
Property, plant and equipment				
– Depreciation	2,729,554	689,620	–	100,430
– Loss/(Gain) on disposal	2,200	(657,937)	–	(643,226)
– Written off	–	129,803	–	–
Reversal of allowance for diminution in value of investment properties	(232,000)	–	–	–
Share of loss of an associate	94,340	28,520	–	–
Unrealised foreign exchange				
– Loss	407,429	–	–	–
– Gain	(611,428)	–	–	–
Write-back of allowance for diminution in value of other investment	(4,718,037)	–	–	–
Write back of allowance for doubtful debts	(1,860,196)	(1,500,000)	–	–
Write down of other investment to its net realisable value	3,567,606	–	–	–
Operating profit/(loss) before working capital changes	7,565,321	(5,728,640)	(404,075)	(81,459)

Cash Flow Statements

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Operating profit/(loss) before working capital changes	7,565,321	(5,728,640)	(404,075)	(81,459)
Changes in working capital:				
Inventories	442,693	2,022,861	–	–
Trade and other receivables	(27,930,356)	(26,154,415)	(24,014,352)	148,785
Trade and other payables	23,741,726	15,245,138	679,139	(313,813)
Cash generated from/(used in) operations	3,819,384	(14,615,056)	(23,739,288)	(246,487)
Interest expense	(4,269,915)	(4,365,373)	–	–
Taxes paid	(940,286)	–	(59,020)	–
Tax refund	1,733,332	1,453,429	–	–
Net cash generated from/(used in) operating activities	342,515	(17,527,000)	(23,798,308)	(246,487)
Cash flows from investing activities				
Acquisition of subsidiary (Note 30)	–	(123,387)	–	(160,004)
Additions in investment in a subsidiary	–	–	(5,000,000)	(15,000,000)
Advance received from investors for the restricted issue	15,000,000	–	15,000,000	–
Refund to investors of the restricted issue	(15,000,000)	–	(15,000,000)	–
Interest income	1,304,454	17,540	10,903	–
Purchase of property, plant and equipment	(4,510,229)	(93,061)	–	–
Acquisition of investment properties	(94,550)	–	–	–
Acquisition of investment in an associated company	(94,340)	–	–	–
Proceeds from disposal of property, plant and equipment	11,321,000	1,117,600	11,300,000	–
Property development cost	(236,806)	(485,364)	–	–
Proceed from sale of quoted shares	38,761	–	–	–
Net cash generated/(used in) from investing activities	7,728,290	433,328	6,310,903	(15,160,004)

Cash Flow Statements

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Cash flows from financing activities					
(Decrease)/Increase in pledged deposits		(7,700,000)	72,978	–	–
Proceeds from issuance of shares		17,700,000	15,200,000	17,700,000	15,200,000
Drawdown from borrowings		23,023,525	42,134,813	–	–
Repayment of term loans and other bank borrowings		(30,397,899)	(29,476,651)	–	–
Repayment of hire purchase liabilities		(214,857)	(329,991)	–	–
Net cash generated from financing activities		2,410,769	27,601,149	17,700,000	15,200,000
Exchange differences on translation		(409,614)	(381,134)	–	–
Net increase/(decrease) in cash and cash equivalents		10,071,960	10,126,343	212,595	(206,491)
Cash and cash equivalents at 1 January		1,358,500	(8,767,843)	5,437	211,928
Cash and cash equivalents at 31 December	(i)	11,430,460	1,358,500	218,032	5,437

(i) Cash and cash equivalents

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

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Deposits placed with licensed banks	22,004,242	687,227	–	–
Cash and bank balances	7,455,037	13,942,047	218,032	5,437
Bank overdrafts	(9,655,777)	(12,597,732)	–	–
	19,803,502	2,031,542	218,032	5,437
Pledged deposits	(8,373,042)	(673,042)	–	–
	11,430,460	1,358,500	218,032	5,437

The notes on pages 19* to 83* are an integral part of these financial statements.

* pages 37 to 71 of this annual report

Notes to the 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 2007 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in the associate. The financial statements of the Company as at and for the year ended 31 December 2007 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 in electrical and mechanical engineering services and maintenance works, trading and distribution of consumer information technology components, whilst the principal activity of the jointly controlled operations is as stated in Note 29.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with 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 applicable disclosure provisions of the listing requirements of the Bursa Securities Malaysia Berhad.

The MASB has also issued the following Financial Reporting Standards ("FRSs") and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements.

FRSs / Interpretations	**Effective date**
FRS 107, *Cash Flow Statements*	1 July 2007
FRS 111, *Construction Contracts*	1 July 2007
FRS 112, *Income Taxes*	1 July 2007
FRS 118, *Revenue*	1 July 2007
FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*	1 July 2007
Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
FRS 134, *Interim Financial Reporting*	1 July 2007
FRS 137, *Provisions, Contingent Liabilities and Contingent Assets*	1 July 2007
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 7, *Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007

The Group and the Company plan to apply the rest of the abovementioned FRSs except for FRS 120, FRS 139 and the IC Interpretations as explained below for the annual period beginning 1 January 2008.

FRS 120, FRS 139 and the IC Interpretations are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

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

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

FRS 139 will only be effective for annual period beginning 1 January 2010. The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs is not expected to have any material impact on the financial statements of the Group and the Company.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis unless otherwise stated.

(c) **Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency, 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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 6 – valuation of investment properties
- Note 12 – valuation of assets classified as held for sale
- Note 25 – contingencies

2. **Significant accounting policies**

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

(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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, 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 (or included in a disposal group that 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 (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, 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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Associates (cont'd)

Investments in associates are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Joint ventures

Jointly-controlled operation and assets

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic entity. In respect of its interest in jointly controlled operation, the Group recognised in its financial statements the assets it controls and the liabilities that it incurs as well as the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the Group recognised in its financial statements its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities which it has incurred; its share of any liabilities incurred jointly with other ventures in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture together with its share of any expenses incurred by the joint venture and any expenses which it has incurred in respect of its interest in the joint venture.

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) 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 with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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

(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 at the exchange 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 statements.

(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 average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

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

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date are as follows:

	2007	2006
United States Dollar (USD)	3.3069	3.5301
Renmimbi (RMB)	2.2084	–
Vietnam Dong (VND)	4,841	4,547
UAE Dirhams (AED)	1.1110	–
Qatari Riyal (QAR)	1.1038	–

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and 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. The cost of self-constructed assets also includes the cost of materials and direct labour. 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 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements.

(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 statements.

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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(vi) Depreciation

Depreciation is recognised in the income statements 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 assets of the jointly controlled operation are depreciated over the period of the contract of 31 months.

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

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

(vi) Depreciation (cont'd)

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

• Plant and machinery	2 – 3 years
• Buildings	50 years
• Motor vehicles	5 years
• Furniture, fittings and office equipment	5 – 10 years
• Air conditioners and renovation	10 years

The depreciable amount is determined after deducting the residual value.

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

(d) **Leased assets**

(i) Finance lease

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.

(ii) Operating lease

Other leases are operating leases and, except for leasehold land classified as investment property, the leased assets are not recognised 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.

Payments made under operating leases are recognised in the income statements 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.

(e) **Intangible assets**

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

Any excess the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisitions is recognised immediately in income statements.

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.

(ii) 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,
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

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 statements.

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

(i) Investment property carried at fair value

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.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

(ii) Reclassification to/from investment property

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 made through the income statements.

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 statements.

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 it cost for subsequent accounting.

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio.

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.

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Cost comprises the original purchase price plus incidentals in bringing the inventories to their present locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(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.

Receivables are not held for the purpose of trading.

(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. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

(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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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 statements. 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 rata basis.

2. Significant accounting policies (cont'd)

(m) Impairment of assets (cont'd)

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 statements in the year in which the reversals are recognised.

(n) Land held for property development and property development costs

(i) Land held for property 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.

The carrying amount of the land is reviewed at each balance sheet date to determine whether there is any indication of impartment. Where an indication of impairment exists, the carrying amount of the land is assessed and written down immediately to its recoverable amount.

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.

(ii) Property development cost

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Borrowing cost incurred on external borrowings related to development of property under construction are capitalised until completion of the development projects.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the year in which they are incurred.

An expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

(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 statements 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.

The Group's contribution to the statutory pension funds are 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 statements as incurred.

2. Significant accounting policies (cont'd)

(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 that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(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, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in the income statements in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

(iii) 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. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion of the contract is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

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 statements.

(iv) Property development

Revenue from development activities is recognised based on the proportionate sales value of the development unit sold, attributable to the work performed, determined by the stage of completion. This stage of completion is determined by the level of development costs incurred as a proportion of the estimated total development costs to completion.

(v) Rental income

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

(vi) Dividend income

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

2. Significant accounting policies (cont'd)

(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.

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 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 statements 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 numbers 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	Plant and machinery RM	Freehold land and buildings RM	Leasehold land and buildings RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Air conditioners and renovation RM	Total RM
Costs							
At 1 January 2006	–	12,854,325	45,504	2,473,745	1,576,841	485,021	17,435,436
Additions	–	–	–	–	90,141	2,920	93,061
Disposals/written off	–	(10,991,542)	(45,504)	(76,687)	(72,581)	–	(11,186,314)
Effect of movements in exchange rates	–	–	–	(14,354)	(23,871)	(2,652)	(40,877)
Transfer to investment properties (Note 6)	–	(1,703,531)	–	–	–	–	(1,703,531)
At 31 December 2006/1 January 2007	–	159,252	–	2,382,704	1,570,530	485,289	4,597,775
Additions	3,830,833	–	–	241,848	405,271	32,277	4,510,229
Disposal	–	–	–	(49,920)	–	–	(49,920)
Effect of movements in exchange rates	(31,375)	–	–	3,398	(3,948)	625	(31,300)
At 31 December 2007	3,799,458	159,252	–	2,578,030	1,971,853	518,191	9,026,784
Accumulated depreciation							
At 1 January 2006	–	241,628	2,099	926,067	355,076	113,091	1,637,961
Charge for the year	–	103,469	–	333,294	209,209	43,648	689,620
Disposals/Written off	–	(334,767)	(2,099)	(35,798)	–	–	(372,664)
Effect of movements in exchange rates	–	–	–	(9,479)	(3,590)	(1,754)	(14,823)
At 31 December 2006/1 January 2007	–	10,330	–	1,214,084	560,695	154,985	1,940,094
Charge for the year	1,977,203	–	–	342,821	358,668	50,862	2,729,554
Disposal	–	–	–	(26,720)	–	–	(26,720)
Effect of movements in exchange rates	(16,193)	–	–	3,396	(834)	636	(12,995)
At 31 December 2007	1,961,010	10,330	–	1,533,581	918,529	206,483	4,629,933
Carrying amounts							
At 1 January 2006	–	12,612,697	43,405	1,547,678	1,221,765	371,930	15,797,475
At 31 December 2006/1 January 2007	–	148,922	–	1,168,620	1,009,835	330,304	2,657,681
At 31 December 2007	1,838,448	148,922	–	1,044,449	1,053,324	311,708	4,396,851

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

Included in the property, plant and equipment are motor vehicles with carrying amount of RM638,172 (2006 - RM797,715) which are held in trust by Directors on behalf of the Company.

Assets under hire purchase

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with carrying amounts of RM608,352 (2006 – RM1,115,496).

4. Land held for property development

	Group	
	2007	2006
	RM	RM
Land held for property development		
Freehold land at costs		
At 1 January/31 December	3,714,320	3,714,320
Property development costs		
At 1 January	485,364	–
Additions	236,806	485,364
At 31 December	722,170	485,364

Included in the property development costs is interest expense of RM153,168 (2006 – RM112,973) capitalised during the financial year.

The land is pledged as security as a first party fixed charge for a banking facility.

5. Intangible assets

	Group	
	2007	2006
	RM	RM
Goodwill		
At 1 January	393,950	589,889
Less: Impairment loss	(393,950)	(195,939)
At 31 December	–	393,950

Impairment loss

The impairment loss is recognised in other expenses in the income statements.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's electrical and mechanical engineering division. The recoverable amount was based on its value in use.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit.

6. Investment properties

	Group	
	2007	2006
	RM	RM
At 1 January	5,078,606	5,244,702
Acquisitions	1,041,180	1,323,063
Reinstatement	232,000	–
Disposals	(930,000)	(2,735,429)
Transfer from assets held for sale (Note 12)	1,158,597	–
Transfer from property, plant and equipment (Note 3)	–	1,703,531
	6,580,383	5,535,867
Change in fair value	1,244,873	701,336
Transfer to assets held for sale (Note 12)	(1,706,556)	(1,158,597)
At 31 December	6,118,700	5,078,606

6. Investment properties (cont'd)

	Group 2007 RM	Group 2006 RM
Included in the above are:		
Freehold land and building	4,675,870	3,236,927
Leasehold land and building with unexpired lease period of more than 50 years	1,442,830	1,841,679
	6,118,700	5,078,606

All the investment properties are determined based on market values where the fair value is arrived at by reference to market evidence of transaction prices for similar properties.

Investment properties of the Group amounting to RM3,125,471 (2006 - RM180,000) are pledged as security for banking facilities.

7. Investments in subsidiaries

	Company 2007 RM	Company 2006 RM
Unquoted shares, at cost		
At 1 January	57,139,201	41,979,197
Acquisition of subsidiary (Note 30)	–	160,004
Increase investment in a subsidiary	5,000,000	15,000,000
At 31 December	62,139,201	57,139,201
Less: Impairment losses	(41,478,619)	(41,478,619)
	20,660,582	15,660,582

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 2007	Effective ownership interest 2006
LFE Engineering Sdn. Bhd.	Malaysia	Provision of general and specialised electrical and mechanical engineering services and maintenance works	100%	100%
LFE Engineering (JB) Sdn. Bhd. *(formerly known as Loong Fuat Engineering (JB) 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 Engineering (Shanghai) Limited *	People's Republic of China	Provision of general and specialised electrical and mechanical engineering services and maintenance works	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%

7. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Effective ownership interest 2007	2006
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 International Limited *(formerly known as Inai Engineering Corporation Limited)* #@	British Virgin Islands	Distribution of consumer electronics products	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 Builder Sdn. Bhd.	Malaysia	Property investment	100%	100%
Bestgate Development Sdn. Bhd. *	Malaysia	Builders and contractors for construction work	51%	51%

* Not audited by KPMG
\# Company not required to be audited in its country of incorporation
@ Consolidated based on management accounts

8. Investment in associate

	Group 2007 RM	2006 RM
At cost:		
Unquoted shares	94,340	–
Share of loss	(94,340)	–
	–	–

The principal activities of the associate, its place of incorporation, and the interest of the Group is as follows:

Name of company	Country of incorporation	Principal activities	Effective ownership interest 2007	2006
LFE Engineering (Qatar) W.L.L *	Qatar	Provision of mechanical and electrical works and general building contracting	49%	–

* Not audited by KPMG

Summary financial information on the associate:

	2007 RM	2006 RM
For the period ended 31 December 2007:		
Revenue	7,610,489	–
Loss for the period	(859,467)	–
As at 31 December 2007:		
Total assets	9,775,163	–
Total liabilities	(10,469,235)	–

The Group has not recognised losses relating to the associate, totaling RM765,127 in 2007 since the Group has no obligation in respect of these losses.

9. Other investments

	Group 2007 RM	Group 2006 RM
Investments in unquoted subordinated bonds	3,500,000	3,500,000
Less: Allowance for diminution in value	(1,500,000)	–
	2,000,000	3,500,000
Quoted shares at cost	29,239,066	29,239,066
Disposal during the financial year	(310,128)	–
	28,928,938	29,239,066
Less: Allowance for diminution in value	(20,002,923)	(24,985,976)
Write down to net realisable value	(3,567,606)	
	5,358,409	4,253,090
	7,358,409	7,753,090
Market value of quoted shares	8,926,015	3,737,564

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

Write back of allowance for diminution in value has been made during the financial year for RM4,718,037 based on the market price per share as at 31 December 2007.

Subsequent to year end, the Group has sold off its entire equity interest in the quoted investments arising from a conditional take-over offer to acquire inter-alia all the remaining shares of the investee company at an offer price of RM0.21 per share.

10. Receivables, deposits and prepayments

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Current					
Trade					
Trade receivables		44,463,174	42,695,250	–	–
Less: Allowance for doubtful debts		(1,488,794)	(3,015,792)	–	–
		42,974,380	39,679,458	–	–
Construction work-in-progress	10.2	11,952,738	16,799,608	–	–
Progress billings receivables	10.3	11,927,912	12,044,687	–	–
Amount due from an associate company	10.4	866,619	–	–	–
		67,721,649	68,523,753	–	–
Non-trade					
Other receivables, deposits and prepayments		22,061,712	25,640,266	2,022,224	13,278,224
Less: Allowance for doubtful debts		(1,977,224)	(1,977,224)	(1,977,224)	(1,977,224)
		20,084,488	23,663,042	45,000	11,301,000
Amount due from subsidiaries (Note 27)	10.5	–	–	27,867,616	3,897,265
Amount due from an associate company	10.4	1,202,629	–	–	–
Amount due from a Director (Note 27)	10.6	24,144,592	–	–	–
		45,431,709	23,663,042	27,912,616	15,198,265
		113,153,358	92,186,795	27,912,616	15,198,265

10. Receivables, deposits and prepayments (cont'd)

10.1 Analysis of foreign currency exposure for significant receivables

The currency exposure profile of receivables is as follows:

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Currency				
– Ringgit Malaysia	52,287,833	78,471,227	27,887,133	15,186,033
– Renminbi	10,534,805	10,684,809	–	–
– Vietnamese Dong	1,708,612	3,030,759	–	–
– UAE Dirhams	22,408,268	–	–	–
– US Dollar	26,213,840	–	25,483	12,232
	113,153,358	92,186,795	27,912,616	15,198,265

10.2 Construction work-in-progress

	Group	
	2007 RM	**2006 RM**
Aggregate costs incurred to date	239,237,995	253,237,782
Add: Attributable profits	22,665,714	28,583,569
Less: Recognised losses	(11,128,955)	(7,310,656)
	250,774,754	274,510,695
Less: Progress billings	(244,690,242)	(271,051,376)
	6,084,512	3,459,319
Amount due to contract customers (Note 18)	5,868,226	13,340,289
	11,952,738	16,799,608

10.3 Progress billings receivables

Retention sums relating to construction work-in-progress are unsecured, interest free and expected to be collected as follows:

	Group	
	2007 RM	**2006 RM**
Within 1 year	5,917,340	3,083,866
1 – 2 years	2,981,324	2,647,868
2 – 3 years	1,568,801	1,470,457
3 – 4 years	450,546	4,087,161
4 – 5 years	1,009,901	755,335
	11,927,912	12,044,687

10.4 Amount due from an associate company

The trade receivable from an associate is subject to the normal trade terms.

10.5 Amount due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

10.6 Amount due from a Director

The amount due from a Director arose from a profit guarantee under a management agreement. Details elaboration disclosed in Note 31.

For related parties transactions refer to Note 27.

10.7 Other receivables, deposits and prepayment

Included in other receivables, deposits and prepayment are amounts owing by related parties of RM3,653,411 (2006 - RM1,523,366) (See Note 27).

11. Inventories

	Group 2007 RM	Group 2006 RM
At cost:		
Raw materials	2,335,464	2,416,196
Finished goods	577,765	955,762
	2,913,229	3,371,958

Allowance for slow moving inventories of RM16,036 (2006 – NIL) has been made during the financial year.

12. Assets classified as held for sale

	Group 2007 RM	Group 2006 RM
Property, plant and equipment		
At 1 January	1,158,597	–
Transfer to investment properties (Note 6)	(1,158,597)	–
Transfer from investment properties (Note 6)	1,706,556	1,158,597
At 31 December	1,706,556	1,158,597

Assets classified as held for sale comprise leasehold land and buildings.

13. Cash and cash equivalents

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Deposits placed with licensed banks	22,004,242	687,227	–	–
Cash and bank balances	7,455,037	13,942,047	218,032	5,437
	29,459,279	14,629,274	218,032	5,437

The currency exposure profile of deposits, bank and cash balances is as follows:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Currency				
– Ringgit Malaysia	13,933,034	12,498,270	218,032	5,437
– Vietnamese Dong	787,027	70,660	–	–
– UAE Dirham	13,118,800	–	–	–
– Renminbi	1,532,704	1,460,677	–	–
– British Pound	529	–	–	–
– US Dollar	87,185	599,667	–	–
	29,459,279	14,629,274	218,032	5,437

Deposits placed with licensed banks and financial institutions of the Group of RM8,373,042 (2006 - RM673,042) are pledged to banks as security for bank guarantees and overdraft facilities granted to its subsidiaries.

14. Share capital

	Group and Company Amount 2007 RM	Number of shares 2007	Amount 2006 RM	Number of shares 2006
Authorised:				
Ordinary shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	67,200,002	67,200,002	52,000,002	52,000,002
Issued during the year	17,700,000	17,700,000	15,200,000	15,200,000
At 31 December	84,900,002	84,900,002	67,200,002	67,200,002

During the financial year, the Company issued 17,700,000 new ordinary shares of RM1 each for cash for working capital purposes under Restricted Issues.

15. Reserves

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Non-distributable:				
Share premium	5,218,125	5,218,125	5,218,125	5,218,125
Translation reserve	(706,210)	(284,115)	–	–
	4,511,915	4,934,010	5,218,125	5,218,125

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 2007 RM	Group 2006 RM
Non-current		
Term loan – secured	1,800,000	1,800,000
Term loan – unsecured	35,000,000	35,000,000
Hire purchase – secured	250,757	440,863
	37,050,757	37,240,863
Current		
Term loan – unsecured	204,167	4,090,835
Overdrafts – unsecured	5,659,133	11,323,152
Overdrafts – secured	3,996,644	1,274,580
Bankers' acceptances – unsecured	7,777,802	10,088,895
Trust receipts – unsecured	430,319	1,606,932
Hire purchase – secured	189,442	214,194
	18,257,507	28,598,588

Security

The secured bank overdrafts of the Group are secured by way of fixed deposits, assignment of receivables and a fixed charge over receivables, the designated collections account and the sinking fund account and fixed charge over the Group's investment properties and is guaranteed by the Company.

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 CLO programme.

Terms and debt repayment schedule

Group 2007	Year of maturity	Total RM	Under 1 year RM	1 – 2 years RM	2 –5 years RM
Unsecured term loans – fixed at 7.0% per annum	2009	35,204,167	204,167	35,000,000	–
Unsecured overdrafts – variable at 1.25% to 1.75% above Base Lending Rate ("BLR")	N/A	5,659,133	5,659,133	–	–
Secured overdrafts – variable at 1.5% above Cost Of Fund ("COF") and variable at 1.25% to 1.75% above BLR	N/A	3,996,644	3,996,644	–	–
Unsecured bankers' acceptances – variable at 1.0% to 1.5% above the prevailing inter bank rate	2008	7,777,802	7,777,802	–	–
Unsecured trust receipts – variable at 1.0% to 1.75% above BLR	2008	430,319	430,319	–	–
Hire purchase liabilities – fixed at 3.25% to 6.5% per annum	2008 to 2011	440,199	189,442	135,228	115,529
Secured term loans – variable 1.75% above BLR	2009 and 2010	1,800,000	–	1,350,000	450,000
		55,308,264	18,257,507	36,485,228	565,529

16. Loans and borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

Group 2006	Year of maturity	Total RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM
Unsecured term loans – fixed at 7.0% per annum	2009	39,090,835	4,090,835	–	35,000,000
Secured overdrafts – variable at 1.5% above COF and variable at 1.25% to 1.75% above BLR	N/A	12,597,732	12,597,732	–	–
Unsecured bankers' acceptances – variable at 1.0% to 1.5% above the prevailing inter bank rate	N/A	10,088,895	10,088,895	–	–
Unsecured trust receipts – variable at 1.0% to 1.75% above BLR	2007	1,606,932	1,606,932	–	–
Hire purchase liabilities – fixed at 3.25% to 6.5% per annum	2007 to 2011	655,057	214,194	189,442	251,421
Secured term loans – variable 1.75% above BLR	2008 and 2009	1,800,000	–	1,800,000	–
		65,839,451	28,598,588	1,989,442	35,251,421

Hire purchase liabilities are payable as follows:

	Payments 2007 RM	Interest 2007 RM	Principal 2007 RM	Payments 2006 RM	Interest 2006 RM	Principal 2006 RM
Less than one year	227,156	37,714	189,442	257,199	43,005	214,194
Between one and five years	306,722	55,965	250,757	533,878	93,015	440,863
	533,878	93,679	440,199	791,077	136,020	655,057

17. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group 2007 RM	Group 2006 RM
Property, plant and equipment	24,549	15,312
Others	140,318	321,410
	164,867	336,722

Movement in temporary differences during the year:

Group	At 1.1.2006 RM	Recognised in income statement RM	At 31.12.2006 RM	Recognised in income statement RM	At 31.12.2007 RM
Property, plant and equipment	44,170	(28,858)	15,312	9,237	24,549
Others	140,318	181,092	321,410	(181,092)	140,318
	184,488	152,234	336,722	(171,855)	164,867

17. Deferred tax liabilities (cont'd)

Unrecognised deferred tax assets

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

	Group 2007 RM	Group 2006 RM
(Deductible)/Taxable temporary differences	(822,526)	574,000
Unabsorbed capital allowances	(441,505)	(59,693)
Unutilised tax losses	(27,085,832)	(25,399,006)
	(28,349,863)	(24,884,699)

18. Payables and accruals

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Current					
Trade					
Trade payables		26,645,454	23,654,081	–	–
Non-trade					
Amount due to Directors	18.2	1,591,563	1,316,063	1,000,000	–
Amount due to contract customers (Note 10)		5,868,226	13,340,289	–	–
Other payables and accrued expenses		37,986,693	7,511,820	325,602	646,464
		45,446,482	22,168,172	1,325,602	646,464
		72,091,936	45,822,253	1,325,602	646,464

18.1 Analysis of foreign currency exposure for significant payables

Analysis currency exposure profile of payables is as follows:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Currency				
– Ringgit Malaysia	33,700,010	39,243,981	1,325,602	646,464
– Renminbi	5,194,305	4,809,736	–	–
– Vietnamese Dong	972,279	1,768,536	–	–
– UAE Dirhams	32,069,117	–	–	–
– British Pound	156,225	–	–	–
	72,091,936	45,822,253	1,325,602	646,464

18.2 Amount due to Directors

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

19. Revenue

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Contract revenue	122,055,870	100,538,985	–	–
Rental income	66,000	264,000	81,000	324,000
Technology products	8,901,610	9,033,063	–	–
	131,023,480	109,836,048	81,000	324,000

20. Finance costs

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest expenses on:				
Term loan	2,691,968	2,515,513	–	–
Bank overdraft	962,413	803,542	–	–
Bankers' acceptance and trust receipts	471,542	526,739	–	–
Others	143,992	519,579	–	–
	4,269,915	4,365,373	–	–

21. Operating profit/(loss)

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Operating profit/(loss) is arrived at after crediting:					
Bad debts recovered		318,090	–	–	–
Fair value surplus	6	1,244,873	701,336	–	–
Gain on foreign exchange					
– realised		728,361	–	–	–
– unrealised		611,428	–	–	–
Gain on disposal of property, plant and equipment		–	657,937	–	643,226
Gain on disposal of investment properties		226,243	166,277	–	–
Interest income					
– Fixed deposit		1,216,249	17,540	10,903	–
– Others		89,234	–	–	–
Profit guarantee for IT business		6,208,229	–	–	–
Rental income on land and buildings		66,000	264,000	81,000	324,000
Stamp duty refund		–	313,200	–	313,200
Write back of allowance for diminution in value of other investments	9	4,718,037	–	–	–
Write back of allowance for doubtful debts		1,860,196	1,500,000	–	–

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
and after charging:					
Allowance for doubtful debts		333,198	3,847,890	–	1,977,224
Allowance for diminution in value of other investments	9	1,500,000	7,846,881	–	–
Allowance for slow moving inventories		16,036	–	–	–
Auditors' remuneration					
Holding company auditors					
– statutory audit					
– KPMG		116,000	89,000	35,000	30,000
– Affiliates of KPMG		12,000	–	–	–
– Under provision		4,500	8,000	2,000	6,000
– Other services		9,000	94,000	9,000	94,000
Other auditors					
– statutory audit		42,636	20,512	–	–
Bad debts written off		40,532	–	–	–
Depreciation					
– property, plant and equipment	3	2,729,554	689,620	–	100,430
Impairment loss on goodwill	5	393,950	195,939	–	–
Loss on disposal of property, plant and equipment		2,200	–	–	–
Loss on foreign exchange					
– realised		871,306	–	–	–
– unrealised		1,182,323	–	–	–
Loss on disposal of other investments		6,350	–	–	–
Property, plant and equipment written off		–	129,803	–	–

21. Operating profit/(loss) (cont'd)

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Operating profit/(loss) is arrived at after crediting (cont'd) :					
and after charging:					
Personnel expenses (including key management) personnel):					
– Contributions to Employees' Provident Fund		457,978	521,282	–	–
– Wages, salaries and others		9,933,195	7,403,736	–	–
Rental of premises		498,379	185,478	–	–
Rental of equipment		36,044	34,701	–	–
Rental of plant and machinery		150,428	120,425	–	–
Write down of other investment to its net realisable value	9	3,567,606	–	–	–

22. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Directors				
– Fees	77,550	116,100	60,000	87,000
– Remuneration	1,474,557	1,399,577	–	–
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	171,374	114,887	–	10,000
Employees' Provident Fund	100,068	113,760	–	–
Total short-term employee benefits	1,823,549	1,744,324	60,000	97,000

23. Tax expense

Recognised in the income statement

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Current tax expense				
Malaysia – current	837,245	310,575	–	–
– under provision in prior year	56,891	–	59,020	–
Overseas – current	222,032	668,249	–	–
	1,116,168	978,824	59,020	–
Deferred tax expense				
Original and reversal of temporary differences	–	196,404	–	–
Over provision in prior year	(171,855)	(44,170)	–	(44,170)
	(171,855)	152,234	–	(44,170)
Tax benefit arising from dividends	–	(280,000)	–	–
	(171,855)	(127,766)	–	(44,170)
Total tax expense	944,313	851,058	59,020	(44,710)
Profit/(loss) before taxation	4,719,532	(19,789,576)	(393,172)	(1,515,887)
Tax at Malaysian tax rate Rate of 27% (2006 - 28%)	1,274,274	(5,541,081)	(106,156)	(424,448)
Effect of lower tax rate for certain subsidiaries*	(137,343)	–	–	–
Effect of tax rates in foreign jurisdictions**	497,058	44,120	–	–
Effect of change in tax rate ***	507,485	-	–	–
Non-deductible expenses	2,018,845	2,129,000	106,156	214,823
Tax exempt income	(2,458,164)	–	–	–
Deferred tax assets not recognised	(403,257)	4,421,000	–	75,039
Other items	(239,621)	(157,811)	–	134,586
	1,059,277	895,228	–	–
(Over)/Under provision in prior years	(114,964)	(44,170)	59,020	(44,170)
	944,313	851,058	59,020	(44,710)

23. Tax expense (cont'd)

* Subsidiaries operating in several foreign jurisdictions with lower tax rates.

** With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

*** With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008 and to 25% with effect from year of assessment 2009 respectively. Consequently, deferred tax assets and liabilities are measured using these tax rates.

24. Financial instruments

Exposure to credit, foreign currency exchange, liquidity and interest rate risks arises in the normal course of the Group's 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

The Group's exposure to credit risk arises through their receivables. The Group has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis through review of the ageing of its receivables.

At the balance sheet date there were no concentrations of credit risk other than 31% and 23% of trade receivables due from one debtor from the trading and distribution of technology products and two debtors from the electrical and mechanical engineering business segment, respectively. The credit risk from the trading and distribution of technology products was mitigated by a profit guarantee given by a Director of the Company of not less than RM6 million per year and the said Director further undertook to ensure the recovery of any debts arising from the aforesaid arrangement, as mentioned in Note 31.

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

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 Group's foreign subsidiaries and branch to Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar, Vietnamese Dong, Renminbi, UAE Dirhams, British Pound and Qatar Riyals.

The Group maintains a natural hedge to the extent that payments for foreign currency payables will be matched against receivables denominated in the same foreign currency and whenever possible, borrow in the currency of the country in which the business is located.

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's and the Company's operations and to mitigate the effects of fluctuation in cash flows.

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. The Group's investment in financial assets are mainly short-term in nature (placement with licensed financial institutions) and they are not held for speculative activities. As such, interest rate risk exposure is only limited to fluctuations in short-term money markets interest rates.

24. 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 2007	Average effective interest rate	Total RM	Less than 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	More than 5 years RM
Financial assets								
Deposits placed with licensed banks	3.0%	22,004,242	22,004,242	–	–	–	–	–
Unquoted subordinated bonds	*	2,000,000	2,000,000	–	–	–	–	–
		24,004,242	24,004,242	–	–	–	–	–
Financial liabilities								
Bank overdrafts – secured	7.5%	3,996,644	3,996,644	–	–	–	–	–
Bank overdrafts – unsecured	7.5%	5,659,133	5,659,133	–	–	–	–	–
Bankers' acceptances – unsecured	3.7%	7,777,802	7,777,802	–	–	–	–	–
Trust receipts – unsecured	7.9%	430,319	430,319	–	–	–	–	–
Term loan – unsecured	7.0%	35,204,167	204,167	35,000,000	–	–	–	–
Term loan – secured	8.5%	1,800,000	1,800,000	–	–	–	–	–
Hire purchase liabilities – secured	4.8%	440,199	189,442	135,228	94,669	20,860	–	–
		55,308,264	20,057,507	35,135,228	94,669	20,860	–	–

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

24. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

Group 2006	Average effective interest rate	Total RM	Less than 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	More than 5 years RM
Financial assets								
Deposits placed with licensed banks	3.3%	687,227	687,227	–	–	–	–	–
Unquoted subordinated bonds	*	3,500,000	3,500,000	–	–	–	–	–
		4,187,227	4,187,227	–	–	–	–	–
Financial liabilities								
Bank overdrafts – secured	8.3%	1,474,710	1,474,710	–	–	–	–	–
Bank overdrafts – unsecured	8.3%	11,123,022	11,123,022	–	–	–	–	–
Bankers' acceptances – unsecured	3.8%	10,088,895	10,088,895	–	–	–	–	–
Trust receipts – unsecured	7.9%	1,606,932	1,606,932	–	–	–	–	–
Term loan – unsecured	7.0%	39,090,835	4,090,835	–	35,000,000	–	–	–
Term loan – secured	8.5%	1,800,000	1,800,000	–	–	–	–	–
Hire purchase liabilities – secured	4.8%	655,057	214,194	189,442	135,228	94,669	21,524	–
		65,839,451	30,398,588	189,442	35,135,228	94,669	21,524	–

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

24. Financial instruments (cont'd)

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, 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.

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

Group	2007 Carrying amount RM	2007 Fair value RM	2006 Carrying amount RM	2006 Fair value RM
Financial assets				
Quoted shares	5,358,409	8,926,015	4,253,090	3,737,564
Unquoted subordinated bonds	2,000,000	*	3,500,000	*
Financial liabilities				
Term loan – unsecured	35,204,167	35,204,167	39,090,835	39,090,835
Term loan – secured	1,800,000	1,800,000	1,800,000	1,800,000

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

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.

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.

25. 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 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
In respect of letter of credit issued by a financial institution on behalf of a jointly controlled operation to a third party	626,899	–	–	–
In respect of Labour Guarantee issued by a financial instituition on behalf of a jointly controlled operation to the Ministry of Labour	1,457,696	–	–	–
In respect of corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries	–	–	156,650,000	153,200,000
In respect of corporate guarantee issued to financial institutions for credit facilities granted to a jointly control entity	–	–	27,002,700	–
In respect of corporate guarantee issued to suppliers of raw materials purchased by a subsidiary	–	–	7,000,000	7,000,000
In respect of letter of guarantee issued by a subsidiary to a third party	250,000	250,000	–	–
In respect of performance bond issued by Company to client in respect of due performance of contracts awarded to subsidiary companies	–	–	628,000	628,000

26. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2007	**2006**
	RM	**RM**
Profit/(loss) for the year attributable to shareholders	3,619,095	(20,771,184)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	67,200,000	52,000,000
Effect of shares issued during the year	5,082,466	1,408,220
Weighted average number of ordinary shares at 31 December	72,282,466	53,408,220
Basic earnings/(loss) per share	5.01	(38.89)

27. Related parties

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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group, other than key management personnel compensation which is disclosed in Note 22, are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Transactions with subsidiary companies				
LFE Engineering Sdn. Bhd.				
– Rental receivable	–	–	15,000	60,000
LFE International Limited				
– Advances made	–	–	15,000,000	–
Transactions with jointly control entity				
– Administrative expenses paid on behalf of IJM-Sunway Builder-Zelan-LFE Consortium ("ISZL")	247,672	–	–	–
Transactions with associated company				
LFE Engineering Qatar W.L.L				
– Recharge of project mobilisation expenses	1,230,891	–	–	–
– Technical consultancy fees	866,619	–	–	–
– Human resources and accounting service fees	164,268	–	–	–
Transactions with companies in which a substantial shareholder has financial interests				
Contract revenue				
– Kejuruteraan Rayton Sdn. Bhd.	1,023,066	3,331,300	–	–

27. Related parties (cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Transactions with companies in which certain Directors have substantial interests				
Mayduct Technology Sdn. Bhd. – Rental income	66,000	264,000	–	–
Megaduct Systems Sdn. Bhd. – Rental expense	195,388	–	–	–
Mayduct Technology Sdn. Bhd. – Purchase of materials	23,281	986,158	–	–
Nihon Spindle (M) Sdn. Bhd. – Purchase of materials	188,000	–	–	–
Kekal Jaya Enterprise Sdn. Bhd. – Administrative expenses paid on behalf	–	78,988	–	–
Transaction with Directors				
Lew Mew Choi				
– Rental expense	80,425	68,654	–	–
– Sale of premises	–	11,300,000	–	11,300,000
Alan Rajendram A/L Jeya Rajendram - Undertaking and profit guarantee	24,144,592	–	–	–

Alan Rajendram A/L Jeya Rajendram, a Director of LFE International Limited, a wholly-owned subsidiary of the Company, which involved in the trading and distribution of technology products segment, had given a profit guarantee of not less than RM6 million per year for 3 consecutive financial year ending 31 December 2007, 2008 and 2009, vide a management agreement dated 1 March 2007 and further undertook to ensure the recovery of the full amount standing to the credit of the Swedish association account.

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Transaction with a close member of a substantial shareholder and Director				
Lew Fuong Yang - Sale of materials	–	11,890	–	–

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

Outstanding advances/balances owing by subsidiary companies included in receivables, deposits and prepayments (Note 10) are as follows:-

	Company	
	2007 RM	2006 RM
LFE Engineering Sdn. Bhd.	19,534,360	72,622
LFE Engineering (JB) Sdn. Bhd.	264,309	263,994
Loong Fuat Engineering (BVI) Ltd	25,483	12,233
LFE Technology Sdn. Bhd.	10,243	–
LFE Builder Sdn. Bhd.	2,035,840	2,013,603
LFE International Limited	4,258,568	–
Mediaforte Holdings Sdn. Bhd.	769,813	769,813
Bestgate Development Sdn. Bhd.	969,000	765,000
	27,867,616	3,897,265

Outstanding advances/balances owing by related parties included in receivables, deposits and prepayments (Note 10) are as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Kejuruteraan Rayton Sdn. Bhd.	1,560,718	1,523,366	–	–
ISZL	23,445	–	–	–
LFE Engineering Qatar W.L.L	2,069,248	–	–	–
	3,653,411	1,523,366	–	–

Outstanding amount due from a Director is RM24,144,592 (2006 – NIL) (Note 10).

28. 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.

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.

- *Distributing of consumer electronics products*. Trading and distributing consumer electronics products, 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, Vietnam, Qatar and Abu Dhabi.

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.

Business segments

2007	Electrical and mechanical engineering RM	Trading and distribution of technology products RM	Property and investment holdings RM	Elimination RM	Consolidated RM
Revenue from external customers	122,055,871	8,901,609	66,000	–	131,023,480
Inter-segment revenue	649,617	155	15,000	(664,772)	–
Total revenue	122,705,488	8,901,764	81,000	(664,772)	131,023,480
Segment results	408,468	6,623,539	(124,297)	871,623	7,779,333
Interest expenses					(4,269,915)
Interest income					1,304,454
Share of loss of associate					(94,340)
Profit before taxation					4,719,532
Tax expense					(944,313)
Profit for the year					3,775,219

28. Segmental information (cont'd)

Business segments (cont'd)

2006	Electrical and mechanical engineering RM	Trading and distribution of technology products RM	Property and investment holdings RM	Elimination RM	Consolidated RM
Revenue from external customers	100,538,985	9,033,063	264,000	–	109,836,048
Inter-segment revenue	2,315,034	15,912	60,000	(2,390,946)	–
Total revenue	102,854,019	9,048,975	324,000	(2,390,946)	109,836,048
Segment results	(14,152,837)	359,601	(706,545)	(913,442)	(15,413,223)
Interest expenses					(4,365,373)
Interest income					17,540
Share of loss of associate					(28,520)
Loss before taxation					(19,789,576)
Tax expense					(851,058)
Loss for the year					(20,640,634)

2007	Electrical and mechanical engineering RM	Trading and distribution of technology products RM	Property and investment holdings RM	Elimination RM	Consolidated RM
Segment assets	153,938,406	27,836,638	52,544,873	(80,485,632)	153,834,285
Unallocated assets					16,585,402
Total assets					170,419,687
Segment liabilities	(151,533,731)	(21,353,011)	(5,294,135)	52,273,221	(125,907,656)
Unallocated liabilities					(3,137,946)
Total liabilities					(129,045,602)
Capital expenditure	4,498,379	11,850	–	–	4,510,229
Depreciation	(2,724,431)	(5,123)	–	–	(2,729,554)
Allowance for diminution in value of other investment	(1,500,000)	–	–	–	(1,500,000)
Allowance for disposal loss in share	(3,567,606)	–	–	–	(3,567,606)
Write back allowance for doubtful debts	1,860,196	–	–	–	1,860,196
Write back of diminution in value of other investments	4,718,037	–	–	–	4,718,037
Non-cash expenses other than depreciation and amortisation	(1,544,729)	(818,235)	–	–	(2,362,964)

28. Segmental information (cont'd)

Business segments (cont'd)

2006	Electrical and mechanical engineering RM	Trading and distribution of technology products RM	Property and investment holdings RM	Elimination RM	Consolidated RM
Segment assets	129,726,358	3,220,164	22,041,305	(24,639,370)	130,348,457
Unallocated assets					3,094,510
Total assets					133,442,967
Segment liabilities	(127,230,886)	(2,884,079)	(5,936,171)	24,389,433	(111,661,703)
Unallocated liabilities					(1,460,303)
Total liabilities					(113,122,006)
Capital expenditure	85,711	7,350	–	–	93,061
Depreciation	(582,403)	(6,787)	(100,430)	–	(689,620)
Allowance for diminution in value of other investment	(7,846,881)	–	–	–	(7,846,881)
Write back of allowance for doubtful debts	1,500,000	–	–	–	1,500,000
Non-cash expenses other than depreciation and amortisation	(1,871,667)	–	(1,977,224)	–	(3,848,891)

Geographical segment

2007	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	61,956,373	168,106,567	152,559
Middle East	55,932,005	37,611,889	4,335,434
Europe	–	24,225,432	–
Vietnam	4,954,817	3,928,978	–
China	8,845,057	17,032,453	22,236
	131,688,252	250,905,319	4,510,229
Elimination	(664,772)	(80,485,632)	–
	131,023,480	170,419,687	4,510,229

2006	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	80,573,259	123,539,614	70,825
Middle East	–	–	–
Europe	–	–	–
Vietnam	16,382,743	5,035,153	–
China	15,270,992	29,507,570	22,236
	112,226,994	158,082,337	93,061
Elimination	(2,390,946)	(24,639,370)	–
	109,836,048	133,442,967	93,061

29. Investments in jointly controlled operation

The principal activities of the jointly controlled operation and the interest of the Group is as follows:

Name of company	Principal activities	Effective ownership interest 2007	2006
IJM-Zelan-Sunway Builders- LFE Consortium* ("ISZL")	Designing, execution and completion of Zone C, Phase 1 Plot 1, Al Reem Island Development, consisting of five towers with an associated podium and villas.	25%	–

* Not audited by KPMG

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

	2007 RM	2006 RM
Revenue	55,932,005	–
Expenses, net	(50,813,615)	–
Profit for the period	5,118,390	–
Current assets	35,098,813	–
Non-current assets	2,076,067	–
Total assets	37,174,880	–
Current liabilities	31,978,187	–
Non-current liabilities	120,223	–
Total liabilities	32,098,410	–

30. Acquisition of subsidiary

Business combination

In the previous year, the Group acquired an additional 16 percent interest in Bestgate Development Sdn. Bhd. for RM160,000 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
Land held for development	3,715,510
Cash and bank balances	36,612
Other receivables	65,000
Other payables	(2,903,835)
Net identifiable assets and liabilities	913,287
Less: Minority interest portion	(439,900)
At 51%	473,387
Net cash outflow in 2005	(350,000)
Net cash outflow	123,387

31. Significant events

The Board of the Company have, out of prudence, decided not to recognise the sum of RM126,394,533 of revenue, RM119,152,044 of cost of sales and the sum of RM6,208,229, of profit generated from the trading of computer products by LFE International Limited ("LFEI"), a wholly-owned subsidiary of the Company.

This decision was taken for the following reasons:

31.1 On 4th December 2006, LFEI entered into a distribution agreement ("the Distribution Agreement") appointing an Austrian company ("the Distributor") as its authorised distributor for the sale of computer products over a period of 36 months from 1st January 2007. The Distributor agreed to buy an average of RM120 million worth of computer products from LFEI per annum. Arrangements were put into place whereby LFEI obtained these products from a sole supplier, a company incorporated in Hong Kong ("the Supplier"). The delivery of all computer products was to be made from and to warehouses nominated by the Supplier and the Distributor in China, respectively.

31.2 A director of LFE Corporation Berhad ("the Director") experienced in the trading and distribution of technology products introduced both the Distributor and the Supplier to LFEI. The Director was made the sole director of LFEI and it commenced trading in February 2007.

31.3 In order to ensure that LFEI would not suffer losses from such trading, the Director was asked to and did provide a profit guarantee guaranteeing that LFEI would generate profit therefrom of not less than RM6 million per year for 3 consecutive financial years ending 31st December 2007, 31st December 2008 and 31st December 2009 respectively. The profit guarantee was provided pursuant to a management agreement dated 1st March 2007. In order to fund the trading business, the management agreement also provided that the Company would make advances to LFEI as working capital and RM18,463,000 was so advanced. The Director further guaranteed that on the termination of the trading business or the fulfilment of the profit guarantee in 2009, LFEI would refund the said advance. As the Director had provided the said guarantee, he was, under the terms of the management agreement, given full powers to manage LFEI without interference.

31.4 It was a firm arrangement between LFEI and the Distributor on the one hand and LFEI and the Supplier on the other, that all payments on the trades would be effected through an on-line internet trading platform. LFEI agreed to this so as to ensure the efficient and quick receipt and payment of funds.

31.5 In this regard, in December 2007, the 3 parties agreed to use a Swedish economic association ("the Swedish association") as the on-line internet trading platform. The Swedish association has members who basically agree to use the association as a platform for facilitating payments between each other.

31.6 During the financial year ended 31st December 2007 and up to August 2008 the sum realised and standing to the credit of LFEI in the account of the Swedish association is US$7,576,410.45.

31.7 In April 2008 and during the course of the audit of LFEI, the external auditors ("KPMG") expressed concerns to the Audit Committee ("AC") as to the authenticity of LFEI's trading transactions and recommended that an Investigative Accountant be appointed to investigate these transactions. Out of caution, LFEI's trading business was voluntarily suspended by the Director in April 2008.

On 7th May 2008, the Securities Commission commenced an investigation on the operations of LFEI. The Board of Directors is not aware of any adjustments that would impact the financial position of the Group and Company arising from the investigation.

31.8 In response to these concerns, the AC examined the relevant documents in the possession of LFEI and obtained explanations from management. Further, a member of the AC and AC's solicitor travelled to Copenhagen to meet with the managing director of the Distributor to verify its existence.

31.9 On 2nd June 2008 and in view of KPMG's concerns, the Board of the Company, appointed a firm of professional accountants, Ferrier Hodgson MH Sdn. Bhd. as the Investigative Accountant ("IA"), to address KPMG's concerns.

31.10 In order to strengthen internal controls over the monies in the account of the Swedish association, on 19th August 2008 the Director executed a Variation Agreement to the Management Agreement placing the sums in the account with the Swedish association under the administration of the AC, who were to act on the joint instructions of the 2 directors of LFEI. The second director was appointed to the board of LFEI on 4 June 2008.

31. Significant events (cont'd)

31.11 The IA completed the investigation and submitted a report dated 27th August 2008 to the AC. The IA concluded that while they noted that there are many inconsistencies and issues in the application of the business model:

"The working capital and cash surpluses residing in the Swedish association accounts would suggest that the transactions took place ..."

31.12 However, on 6th September 2008, KPMG raised queries with respect to the Swedish association. This prompted the obtaining of a legal opinion from Baker & McKenzie (Sweden) dated 20th October 2008 who have raised concerns on the Swedish association for, amongst others, possible non compliance of various Swedish laws in deposit taking, lending and related financial intermediary activities. Given that the accounts for the year ended 31st December 2007 had to be filed before 31st October 2008, the Director and management have been unable to properly deal with the issues raised in the Baker & McKenzie opinion and to resolve the doubts surrounding the Swedish association.

31.13 However, given the uncertainty now surrounding the Swedish association, management have recommended that, out of prudence, the Company does not recognise the trading transactions of LFEI in the financial statements for the year ended 31st December 2007. This recommendation was accepted by the AC on 27th October 2008.

On 20th October 2008, the AC recommended safeguarding and obtaining the return of the monies residing in the Swedish association. The recommendation was referred to the Director, whom, by a letter dated 22nd October 2008, advised that for commercial reasons, the monies should not be so transferred. While maintaining the authenticity of the trading transactions, the Director recognised that not moving these sums may have a serious impact on the accounts of the Company. In view of his existing obligation to guarantee the RM18,463,000 advance and the profit of RM6 million for each of 2007 and 2008, he was prepared, as a pragmatic solution of this impasse, to crystallise those obligations and to undertake ("the Undertaking") to pay the full amount of US$7,526,230.45 still standing to the credit of the Swedish association account on or before 21st December 2008. The Director also agreed, in order to fully secure the Undertaking, to pledge 25 million shares in Stanton Technologies Ltd. ("Stanton"), a company incorporated in Dubai International Financial Centre ("the Pledge"). In return, the Director proposed that LFEI be sold to the Director for US$1,000 from which he could fully recoup the sums paid under the Undertaking; the sale of LFEI would only be completed upon payment under the Undertaking.

31.14 At a board meeting on the 25th October 2008, the directors of LFEC present thereat (save for the Director who abstained from voting), after having considered the Director's offer and representations and the desktop valuation from a Malaysian investment bank dated 16th July 2008 ("the Valuation") which indicates that Stanton shares are valued at no less than USD0.45 per share, unanimously agreed and resolved to:

31.14.1 accept the proposed Undertaking to pay the full amount of US$7,526,230.45 still standing to the credit of the Swedish Association account on or before 21st December 2008;

31.14.2 accept the Director's pledge of 25 million Stanton shares at US$0.30 per share based on the exchange rate of US$1.00 to RM3.5817 as at the close of business on 24th October 2008 to secure the Undertaking.

31.15 At a Board meeting on 27th October 2008, the Board deliberated on the various issues concerning LFEI and resolved as follows:

31.15.1 based on the recommendation of management, the AC advised and the Board agreed that LFEI's trading transactions not be recognised;

31.15.2 the Board also decided that given the problems caused by trading in computer products internationally, the group would no longer engage in such international business and as such, LFEI may be sold;

31.15.3 the Board was satisfied that the doubts as to the Swedish association would be rendered academic upon the Director executing the Undertaking and the Pledge. The Valuation indicated that the shares in Stanton Technologies Ltd. pledged as security were valued at no less than US$0.45 each and at such value, were sufficient to secure the payment under the Undertaking. Further, the Board accepted management's advice that the Pledge is legal and enforceable under the laws of Dubai International Financial Centre. A legal opinion to that effect was obtained from a legal firm in Dubai on 26 October 2008. As such, the Board agreed that there was no immediate need to move the sums out of the Swedish association provided that the Undertaking and the Pledge were executed. The Board also agreed that LFEI be sold to the Director for US$1,000 in exchange for the Undertaking and Pledge;

31. Significant events (cont'd)

31.15.4 the Board has agreed to recognise the total advance and the amounts payable for 2007 by way of sums payable under the profit guarantee totalling RM24,671,229, provided that the Undertaking and Pledge are duly executed. The total profit guarantee of RM6,208,229 was recognised as "Other income" in the Group financial statements.

31.16 the Undertaking and Pledge were duly executed by the Director pursuant to agreements dated 27th October 2008 and 28th October 2008.

32. Subsequent events

1. On 14 April 2008, a subsidiary, LFE Engineering Sdn. Bhd. ("LFEE") received a received a Letter of Intent dated 12 April 2008 from Tamouh Investments LLC, Abu Dhabi, United Arab Emirates for the construction and completion of Phase 1, Plot 1, Zone E2 Hotel Development, Al Reem Island, Abu Dhabi, United Arab Emirates for an estimated sum of AED1.0 billion (equivalent to approximately RM840 million).

2. On 2 June 2008, LFEE has disposed of its entire equity interest in Sunway Infrastructure Berhad ("SunInfr") comprising 25,482,901 ordinary share of RM0.50 each by way of a direct business transaction on Bursa Malaysia Securities Berhad at a disposal price of RM0.21 per share. The disposal has enable the subsidiary to unlock its investment in SunInfr to raise working capital needed for it to undertake the several projects recently secured.

3. On 27 October 2008, the Company has entered into a conditional sale and purchase agreement to dispose off its wholly owned subsidiary, LFE International Limited.

List of Properties

as at 31 December 2007

Title/Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft	Age of building (years)	NBV as at 31-12-2007 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
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 held for disposal	Leasehold for a period of 99 years, expiring on 17.12.2099	11,550	Not applicable	Not applicable	350,681	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	350,000	*08.12.2000
Held under GM 333, Lot P.T. No. 1189 Mukim Petaling, Daerah Petaling Negeri Selangor	Agricultural land for investment purpose	Freehold	95,260	Not applicable	Not applicable	2,860,000	08.11.2006
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	7	137,484	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 held for disposal	Leasehold for a period of 99 years, expiring on 11.07.2060	1,173	1,380	6	184,800	01.07.2002

List of Properties

Title/Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft	Age of building (years)	NBV as at 31-12-2007 RM	Date of revaluation/ *Date of acquisition
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	6	265,471	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 held for disposal	Freehold	–	1,504	Under construction	388,011	* 17.06.2002
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 held for disposal	Freehold	–	1,504	Under construction	393,064	*17.06.2002
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 for investment purpose	Freehold	–	913	Less than 1	493,000	* 24.06.05
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 for investment purpose	Freehold	–	913	Less than 1	493,000	* 24.06.05

List of Properties

Title/Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft	Age of building (years)	NBV as at 31-12-2007 RM	Date of revaluation/ *Date of acquisition
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 for investment purpose	Freehold	–	913	Less than 1	493,000	* 24.06.05
Parcel No 77-06-1, Sri Emas Condominium held under H.S. (D) No. Geran No: 5336 Lot 613, Seksyen 56, Bandar Kuala Lumpur Wilayah Persekutuan	Apartment held for disposal	Freehold	–	1,211	1	390,000	*14.05.07
Resort Suites At Pyramid Tower Lot L23-120 held under Hakmilik PN 17415, Daerah Petaling Bandar Sunway, Negeri Selangor	Apartment for investment purpose	Leasehold for a period of 99 years, expiring on 21.02.2102	–	456	2	321,542	*16.10.06
Resort Suites At Pyramid Tower Lot L23-119 held under Hakmilik PN 17415 Daerah Petaling, Bandar Sunway Negeri Selangor	Apartment for investment purpose	Leasehold for a period of 99 years, expiring on 21.02.2102	–	525	2	368,333	*16.10.06
Unit No. RC-11-9 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	Less than 1	336,870	*19.11.07

Analysis of Shareholdings

as at 3 November 2008

SHARE CAPITAL

Authorised share capital	:	RM100,000,000
Issued and paid-up share capital	:	RM84,900,002
Class of Shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	752

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of Shareholders	%	Shareholdings	%
Less than 100	4	0.53	169	0.00
100 to 1,000	327	43.48	208,500	0.25
1,001 to 10,000	263	34.97	1,215,000	1.43
10,001 to 100,000	101	13.43	3,044,843	3.59
100,001 to less than 5 % of issued share capital	52	6.91	46,961,299	55.31
5% and above of issued share capital	5	0.66	33,470,191	39.42
Total	**752**	**100.00**	**84,900,002**	**100.00**

SUBSTANTIAL SHAREHOLDERS
As per the Register of Substantial Shareholders

Name	Shareholdings Direct	Indirect	Note	%
Alan Rajendram A/L Jeya Rajendram	22,200,100	100	(a)	26.15
Lew Mew Choi	7,604,108	8,260,421	(b)	18.69
Ramli bin Abu Kasim	–	9,260,421	(b)	10.91
Kekal Jaya Holdings Sdn Bhd	8,260,421	–	–	9.73
Soong Moi @ Song Mou	–	8,260,421	(b)	9.73
Liew Meow Nyean	710,549	5,625,562	(c)	7.46
Liew Kiam Woon	4,133,843	4,605,562	(b)	10.29
Liew Meow Nyean Realty Sdn Bhd	4,605,562	–	–	5.42
Chang Lau Hoi @ Chang Sow Lan	–	4,605,562	(b)	5.42
	47,514,583	**40,618,049**		**103.80**

Note
(a) : *Indirect interest pursuant to Section 134 (12) (c) of the Companies Act, 1965*
(b) : *Indirect interest pursuant to Section 6A of the Companies Act, 1965*
(c) : *Indirect interest pursuant to Section 134 (12) (c) and 6A of the Companies Act, 1965*

DIRECTORS' INTERESTS IN SHARES
As per the Register of Directors' Shareholdings

In The Company

Name	Direct	Shareholdings %	Indirect	%	Note
Lew Mew Choi	7,604,108	8.96	8,260,421	9.73	(a)
Liew Meow Nyean	710,549	0.84	5,625,562	6.63	(c)
Liew Kiam Woon	4,133,843	4.87	4,605,562	5.42	(a)
Chin Soong Jin	–	–	–	–	–
Chung Tack Soon	–	–	–	–	–
Tong Hock Sen	–	–	–	–	–
Alan Rajendram A/L Jeya Rajendram	22,200,100	26.15	100	–	(b)
Kee Ju-Hun	1,022,300	1.20	–	–	–
	35,670,900	**42.02**	**18,491,645**	**21.78**	

Note
(a) : *Indirect interest pursuant to Section 134 (12) (c) of the Companies Act, 1965*
(b) : *Indirect interest pursuant to Section 6A of the Companies Act, 1965*
(c) : *Indirect interest pursuant to Section 134 (12) (c) and 6A of the Companies Act, 1965*

Analysis of Shareholdings

as at 3 November 2008

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Kekal Jaya Holdings Sdn Bhd	8,260,421	9.73
2.	Lew Mew Choi	7,604,108	8.96
3.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	7,000,000	8.24
4.	Alan Rajendram A/L Jeya Rajendram	6,000,100	7.07
5.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liew Meow Nyean Realty Sdn Berhad	4,605,562	5.42
6.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liew Kiam Woon	4,080,900	4.81
7.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	4,000,000	4.71
8.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	3,000,000	3.53
9.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pervez Rustim Manecksha	2,900,000	3.42
10.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sew Hoey (Tan Siew Hoey)	2,631,600	3.10
11.	Eminent Builders Sdn Bhd	2,600,000	3.06
12.	Liberty Spear (M) Sdn Bhd	2,585,381	3.05
13.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	2,200,000	2.59
14.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Saw Im	2,000,000	2.36
15.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lee Saw Im	2,000,000	2.36

No.	Name	Shareholdings	%
16.	Ekuiti Rancak Sdn Bhd	1,650,000	1.94
17.	Lee Muk Siong	1,500,000	1.77
18.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Rudy Ng Chong Jin	1,392,900	1.64
19.	Lan Geok Nam @ Tan Geok Nam	1,153,901	1.36
20.	Amsec Nominees (Tempatan) Sdn Bhd Tan Soon Muay @ Tan Kim Huay	1,101,000	1.30
21.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kekal Jaya Ventures Sdn Bhd	1,000,000	1.18
22.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kee Ju Hun	870,000	1.02
23.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse	797,900	0.94
24.	Lee Kuan Chen	761,400	0.90
25.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liew Meow Nyean	710,549	0.84
26.	Yong Mee Queen	529,100	0.62
27.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Soon Foo	516,000	0.61
28.	Tan Chin Boon @ Tan Choo Boon	500,000	0.59
29.	Razman Md Hashim Bin Che Din Md Hashim	500,000	0.56
30	Wong Yoke Fong @ Wong Nyok Fing	478,800	0.56
	Total	**74,929,622**	**88.26**

Notice of **6th** Annual General Meeting

LFE Corporation Berhad (579343-A)

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting ("the Meeting") of LFE Corporation Berhad ("the Company") will be held at The Conference Room, Ground Floor, Wisma LFE, Lot 993, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Thursday, 18 December 2008 at 10.00 a.m. to transact the following businesses :-

Ordinary Business	**Ordinary Resolution**
1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors thereon.	**1**
2. To approve the payment of Directors' fees totaling RM60,000 in respect of the financial year ended 31 December 2007.	**2**
3. To re-elect the following Directors who retire by rotation pursuant to Article 84 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:-	
3.1 Liew Kiam Woon	**3**
3.2 Tong Hock Sen	**4**
4. To appoint auditors of the Company and to authorise the Directors to fix their remuneration.	
Two (2) notices of nomination pursuant to Section 172(11) of the Companies Act, 1965, copies of which are annexed in the Company's Annual Report 2007, have been received by the Company to nominate Messrs Russell Bedford LC & Company as auditors of the Company in place of the retiring auditors, Messrs KPMG, and to propose the following ordinary resolution for approval by shareholders of the Company:-	
"That Messrs Russell Bedford LC & Company be hereby appointed as auditors of the Company in place of the retiring auditors, Messrs KPMG, and to hold office until the conclusion of the next annual general meeting of the Company; And That the Directors be hereby authorised to fix their remuneration."	**5**

Special Business	**Ordinary Resolution**
To consider, and if thought fit, to pass the following resolutions:-	
5. **Authority For Directors To 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 ."	**6**
6. **Proposed Renewal of Shareholders' 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 26 November 2008 accompanying the Company's Annual Report 2007 ("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 Shareholders' Mandate").	**7**

notice of 6th annual general meeting

Special Business

Ordinary Resolution

And That the Shareholders' 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
(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 Shareholders' 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."

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

"That Liew Meow Nyean, 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
26 November 2008

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 Sixth 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 Annual General Meeting.

3. ***Explanatory Notes on Special Businesses***

a) The proposed Ordinary Resolution 6, 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.

b) The proposed Ordinary Resolution 7, 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 Shareholders' Mandate are set out in the Circular to Shareholders dated 26 November 2008 accompanying this annual report.

c) The proposed Special Resolution is for the purpose of re-appointing Liew Meow Nyean, 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 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 3 November 2008	
	Direct	Indirect
Liew Kiam Woon	4,133,843	4,605,562
Tong Hock Sen	–	–
Liew Meow Nyean	710,549	5,605,562

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 7 and 8 of this annual report.

Notice of Nomination of Auditors

Date : 13 November 2008

The Board of Directors
LFE Corporation Berhad
Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan
Malaysia

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being the registered holder of 7,604,108 ordinary shares of RM1.00 each and fully paid-up, representing 8.96% of the issued and paid-up share capital of LFE Corporation Berhad, hereby give notice pursuant to Section 172 (11) of the Companies Act, 1965 of our nomination of Messrs Russell Bedford LC & Company for appointment as auditors of LFE Corporation Berhad for the ensuing financial year, in place of the retiring auditors, Messrs KPMG.

Therefore, I propose that the following ordinary resolution be tabled for consideration at the forthcoming sixth annual general meeting of LFE Corporation Berhad:-

"That Messrs Russell Bedford LC & Company be hereby appointed as auditors of the Company in place of the retiring auditors, Messrs KPMG and to hold office until the conclusion of the next annual general meeting of the Company; And That the Directors be hereby authorised to fix their remuneration."

Yours faithfully,

Lew Mew Choi

Date : 13 November 2008

The Board of Directors
LFE Corporation Berhad
Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan
Malaysia

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being the registered holder of 6,000,100 ordinary shares of RM1.00 each and fully paid-up, representing 7.07% of the issued and paid-up share capital of LFE Corporation Berhad, hereby give notice pursuant to Section 172 (11) of the Companies Act, 1965 of my nomination of Messrs Russell Bedford LC & Company for appointment as auditors of LFE Corporation Berhad for the ensuing financial year, in place of the retiring auditors, Messrs KPMG.

Therefore, I propose that the following ordinary resolution be tabled for consideration at the forthcoming sixth annual general meeting of LFE Corporation Berhad:-

"That Messrs Russell Bedford LC & Company be hereby appointed as auditors of the Company in place of the retiring auditors, Messrs KPMG and to hold office until the conclusion of the next annual general meeting of the Company; And That the Directors be hereby authorised to fix their remuneration."

Yours faithfully,

Alan Rajendram A/L Jeya Rajendram

Form of Proxy

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 SIXTH ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at The Conference Room, Ground Floor, Wisma LFE, Lot 993, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Thursday, 18 December 2008 at 10.00 a.m. and at any adjournment thereof.

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

Ordinary Resolution		**For**	**Against**
1	To receive Consolidated Audited Financial Statements	☐	☐
2	Payment of Directors' Fees	☐	☐
3	Re-election of Liew Kiam Woon	☐	☐
4	Re-election of Tong Hock Sen	☐	☐
5	Appointment of Auditors	☐	☐
6	Authority For Directors To Allot And Issue Shares	☐	☐
7	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions	☐	☐
Special Resolution	Re-appointment of Liew Meow Nyean	☐	☐

Dated this __________ day of ________________________ 2008.

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.*

Fold along this line

Affix
Postage
Stamp
Here

The Company Secretary
LFE CORPORATION BERHAD (579343-A)
Wisma LFE, Lot 993, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan
Malaysia

Fold along this line