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LFE CORPORATION BERHAD (579343-A)

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Annual Report 2010



LFE Corporation Berhad (579343-A)

Annual Report **Two Thousand Ten**

2010

EVERY STEP COUNTS

together we embrace the challenges



Contents

2010



LFE Corporation Berhad (579343-A)

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Managing Director's Statement

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of LFE Corporation Berhad ("LFE or the Company"), I am pleased to present to you the Annual Report and the Consolidated Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2010.

FINANCIAL REVIEW

For the financial year under review, the Group registered a consolidated revenue of RM224.63 million, a decrease of RM78.87 million or 25.99% compared to the previous year's revenue of RM303.50 million. The total revenue was contributed by the mechanical and electrical engineering ("M&E") segment and trading and distribution of computer products at RM217.20 million and RM7.42 million or 96.7% and 3.3% respectively.

The Group incurred a loss after tax of RM6.07 million against the previous year's loss after tax of RM5.73 million. As a result of the said financial losses, the Group's total shareholders' funds stand at RM30.79 million.

OPERATIONS AND BUSINESS REVIEW

The Zone C, Al Reem Island Project (Abu Dhabi, United Arab Emirates)

Previously, we reported that the completion of this project was extended to 31 December 2009 due to additional works in the form of a variation order to be carried out in the Al Reem Island. The completion of the additional works has been extended but to date, the five (5) towers are physically completed with handing over of the said towers in stages to the client.

The Zone E2, Al Reem Island Project (Abu Dhabi, United Arab Emirates)

Works for the Execution, Construction and Completion of Package 1 - Reinforced Concrete ("RC") Substructure and RC Superstructure Works are on-going and completion is tentatively expected to be by end July 2011.

Disposal of Lands by Bestgate Development Sdn Bhd ("BDSB"), a 51%-Owned Subsidiary

On 22 March 2010, BDSB disposed off 116 pieces of freehold lands held under HS (D) 37682 to HS (D) 37797, PT No. 757 to PT No. 872, all in Mukim 07, Daerah Seberang Perai Selatan, Pulau Pinang (the lands are a result of subdivision from its original title identified as Geran 32501, Lot No. 550, Mukim 07, Daerah Seberang Perai Selatan, Pulau Pinang), in total measuring approximately 398,312 sq. ft. for a cash consideration of RM4.90 million. The disposal has been completed and the net proceeds were utilized to settle its bank borrowing and for its working capital.

Managing Director's Statement (cont'd)

Disposal of LFE Engineering (Shanghai) Limited and Loong Fuat Engineering Limited

Post financial year end 31 March 2010, we also report on the disposal of both the above subsidiaries on 18 May 2010 for a purchase consideration of RM6 million. The disposals mark the exit of our operations in China but a more focused involvement in the Middle East which has thus far contributed more profits to the Group.

DIVIDEND

The Board is not recommending any dividend in respect of the financial year ended 31 March 2010.

FUTURE PROSPECT

Moving forward, having reduced our Group and operational structure, the Group is now poised to focus on more strategic locations globally and in Malaysia and to face every challenges met.

Each step taken by the Group matters now. The Board and the Management as a whole have been proactively taking steps to make improvements in the Group's overall performances. We are currently also making extra effort to ensure that our system of internal control is further strengthened and thus greater protection of shareholders' interest and the Company's assets.

ACKNOWLEDGEMENT

I regret to inform shareholders that my brother, Liew Meow Nyeon and I are retiring from the Board come this September and we will not be offering ourselves for re-appointment and re-election. The time is right for us to step down and pass the batons to the younger generation to steer the Group to greater heights. We are confident the Group will do well in the many years ahead. It is our wish that it excels.

On behalf of the Board, I would like to welcome YM Tunku Azlan Bin Tunku Aziz who has joined our Board as an Independent Non-Executive Director during the year under review. I believe that with his vast experience in finance and involvement in the corporate sector, he will be of added value to the Board and the Group as a whole. To my fellow Board members, I would like to extend my sincere gratitude for your invaluable contribution and support.

In the year marked with challenges, I am glad that we have a dedicated and loyal management team and staff. I acknowledge their contribution and effort towards the Group.

My appreciation also goes to the Securities Commission, Bursa Malaysia and other authorities for their invaluable assistance and guidance, our clients, bankers and suppliers for their continuous support and confidence in the Group.

Finally to our shareholders, I would like to record my heartfelt appreciation for your support throughout the year.

LEW MEW CHOI
Managing Director

BOARD OF DIRECTORS

Lew Mew Choi

Managing Director

Liew Kiam Woon

Executive Director

Liew Meow Nyeen

Non-Independent Non-Executive
Director

David Low Teck Wee

Independent Non-Executive
Director

Loo Thin Tuck

Independent Non-Executive
Director

Tunku Azlan Bin Tunku Aziz

Independent Non-Executive
Director

Corporate Information

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Hiew Nyet Hoong
(MAICSA 7046407)

AUDITORS

Russell Bedford LC & Company
(AF 1237)
Chartered Accountants

SHARE REGISTRAR

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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
EON Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

CURRENT REGISTERED OFFICE

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

REGISTERED OFFICE

with effect from 20 Sept 2010
Lot 43117, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-89958888
Fax : 603-89610042
Website : www.lfe.com.my

LISTING

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

PRINCIPAL OFFICES

KUALA LUMPUR, MALAYSIA

**LFE Engineering Sdn Bhd
current**

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

with effect from 20 Sept 2010

Lot 43117, Off Jalan Balakong
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Selangor Darul Ehsan, Malaysia
Tel : 603-89958888
Fax : 603-89610042
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JOHOR BAHRU, MALAYSIA

LFE Engineering (JB) Sdn Bhd

No. 43, Jalan Molek 2/30
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Tel : 607-3539817
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VIETNAM

**LFE Engineering (Vietnam)
Company Limited**

116, 9A Street, Trung Son Residence,
Binh Hung Commune,
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Ho Chi Minh City, Vietnam
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Email : mcchia@lfe.com.my

ABU DHABI, UNITED ARAB EMIRATES

**LFE Engineering Sdn Bhd - Abu
Dhabi Branch**

Mezzanine Floor, Room 1 to 3,
Opposite of Capitol Hotel,
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Tel : +971-505-725363
Email : dwon@lfe.com.my

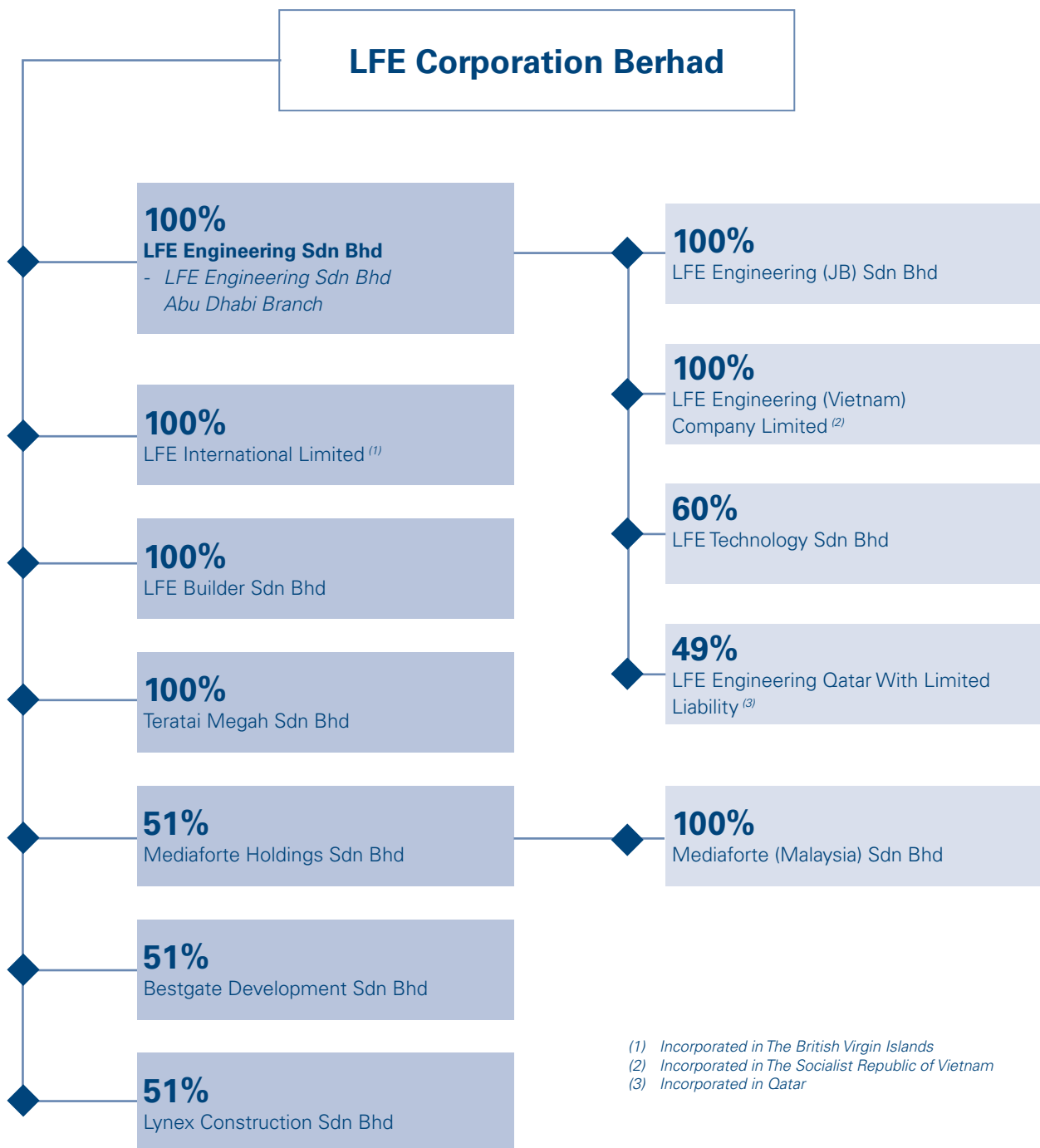
QATAR

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Limited Liability**

P.O. Box 47055, Doha, State of Qatar
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Fax : +974-4906217
Email : lfe@lfe.com.my

Group Structure

as at 5 August 2010



Directors' Profile

LEW MEW CHOI

Managing Director

Mr Lew Mew Choi, a Malaysian, aged 66, has been the Managing Director of the Company since his appointment to the Board on 15 September 2003. Currently, he is also the Managing Director of LFE Engineering Sdn Bhd ("LFEE") and sits on the boards of the Company's several subsidiaries.

He joined Loong Fuat Electrical Company ("Loong Fuat") in 1975, a sole proprietorship that carried out the business of electrical contracting, which was subsequently sold to LFEE in 1975. He 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 KIAM WOON

Executive Director & Chairman of Risk Management Committee

Mr Liew Kiam Woon, a Malaysian, aged 47, has been an Executive Director of the Company since his appointment to the Board on 15 September 2003. Currently he is also the Chairman of the Risk Management Committee, a member of the Remuneration Committee, the Executive Director of LFEE and sits on the boards of all of the Company's subsidiaries. He is also actively involved in Master Builders Association of Malaysia and currently sits in the Council.

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

LIEW MEOW NYEAN

Non-Independent Non-Executive Director

Mr Liew Meow Nyeon, a Malaysian, aged 74, the pioneer of the M&E business of the LFE Group, has been a Non-Executive Director of the Company since his appointment to the Board on 15 September 2003. Currently he is also 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 was subsequently sold to LFEE in 1975. He is currently not a director of any other public company.

DAVID LOW TECK WEE

Senior Independent Non-Executive Director & Chairman of Audit Committee

Mr David Low Teck Wee, a Malaysian, aged 39, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. He was subsequently redesignated as the Senior Independent Non-Executive Director on 31 July 2009. Currently, he is also the Chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

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

Directors' Profile (cont'd)

LOO THIN TUCK

Independent Non-Executive Director &
Chairman of Remuneration Committee

Mr Loo Thin Tuck, a Malaysian, aged 45, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. Currently he is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee.

An accountant by profession, he is also a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Chartered Tax Institute of Malaysia. He has more than 22 years of extensive experience in the areas of taxation, management, accounting, corporate strategic management, secretarial, auditing and operational management in diverse industry sectors. He is currently the Managing Partner of Loo Thin Tuck & Co. and Managing Director of a consulting company, Infotax Planning Sdn Bhd. He is currently not a director of any other public company.

TUNKU AZLAN BIN TUNKU AZIZ

Independent Non-Executive Director &
Chairman of Nomination Committee

YM Tunku Azlan Bin Tunku Aziz, a Malaysian, aged 42, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 5 October 2009. Currently he is also the Chairman of the Nomination Committee and a member of both the Audit Committee and Risk Management Committee.

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

Other Information

1. Lew Mew Choi is the younger brother of Liew Meow Nyeen and Liew Kiam Woon is the son of Liew Meow Nyeen. Save as abovementioned, there are no family relationships amongst the Directors and/or substantial shareholders of the Company.
2. None of the Directors has any conflict of interest with the Company.
3. None of the Directors of the Company has been convicted of any offence, other than traffic offences, within the past 10 years.

Statement on Corporate Governance

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

BOARD OF DIRECTORS

Board Composition

The Board currently has 6 members comprising 1 Managing Director, 1 Executive Director, 1 Non-Independent Non-Executive Director and 3 Independent Non-Executive Directors, thus complying with the Listing Requirements of Bursa Securities for a minimum of 1/3 of the Board to be independent directors. The Directors bring to the Company a broad mix of business, financial, 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”).

Board Balance

The Board currently has 2 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 Board has yet to find a suitable replacement for the Chairman position that was vacated on the appointment of past Independent Director, YAB Dato’ Hamzah bin Zainudin as Deputy Minister of the Ministry of Housing and Local Government in March 2008.

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 stakeholders. Their responsibilities and contributions will provide an element of objectivity, independent judgment and balance on the Board. All Independent Non-Executive Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgment. Mr David Low Teck Wee was designated as the Senior Independent Non-Executive Director on 31 July 2009.

The Non-Independent Non-Executive Director, who is primarily a substantial shareholder of the Company, contributes his 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, risk management, acquisition, divestment, capital expenditure, investor relation and internal control policies, significant financial matters, related party transactions and review of financial and operating results and performance of the Group.

Statement on Corporate Governance (cont'd)

Board Meetings

The Board conducted 6 meetings for the financial year ended 31 March 2010, at which a variety of matters including amongst others, the Group's financial results, the Group's overall performance, challenges faced by the Group, business development activities, internal control issues and related party transactions were considered and deliberated upon. Details of attendance of the Directors at the Board meetings are as follows:

Director	No. of Meetings Attended
Lew Mew Choi	6 out of 6
Liew Meow Nyeon	3 out of 6
Liew Kiam Woon	6 out of 6
Alan Rajendram A/L Jeya Rajendram (Retired on 24 September 2009)	2 out of 3
David Low Teck Wee (Appointed on 18 May 2009)	6 out of 6
Loo Thin Tuck (Appointed on 18 May 2009)	6 out of 6
Tunku Azlan Bin Tunku Aziz (Appointed on 5 October 2009)	3 out of 3
Ahmad Fuad Bin Abdul Wahab (Appointed on 18 May 2009) (Resigned on 31 July 2009)	0 out of 2

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 achieve the highest standards of business accountability, integrity, professionalism and governance:

Audit Committee

(comprising entirely Independent Non-Executive Directors)

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

Nomination Committee

(comprising entirely Independent Non-Executive Directors)

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

Remuneration Committee

(comprising mainly Independent Non-Executive Directors)

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

Risk Management Committee

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

Supply of Information

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

Statement on Corporate Governance (cont'd)

relating to the Group to assist them in the furtherance of their duties. The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company's expense.

Appointments to the Board

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

Re-election of Directors

According to the Company's Articles of Association ("the Articles"), any Director who is appointed during the year shall retire at the Company's annual general meeting following his appointment and 1/3 of the Board who do not retire as aforesaid, will retire by rotation at every annual general meeting. The Articles further provide that every Director is subject to retirement once in every 3 calendar years and all retiring Directors are eligible for re-election.

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

Directors' Training

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

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

During the financial year from 1 April 2009 to 31 March 2010, the Directors have attended various training programmes, seminars, conferences and evening talks, which include topics relating to, amongst others, corporate governance, finance, audit and taxation. Details of the Directors' participations are as follows:

Lew Mew Choi

- Making Sense of the Contemporary Financial and Accounting Reports in the New Reporting Regime & Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement
Organized by : Bursatra Sdn Bhd
Date : 20 October 2009

Liew Kiam Woon

- Technical Briefing Session - Main Market Listing Requirements
Organized by : Bursa Malaysia Berhad
Date : 6 July 2009
- High Level Forum for Directors of Listed Issuers in Enhancing Corporate Governance
Organized by : Bursa Malaysia Berhad
Date : 1 September 2009
- Making Sense of the Contemporary Financial and Accounting Reports in the New Reporting Regime & Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement
Organized by : Bursatra Sdn Bhd
Date : 20 October 2009
- Bursa Malaysia Evening Talk on Corporate Governance
Organized by : MERCER
Date : 24 February 2010

Statement on Corporate Governance (cont'd)

Liew Meow Nyeon

- Making Sense of the Contemporary Financial and Accounting Reports in the New Reporting Regime & Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement
Organized by : Bursatra Sdn Bhd
Date : 20 October 2009

David Low Teck Wee

- Mandatory Accreditation Programme
Organized by : Bursatra Sdn Bhd
Date : 21 & 22 July 2009
- High Level Forum for Directors of Listed Issuers in Enhancing Corporate Governance
Organized by : Bursa Malaysia Berhad
Date : 1 September 2009
- Making Sense of the Contemporary Financial and Accounting Reports in the New Reporting Regime & Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement
Organized by : Bursa Malaysia Berhad
Date : 20 October 2009

Loo Thin Tuck

- Mandatory Accreditation Programme
Organized by : Bursatra Sdn Bhd
Date : 21 & 22 July 2009
- CTIM Workshop on Latest Updates on Tax Exemptions for Employment Income & Individual Tax Statutory Requirements by Employers
Organized by : Chartered Tax Institute of Malaysia
Date : 28 July 2009
- High Level Forum for Directors of Listed Issuers in Enhancing Corporate Governance
Organized by : Bursa Malaysia Berhad
Date : 1 September 2009

- CTIM Workshop on Withholding Tax & Cross Border Transaction
Organized by : Chartered Tax Institute of Malaysia
Date : 11 September 2009
- Making Sense of the Contemporary Financial and Accounting Reports in the New Reporting Regime & Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement
Organized by : Bursatra Sdn Bhd
Date : 20 October 2009

Tunku Azlan Bin Tunku Aziz

- Making Sense of the Contemporary Financial and Accounting Reports in the New Reporting Regime & Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement
Organized by : Bursatra Sdn Bhd
Date : 20 October 2009
- Mandatory Accreditation Programme
Organized by : Bursatra Sdn Bhd
Date : 18 November 2009 & 29 December 2009

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

DIRECTORS' REMUNERATION

The Board adopts a formal and transparent procedure to assess and determine the remuneration packages offered by the Group to individual Directors. In general, the component parts of the remuneration of Executive Directors are structured so as to link rewards to corporate and individual performances as well as in line with prevailing market rates. This structure is to ensure that the Company is able to attract and retain Directors

Statement on Corporate Governance (cont'd)

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 each Director. However, the Directors do not participate in decisions regarding their own remuneration package.

The remuneration of the Company's Directors derived from the Group for the financial year ended 31 March 2010 are as follows:

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	-	29,236	29,236
Salaries, wages, bonus and allowances	360,640	53,686	414,326
Defined contribution plan	44,419	3,888	48,307
Benefits-in-kind	11,000	-	11,000
Total	416,059	86,810	502,869

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 March 2010 are as follows:

Remuneration Band (RM per annum)	Number of Directors		Total
	Executive Directors	Non-Executive Directors	
Below 50,000	-	5	5
50,001 to 100,000			
150,001 to 200,000	2	-	2
Total	2	5	7

SHAREHOLDERS

The Board recognizes 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.

Statement on Corporate Governance (cont'd)

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES ("CSR")

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

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

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

The main subsidiary, LFE Engineering Sdn Bhd has achieved ISO 9001:2000 certification for having implemented a quality management system to consistently maintain a high product quality.

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

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.

Internal Control

The Statement on Internal Control set out on pages 19 to 20 of this Annual Report provides an overview of the state of internal control within the Group.

Relationship with the Auditors

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

This Statement was reviewed and approved by the Board on 23 August 2010.

Audit Committee Report

COMPOSITION

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

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

TERMS OF REFERENCE OF 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.

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.

Membership

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

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

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

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

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

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

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

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

Audit Committee Report (cont'd)

- 2.3.3 must possess such qualifications as may from time to time be prescribed by Bursa Malaysia Securities Berhad.
- 2.4 A member who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he/she leaves.
- 2.5 If the number of members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s) the member ceases to be a member of the Audit Committee, the Board shall, within two (2) months of that event but in any case, not later than three (3) months, appoint amongst such other Directors, a new member to make up the minimum number required herein subject to all of the requirements with regards to the composition of the Audit Committee and the qualification of such new member as contained in these Terms of Reference.
- 2.6 The Chairman of the Audit Committee shall be appointed by the Board, or failing which, amongst the members of the Audit Committee themselves PROVIDED THAT he/she must be an independent non-executive Director.

Authority

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

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.

Audit Committee Report (cont'd)

- 4.5 To review the scope of the internal audit programmes and procedures, consider the results of internal audit investigations and assess the 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 adequacy and effectiveness of risk management, internal control and governance systems.
- 4.8 To review the statement on internal control and recommend to the Board for inclusion in the annual report.
- 4.9 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.
- 4.10 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.
- 4.11 To review all areas of significant financial risks within the Group and the arrangements in place to contain those risks to acceptable levels.
- 4.12 To review all related party transactions and all potential conflict of interest situations that may arise within the Company or the Group.
- 4.13 To identify and direct any special projects or investigations if deemed necessary.
- 4.14 To discuss problems and reservations arising from the interim and final audits, and any other matter the External Auditors and/or Internal Auditors may wish to discuss in the absence of the Management, where necessary.
- 4.15 To review the External Auditors' audit report and management letter and the Management's response thereto.
- 4.16 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.
- 4.17 To review reports and consider recommendations of the Sub-Audit Committee(s), if any.
- 4.18 To review any appraisal or assessment of the performance of members of the internal audit function who are full-time employees of the Group, if any.
- 4.19 To take 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.

Meetings

- 5.1 The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee so decides to fulfill its duties.
- 5.2 A quorum shall consist of two (2) members. The majority of members present must be independent non-executive Directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.

Audit Committee Report (cont'd)

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

Compliance

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

AUDIT COMMITTEE MEETINGS

During the financial year from 1 April 2009 to 31 March 2010, the Audit Committee had conducted 6 meetings of which all were duly convened with sufficient notices given to all Audit Committee members together with the agenda, report and proposals for deliberation at the meetings.

Directors who were invited to attend 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 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 March 2010.

Details of attendance of the Audit Committee members at the Audit Committee meetings during the financial year from 1 April 2009 to 31 March 2010 are as follows:

Audit Committee Member	Audit Committee Meetings Attended
David Low Teck Wee	6 out of 6
Loo Think Tuck	6 out of 6
Tunku Azlan Bin Tunku Aziz (Appointed on 5 October 2009)	3 out of 3
Ahmad Fuad Bin Abdul Wahab (Appointed on 18 May 2009) (Resigned on 31 July 2009)	0 out of 2

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee has carried out the following activities during the financial year from 1 April 2009 to 31 March 2010 in the discharge of its duties:

- Reviewed with the External Auditors, the audit plan and scope of audit for the financial year ended 31 March 2010;
- Reviewed all quarterly financial results of the Company including the announcements pertaining thereto prior recommending them for the Board's approval;
- Reviewed work done and reports from the Internal Auditors and considered the findings of the internal audit and the Management's response thereto to ensure that appropriate actions are taken by the Management on the recommendations raised by the Internal Auditors; and
- Reviewed the assistance given by the Company's officers and employees to the External and Internal Auditors;

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT

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

As at the date of this report, the external consultant has completed one (1) cycle of internal audit in accordance with the approved internal audit strategy by the Audit Committee and the findings of the internal audit review has been communicated to the Audit Committee. The Audit Committee reviewed the reports from internal audit and the Management's responses, before reporting and making recommendations to the Board in strengthening the internal control system.

This Audit Committee Report was reviewed and approved by the Audit Committee on 23 August 2010.

Statement on Internal Control

INTRODUCTION

This statement is made pursuant to Paragraph 15.26 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 from 1 April 2009 to 31 March 2010.

BOARD 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.

The Board is currently appraising the Group’s system of internal controls, risk management policies and procedures whilst noting that the process will be a continuous and progressive one. Where improvements are recommended, it will be implemented with oversight and guidance from the Board.

RISK MANAGEMENT FRAMEWORK

The Board is aware of the importance of an effective enterprise risk management (“ERM”) process, particularly in identifying, evaluating the likelihood and impact of, monitoring and managing significant risks. The Board acknowledges that all areas of the Group’s activities

involve some degree of risk and is committed to ensuring that the Group has an effective ERM framework.

The 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. Key risks issues and corresponding controls to be implemented are communicated amongst the Senior Management Team. Significant risks which are identified are subsequently brought to the attention of the Risk Management Committee and the Board.

During the financial year under review, LFE appointed an external consultant to work with the Senior Management Team to further enhance the existing ERM Framework of the Group. The risk management policy, ERM reporting structure, frequency of reporting and roles & responsibilities for ERM were formalised as part of the ERM enhancement programme for the Group.

In addition, key risks of the Malaysian operations of the Group were identified, analysed and evaluated in accordance with the Group’s risk appetite. This risk assessment process was carried out via risk assessment workshops and discussions with the respective management teams. This was subsequently followed by risk action planning workshops to identify and determine appropriate action plans to manage the key risks of the Malaysian operations. This process is planned to be rolled out to the remaining operations of the Group.

As at the date of the report, the updated ERM framework of the Group and the results of risk assessment and risk action planning process for the Malaysian operations have been presented and adopted by the Risk Management Committee and the Board.

Statement on Internal Control (cont'd)

The ongoing identification and management of risks is a continuous process and is the responsibility of all staff of the Group.

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.

As at the date of this report, the external consultant has completed one (1) cycle of internal audit in accordance with the approved internal audit strategy by the Audit Committee and the findings of the internal audit review has been communicated to the Audit Committee. The Audit Committee reviewed the reports from internal audit and the Management's responses, before reporting and making recommendations to the Board in strengthening the internal control system.

The cost incurred for the internal audit function for the financial year ended 31 March 2010 is RM15,000.

KEY ELEMENTS OF INTERNAL CONTROL

Apart from ERM 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 are 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.

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 function, the External Auditors and management, and evaluates the adequacy and effectiveness of the Group's ERM and internal control system.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

There were no material or significant losses incurred during the financial year from 1 April 2009 to 31 March 2010 as a result of weaknesses in internal control. The Board and the Management continue to take appropriate measures to improve and strengthen the control environment.

This Statement was reviewed by the Audit Committee and approved by the Board on 23 August 2010.

Statement on Director's Responsibilities

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

In preparing the financial statements for the financial year ended 31 March 2010 ("the Financial Statements"), the Directors have, with the advice from the External Auditors:

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

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

The Directors have, upon the request and advice of the External Auditors, took the necessary steps and undertaken the necessary inspections for the purpose of enabling the External Auditors to give their audit report for the Financial Statements.

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

This Statement was reviewed and approved by the Board on 23 August 2010.

Additional Compliance Information

1. Utilisation of Proceeds

There were no proceeds raised from any corporate exercises during the financial year from 1 April 2009 to 31 March 2010.

2. Share Buybacks

There were no share buyback transactions made by the Company during the financial year from 1 April 2009 to 31 March 2010.

3. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company during the financial year from 1 April 2009 to 31 March 2010.

4. American Depository Receipt ("ADR")/Global Depository Receipt ("GDR")

During the financial year from 1 April 2009 to 31 March 2010, the Company did not sponsor any ADR or GDR programme.

5. Related Party Transactions

The aggregate value of Related Party Transactions for the financial year ended 31 March 2010 is set out in Note 37 of the Audited Financial Statements.

6. Imposition of Sanctions / Penalties

On 5 August 2009, Bursa Malaysia Securities Berhad ("Bursa Securities") had publicly reprimanded the Company for breach of paragraph 16.11(b) of the Listing Requirements.

Consequently, the Directors of the Company namely Lew Mew Choi, Liew Kiam Woon, Liew Meow Nyeon and past Directors, Alan Rajendram A/L Jeya Rajendram, Chin Soong Jin, Chung Tack Soon, Tong Hock Sen and Kee Ju-Hun were also publicly reprimanded for breach of paragraph 16.11(b) of the Listing Requirements. Lew Mew Choi, Liew Kiam Woon, Chin Soong Jin and Alan Rajendram A/L Jeya Rajendram were each imposed a fine of RM117,000.

Save for the above, there were no other sanctions/penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body during the financial year from 1 April 2009 to 31 March 2010.

7. Non-audit Fees

There were no non-audit fees payable to the External Auditors for the financial year ended 31 March 2010.

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

There were no material variance between the audited results for the financial year ended 31 March 2010 and the unaudited results announced to Bursa Securities on 25 May 2010. The Company did not publish any profit estimates, forecasts or projections for financial year ended 31 March 2010.

9. Profit Guarantee

There was no profit guarantee received by the Company during the financial year from 1 April 2010 to 31 March 2010.

10. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting or entered into during the financial year from 1 April 2009 to 31 March 2010, by the Company and its subsidiaries which involved the interest of the Directors and substantial shareholders.

11. Revaluation of Landed Properties

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

Financial Statements



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Directors' Report

The directors submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 March 2010.

Principal activities

The Company is principally involved in investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements whilst the principal activities of the jointly controlled operations are as stated in Note 16 to the financial statements.

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

Financial results

	Group RM	Company RM
Net loss for the year	<u>6,068,171</u>	<u>522,036</u>
Attributable to:		
Equity holders of the Company	5,701,909	522,036
Minority interests	<u>366,262</u>	<u>-</u>
	<u>6,068,171</u>	<u>522,036</u>

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial period. The directors also do not recommend any dividend payment in respect of the current financial year.

Reserves and provisions

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

Issue of shares and debentures

The Company has not issued any new shares or debentures during the financial year.

Directors' Report (cont'd)

Directors

The directors of the Company in office since the date of the last report are:

Lew Mew Choi
 Liew Meow Nyeon
 Liew Kiam Woon
 David Low Teck Wee
 Loo Thin Tuck
 Tunku Azlan Bin Tunku Aziz - Appointed on 5 October 2009
 Ahmad Fuad Bin Abdul Wahab - Resigned on 31 July 2009
 Alan Rajendram A/L Jeya Rajendram - Resigned on 24 September 2009

Directors' interests

The interests in the Company and its related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM1 each			Balance as at 31.3.2010
	Balance as at 1.4.2009	Bought	Sold	
Direct interest				
Lew Mew Choi	7,604,108	-	-	7,604,108
Liew Meow Nyeon	710,549	-	-	710,549
Liew Kiam Woon	4,133,843	-	-	4,133,843
Indirect interest				
Lew Mew Choi	8,260,421	-	-	8,260,421 *
Liew Meow Nyeon	5,625,562	-	-	5,625,562 # ^^
Liew Kiam Woon	4,605,562	-	-	4,605,562 ^

* Deemed interested by virtue of his substantial shareholdings in Kekal Jaya Holdings Sdn Bhd ("KJHSB") of which KJHSB is the registered owner of the shares in the Company.

Deemed interested by virtue of his substantial shareholdings in Liew Meow Nyeon Realty Sdn Berhad ("LMNRSB") and Kekal Jaya Ventures Sdn Bhd ("KJVS") of which LMNRSB and KJVS are the registered owners of the shares in the Company.

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

^^ Deemed interested by virtue of his son's shareholdings of which his son is the registered owner of 20,000 ordinary shares in the Company.

Directors' Report (cont'd)

Directors' interests (cont'd)

Mr Lew Mew Choi, by virtue of his holding of not less than 15% in the share capital of the Company, is deemed to have an interest in the share capitals of Company's subsidiaries to the extent the Company and its subsidiaries have an interest during the financial year.

None of the other directors in office at the end of the financial year, had held shares or beneficial interest in shares of the Company and its related companies during the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965.

Directors' benefits

Since the end of the previous financial period, no director has received or become entitled to receive any benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company 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 except for any benefit which may be deemed to have arisen by virtue of the transactions between the Group and the Company and certain companies in which the directors of the Company have interests as disclosed in Note 37 to the financial statements.

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

Other statutory information

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

Directors' Report (cont'd)

Other statutory information (cont'd)

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

No contingent or other liability of the Group and the Company 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 affect the ability of the Group and the Company to meet their obligations as and when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

Auditors

The auditors, Messrs Russell Bedford LC & Company, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the directors,

.....
LEW MEW CHOI

.....
LIEW KIAM WOON

Kuala Lumpur

Dated: 28 July 2010

Statement by Directors

The directors of LFE CORPORATION BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2010, and of their financial performance and their cash flows for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the directors,

.....
LEW MEW CHOI

.....
LIEW KIAM WOON

Kuala Lumpur

Dated: 28 July 2010

Statutory Declaration

I, LIEW KIAM WOON, being the director primarily responsible for the financial management of LFE CORPORATION BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are 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 LIEW KIAM WOON at Kuala Lumpur in)
Wilayah Persekutuan on 28 July 2010)

.....
LIEW KIAM WOON

Before me,

COMMISSIONER FOR OATHS
AISHAH BT SHAHUL HAMEED
W565
Kuala Lumpur, Malaysia

Report of the Independent Auditors

to the members of LFE Corporation Berhad

1. Report on the financial statements

We have audited the accompanying financial statements which comprise the balance sheet of the Group and of the Company as at 31 March 2010, and the related statements of income, changes in equity and cash flows for the year ended 31 March 2010, and a summary of significant accounting policies and other explanatory notes.

1.1 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 the Companies Act 1965 ("Act") and the Approved Accounting Standards for Entities Other Than Private Entities 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.

1.2 Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in paragraph 1.3, we conducted our audit in accordance with the 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

1.3 Basis for qualified opinion

As at 31 March 2010, there is an amount due to the Group by a former director of the Company of RM26,506,700 where the scheduled full repayment on or before 21 December 2008 has not been met. The amount arose from an undertaking of the former director pursuant to advances made for and his profit guarantee obligations on the computer products trading activities carried out by a wholly owned subsidiary of the Company, LFE International Limited ("LFEI"), which also gave rise to an amount due to the Company by LFEI as at 31 March 2010 of RM17,497,026. The undertaking is secured by way of a pledge by the former director of 25 million ordinary shares in Stanton Technologies Limited ("Stanton Shares"), a company incorporated in Dubai International Financial Centre. As discussed in Note 24 to the financial statements, no allowance for doubtful debt has been made on these amounts.

Report of the Independent Auditors to the members of LFE Corporation Berhad (cont'd)

1. Report on the financial statements (cont'd)

1.3 Basis for qualified opinion (cont'd)

The scheduled full repayment of the undertaking amount has not been met by the former director and we are also unable to satisfy ourselves as to whether the value of the pledged Stanton Shares provides adequate security to cover any loss that may arise from the non repayment of the undertaking amount. Accordingly, we are unable to satisfy ourselves as to the recoverability of both the amounts due to the Group by the former director of RM26,506,700 and due to the Company by LFEI of RM17,497,026.

1.4 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 the amounts due to the Group by the former director and due to the Company by LFEI as explained in paragraph 1.3, the financial statements have been properly drawn up in accordance with the Act and the Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2010, and of their financial performance and their cash flows for the year ended on that date.

2. Report on other legal and regulatory requirements

In accordance with the requirements of the Act, we also report on the following:

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

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the Group's financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material in relation to the Group's financial statements and did not include any comment made under Section 174(3) of the Act.

Report of the Independent Auditors to the members of LFE Corporation Berhad (cont'd)

3. Other matters

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

RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS

LOH KOK LEONG
1965/06/11 (J)
PARTNER

Kuala Lumpur

Dated: 28 July 2010

Income Statements

for the year ended 31 March 2010

	Note	Group		Company	
		1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Revenue	4	224,625,834	303,498,951	-	-
Cost of sales	5	<u>(209,365,152)</u>	<u>(289,943,848)</u>	-	-
Gross profit		15,260,682	13,555,103	-	-
Other income		7,391,342	2,859,009	572,033	84
Administrative expenses		(10,455,040)	(16,965,358)	(394,069)	(1,310,166)
Other operating expenses		<u>(12,380,975)</u>	<u>(602,047)</u>	<u>(700,000)</u>	-
Loss from operations	6	(183,991)	(1,153,293)	(522,036)	(1,310,082)
Finance costs	7	<u>(5,577,710)</u>	<u>(5,224,827)</u>	-	-
Loss before tax		(5,761,701)	(6,378,120)	(522,036)	(1,310,082)
Income tax expense	8	<u>(306,470)</u>	<u>651,063</u>	-	-
Net loss for the year/period		<u>(6,068,171)</u>	<u>(5,727,057)</u>	<u>(522,036)</u>	<u>(1,310,082)</u>
Attributable to:					
Shareholders of the Company		(5,701,909)	(5,627,787)	(522,036)	(1,310,082)
Minority interests		<u>(366,262)</u>	<u>(99,270)</u>	-	-
		<u>(6,068,171)</u>	<u>(5,727,057)</u>	<u>(522,036)</u>	<u>(1,310,082)</u>
Basic loss per ordinary share (sen)	9	<u>(6.72)</u>	<u>(6.63)</u>		

Balance Sheets

as at 31 March 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Non current assets					
Property, plant and equipment	10	4,393,372	7,975,199	-	-
Land held for property development	11	-	3,714,320	-	-
Investment properties	12	4,121,758	4,526,273	-	-
Investment in subsidiaries	13	-	-	26,111,582	26,111,582
Investment in an associate	14	-	-	-	-
Other long term investments	15	-	2,000,000	-	-
Goodwill on consolidation	17	-	-	-	-
		8,515,130	18,215,792	26,111,582	26,111,582
Current assets					
Inventories	18	2,776,155	2,931,373	-	-
Non current assets held for sale	19	5,570,000	350,000	-	-
Property development costs	11	-	2,009,931	-	-
Trade receivables	20	129,535,498	88,192,197	-	-
Amount due from contract customers	21	28,240,599	24,557,182	-	-
Amount due from subsidiaries	22	-	-	21,736,275	22,211,107
Amount due from an associate	23	3,828,086	2,870,774	-	-
Amount due from a former director	24	26,506,700	26,506,700	-	-
Other receivables, deposits and prepayments	25	16,383,488	35,202,482	45,000	145,000
Tax recoverable		915,223	1,058,457	-	-
Fixed deposits with licensed banks	26	13,630,343	11,826,973	-	-
Cash and bank balances	27	6,338,370	3,828,344	5,947	5,924
		233,724,462	199,334,413	21,787,222	22,362,031

Balance Sheets

as at 31 March 2010 (cont'd)

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Current liabilities					
Trade payables	28	81,475,898	76,294,072	-	-
Amount due to contract customers	21	15,014,203	9,148,738	-	-
Amount due to an associate	23	37,786	-	37,786	-
Amount due to a subsidiary	22	-	-	17,818	-
Amount due to directors	29	603,722	1,498,848	-	1,000,000
Other payables and accruals	30	49,588,899	38,203,735	2,209,690	1,318,067
Hire purchase liabilities	31	50,527	143,516	-	-
Short term borrowings	32	38,850,952	50,418,404	-	-
Tax payable		-	77,790	-	-
		<u>185,621,987</u>	<u>175,785,103</u>	<u>2,265,294</u>	<u>2,318,067</u>
Net current assets		48,102,475	23,549,310	19,521,928	20,043,964
Non current liabilities					
Hire purchase liabilities	31	100,915	207,296	-	-
Long term loans	33	25,716,967	2,019,077	-	-
Deferred tax liabilities	34	11,500	-	-	-
		<u>(25,829,382)</u>	<u>(2,226,373)</u>	<u>-</u>	<u>-</u>
		<u>30,788,223</u>	<u>39,538,729</u>	<u>45,633,510</u>	<u>46,155,546</u>
Represented by:					
Share capital	35	84,900,002	84,900,002	84,900,002	84,900,002
Reserves	36	<u>(54,421,821)</u>	<u>(46,037,577)</u>	<u>(39,266,492)</u>	<u>(38,744,456)</u>
Shareholders' equity					
Minority interests		<u>30,478,181</u>	<u>38,862,425</u>	<u>45,633,510</u>	<u>46,155,546</u>
		<u>310,042</u>	<u>676,304</u>	<u>-</u>	<u>-</u>
Total equity		<u>30,788,223</u>	<u>39,538,729</u>	<u>45,633,510</u>	<u>46,155,546</u>

Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital RM	Share premium RM	Foreign exchange translation reserve RM	Accumulated losses RM	Shareholders' equity RM	Minority interests RM	Total equity RM
Group							
At 1 January 2008	84,900,002	5,218,125	(706,210)	(48,764,406)	40,647,511	726,574	41,374,085
Acquisition of a subsidiary	-	-	-	-	-	49,000	49,000
Translation differences	-	-	3,842,701	-	3,842,701	-	3,842,701
Net loss for the period	-	-	-	(5,627,787)	(5,627,787)	(99,270)	(5,727,057)
At 31 March 2009	84,900,002	5,218,125	3,136,491	(54,392,193)	38,862,425	676,304	39,538,729
Translation differences	-	-	(2,682,335)	-	(2,682,335)	-	(2,682,335)
Net loss for the year	-	-	-	(5,701,909)	(5,701,909)	(366,262)	(6,068,171)
At 31 March 2010	84,900,002	5,218,125	454,156	(60,094,102)	30,478,181	310,042	30,788,223
Company							
At 1 January 2008				84,900,002	5,218,125	(42,652,499)	47,465,628
Net loss for the period				-	-	(1,310,082)	(1,310,082)
At 31 March 2009				84,900,002	5,218,125	(43,962,581)	46,155,546
Net loss for the year				-	-	(522,036)	(522,036)
At 31 March 2010				84,900,002	5,218,125	(44,484,617)	45,633,510

Cash Flow Statements

for the year ended 31 March 2010

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Cash flows from/(used in) operating activities				
Loss before tax	(5,761,701)	(6,378,120)	(522,036)	(1,310,082)
Adjustments for:				
Allowances for doubtful debts	8,224,590	236,460	-	-
Bad debts written off	-	45,168	-	-
Depreciation	4,661,452	3,557,938	-	-
Fair values adjustments on investment properties	(265,485)	(236,573)	-	-
Gain on disposal of plant and equipment	(961,621)	(6,840)	-	-
(Gain)/Loss on disposal of investment properties	(10,000)	202,678	-	-
Impairment loss on:				
- goodwill	693,593	-	-	-
- investment in subsidiaries	-	-	700,000	-
- other long term investment	2,000,000	-	-	-
- property development costs	1,155,464	-	-	-
Interest expense	5,577,710	5,224,827	-	-
Interest income	(314,335)	(666,454)	(33)	(84)
Loss on disposal of other long term investments	-	100	-	-
Plant and equipment written off	108,895	-	-	-
Sundry deposits written off	22,665	-	-	-
Unrealised gain on foreign exchange	-	(1,146,666)	-	-
Unrealised loss on foreign exchange	378,561	695,985	-	-
Write back of allowance of doubtful debts	(726)	-	-	-

Cash Flow Statements

for the year ended 31 March 2010 (cont'd)

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Operating profit/(loss) before working capital changes	15,509,062	1,528,503	177,931	(1,310,166)
Changes in amount due from/to contract customers – net	(92,384)	(9,323,932)	-	-
Decrease/(Increase) in inventories	142,167	(18,144)	-	-
Increase in property development costs	(331,213)	(1,287,761)	-	-
(Increase)/Decrease in trade and other receivables	(40,286,798)	(51,853,161)	100,000	(100,000)
Increase/(Decrease) in trade and other payables	23,959,923	49,691,995	(108,377)	992,465
Cash (used in)/generated from operations	(1,099,243)	(11,262,500)	169,554	(417,701)
Income tax paid	(235,332)	(838,311)	-	-
Income tax refunded	-	280,000	-	-
Net cash (used in)/from operating activities	(1,334,575)	(11,820,811)	169,554	(417,701)
Cash flows from/(used in) investing activities				
Purchase of plant and equipment	(2,126,067)	(6,955,710)	-	-
Interest received	314,335	666,454	33	84
Repayments from subsidiaries	-	-	474,832	256,509
Advances to an associate	(730,798)	-	-	-
Acquisition of a subsidiary (Note 13)	(698,603)	49,000	(700,000)	(51,000)
Proceeds from disposal of plant and equipment	2,131,765	121,542	-	-
Proceeds from disposal of investment properties	360,000	2,982,878	-	-
Proceeds from disposal of other long term investments	-	5,358,309	-	-
Net cash (used in)/from investing activities	(749,368)	2,222,473	(225,135)	205,593

Cash Flow Statements

for the year ended 31 March 2010 (cont'd)

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Cash flows from/(used in) financing activities				
Advances from a subsidiary	-	-	17,818	-
Advances from an associate	37,786	-	37,786	-
Advances from directors	104,874	-	-	-
Increase in fixed deposits pledged	(2,859,397)	(1,300,000)	-	-
Interest paid	(4,789,014)	(5,224,827)	-	-
Proceeds from borrowings	25,814,173	25,644,558	-	-
Repayments of borrowings	(8,289,071)	(27,673,379)	-	-
Repayments of hire purchase liabilities	(199,370)	(234,387)	-	-
Net cash from/(used in) financing activities	9,819,981	(8,788,035)	55,604	-
Exchange differences on translation	(887,375)	3,684,174	-	-
Net increase/(decrease) in cash and cash equivalents	6,848,663	(14,702,199)	23	(212,108)
Cash and cash equivalents at beginning of year/period	(3,271,739)	11,430,460	5,924	218,032
Cash and cash equivalents at end of year/period	3,576,924	(3,271,739)	5,947	5,924
Cash and cash equivalents comprise:				
Cash and bank balances	6,338,370	3,828,344	5,947	5,924
Fixed deposits with licensed banks	13,630,343	11,826,973	-	-
Bank overdrafts	(3,859,350)	(9,254,014)	-	-
	16,109,363	6,401,303	5,947	5,924
Less: Fixed deposits pledged	(12,532,439)	(9,673,042)	-	-
	3,576,924	(3,271,739)	5,947	5,924

Notes to the Financial Statements

31 March 2010

1. General information

The Company is principally engaged in investment holding activities. The principal activities of the subsidiaries are disclosed in Note 13 whilst the principal activities of the jointly controlled operations are as stated in Note 16.

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

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

The registered office and principal place of business is located at Wisma LFE, Lot 993, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the board of directors on 28 July 2010.

2. Basis of preparation of the financial statements

The financial statements of the Group and the Company have been prepared and presented in accordance with the provisions of the Companies Act, 1965 and the Approved Accounting Standards for Entities Other Than Private Entities issued by the Malaysian Accounting Standards Board.

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

Estimates and judgments are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described below, management is of the opinion that there are no instances of application of judgment which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that other than those assumptions applied in estimation of the outcome of construction contracts, there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company had adopted the new and revised Financial Reporting Standards ("FRS") and their related interpretations that become mandatory for the current financial year. The adoption of the new and revised FRSs and interpretations does not result in significant changes in accounting policies of the Group and the Company.

Notes to the Financial Statements

31 March 2010 (cont'd)

2. Basis of preparation of the financial statements (cont'd)

The new standards, amendments to published standards and interpretations that may result in changes in the accounting policies of the Group and are mandatory for financial periods beginning after 1 April 2009, but which the Group has not early adopted, do not result in significant changes in accounting policies of the Group and the Company other than the following:

- i. FRS 8 Operating Segments (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS 1142004 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from the financial period beginning on 1 April 2010.
- ii. FRS 7 Financial Instruments: Disclosure and FRS 139 Financial Instruments: Recognition and Measurement (both effective for the financial period beginning on 1 January 2010) which the Company will apply when effective. FRS 7 requires disclosures in financial statements that enable users to evaluate the significance of financial instruments of the entity to which is exposed and how these risks are managed. FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The impact of applying FRS 7 and FRS 139 on the financial statements upon its initial application is not disclosed by virtue of the exemption given in the standards.
- iii. FRS 101 Presentation of Financial Statements (revised) (effective for financial period beginning on 1 January 2010). FRS 101 will prohibit the presentation of items of income and expenses (that is, non owner changes in equity) in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented, separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of this standard introduces a new disclosure requirement to the objectives, policies and processes for managing capital.

3. Significant accounting policies

Basis of accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

All significant inter company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

Foreign currencies

i. 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 ("functional currency").

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

ii. Transactions and balances

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

iii. Foreign operations

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

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

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Foreign currencies (cont'd)

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

	2010 RM	2009 RM
United States Dollar ("USD")	3.2583	3.6470
Renminbi ("RMB")	0.4774	0.5349
100 Vietnamese Dong ("VND")	0.0172	0.0209
UAE Dirhams ("AED")	0.8871	0.9925
Qatari Riyal ("QAR")	0.8962	1.0035
Australian Dollar ("AUD")	2.9893	2.5139

Revenue recognition

Revenue relating to construction contracts is recognised when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity.

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement upon delivery of goods and customer's acceptance.

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

Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

Rental income is recognised as it accrues unless collectibility is in doubt.

Employee Benefits

i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Employee Benefits (cont'd)

ii. Defined contribution plans

Obligations for contributions to defined contributions plans such as Employees Provident Fund are recognised as an expense in the income statement as incurred.

Income tax

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

Deferred tax is provided for, using the 'liability' method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement.

Impairment of assets

The carrying amounts of assets subject to accounting for impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement immediately whenever the recoverable amount is less than the carrying amount of the asset. All reversals of an impairment loss are recognised as income immediately.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Gain and loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

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

No depreciation is provided on freehold land. Depreciation on other property, plant and equipment is calculated generally on a reducing balance basis at the following annual rates based on their estimated useful lives:

Plant and machinery	33.33% - 50%
Freehold buildings	2%
Leasehold building	Over the unexpired leased period of 99 years
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Air conditioners and renovation	10% - 20%

The assets of the jointly controlled operations are depreciated on a straight line basis over the expected duration of the respective contracts of approximately 40 months.

Development property and 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 and is stated at cost less any impairment losses.

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

ii. Property development costs

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

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.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Development property and costs (cont'd)

ii. Property development costs (cont'd)

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

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings under trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings under trade payables.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification or recent experience in the location and category of the properties having valued.

A gain or loss arising from a change in the fair value of investment properties is recognised in income statement for the year in which it arises.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to derive benefits from its activities.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Investment in associates

An associate is a company in which the Group or the Company, directly or indirectly has significant influence and which is neither a subsidiary nor a joint venture of the Group or the Company.

The Company's investment in associates is stated at cost less impairment losses, if any.

The Group's investment in associates is accounted for under the equity method of accounting based on the audited or management financial statements of the associates made up to the balance sheet date. Under this method of accounting, the Group's interest in the post acquisition profit of the associates is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of associates to ensure consistency of accounting policies with the Group.

Investment in jointly controlled operations

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

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

Other long term investments

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

Goodwill/Reserve on acquisition

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets acquired. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investments in associates.

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

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Goodwill/Reserve on acquisition (cont'd)

Reserve arising from acquisition represents the excess of the sum of the fair values of the identifiable net assets acquired over the purchase consideration as at the date of acquisition and is recognised immediately in the income statement.

Inventories

Inventories comprising trading merchandise and consumables are stated at the lower of cost and net realisable value. Cost of inventories is determined on a weighted average basis. Cost of trading merchandise and consumables comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs to completion and selling and distribution expenses.

Non current assets held for sale

Non current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale must be highly probable.

Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Construction contracts and amount due from/to contract customers

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs.

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

Cost includes direct materials, labour, sub contract sum and attributable overheads paid or payable to date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Amount due from contract customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Construction contracts and amount due from/to contract customers (cont'd)

Amount due to contract customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Leases

Assets acquired under leases which transfer substantially all the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at their fair values or, if lower, at the present value of the minimum lease payments of the leased assets at the inception of the respective leases.

Finance costs, which represent the difference between the total lease commitments and the fair values of the assets acquired, are charged to the income statement over the term of the relevant lease periods so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases which do not meet such criteria are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statement on a straight line basis over the terms of the relevant lease.

Plant and equipment acquired under hire purchase

Plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liabilities.

Provisions

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

Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risks and returns are affected predominantly by differences in the products it produces and in the services it renders, while the secondary information is reported geographically.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Segment information (cont'd)

A segment with a majority of operating income earned from providing product or services to external clients and whose operating income, results or assets are 10 percent or more of all the segments is reported separately.

Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

i. Receivables

Receivables are carried at anticipated realisable value. All known bad debts are written off and specific provisions are made for debts that are considered to be doubtful with regards to collection.

ii. Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

iii. Interest bearing borrowings

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended period in which active construction or production of these assets is interrupted.

Notes to the Financial Statements

31 March 2010 (cont'd)

3. Significant accounting policies (cont'd)

Financial instruments (cont'd)

iii. Interest bearing borrowings (cont'd)

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

iv. Equity instruments

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

Cash flow statements

Cash flow statement is prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to 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 fixed deposits pledged.

4. Revenue

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Contract revenue	217,202,244	293,952,705	-	-
Sale of technology products	7,423,590	9,546,246	-	-
	<u>224,625,834</u>	<u>303,498,951</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

5. Cost of sales

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Contract costs recognised	202,622,686	281,504,479	-	-
Sale of technology products	6,742,466	8,439,369	-	-
	<u>209,365,152</u>	<u>289,943,848</u>	<u>-</u>	<u>-</u>

6. Loss from operations

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Loss from operations is arrived at after charging:				
Allowances for doubtful debts	8,224,590	236,460	-	-
Auditors' remuneration				
- auditors' of the Company				
- statutory audit				
- current year/period	98,300	112,500	28,000	32,000
- under provision	-	100,600	-	100,000
- non statutory audit				
- current year/period	28,077	4,501	-	-
- under provision	28,385	-	-	-
- other services				
- under provision	-	10,000	-	10,000
- other auditors				
- statutory audit				
- current year/period	43,812	61,313	-	-
- under provision	7,596	-	-	-
Bad debts written off	-	45,168	-	-
Depreciation				
- recognised in income statement	453,429	762,939	-	-
- recognised in contract costs	4,208,023	2,794,999	-	-

Notes to the Financial Statements

31 March 2010 (cont'd)

6. Loss from operations (cont'd)

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Impairment loss on:				
- goodwill	693,593	-	-	-
- investment in subsidiaries	-	-	700,000	-
- other long term investment	2,000,000	-	-	-
- property development costs	1,155,464	-	-	-
Loss on disposal of				
- investment properties	-	202,678	-	-
- plant and equipment	14,999	8,239	-	-
- other investments	-	100	-	-
Loss on foreign exchange				
- realised	10,471	16,527	5,412	-
- unrealised	378,561	695,985	-	-
Plant and equipment written off	108,895	-	-	-
Rental of plant and machinery recognised in contract costs	7,270	31,324	-	-
Rental of				
- equipment				
- recognised in income statement	13,444	25,179	-	-
- recognised in contract costs	10,890	20,038	-	-
- premises	573,587	609,673	-	-
Sundry deposits written off	22,665	-	-	-
Staff costs				
- directors' remuneration				
- directors of the Company				
- fees	53,620	34,000	53,620	34,000
- other than fees	595,744	1,388,497	-	-
- directors of subsidiaries				
- fees	6,000	7,500	-	-
- other than fees	364,527	585,727	-	-
- other staff costs	17,016,295	15,107,755	-	-
	18,036,186	17,123,479	53,620	34,000

Notes to the Financial Statements

31 March 2010 (cont'd)

6. Loss from operations (cont'd)

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
And crediting:				
Fair value adjustments on investment properties	265,485	236,573	-	-
Gain on disposal of plant and equipment				
- recognised in income statement	976,620	4,720	-	-
- recognised in contract costs	-	10,359	-	-
Gain on disposal of investment properties	10,000	-	-	-
Gain on foreign exchange				
- realised	229,609	37,311	-	-
- unrealised	-	1,146,666	-	-
Interest income				
- fixed deposits	304,099	616,197	-	-
- current account	10,185	50,146	-	-
- others	51	111	33	84
Profit guarantee for IT business	-	665,874	-	-
Rental income on land and buildings	7,050	1,500	-	-
Write back of allowances for doubtful debts	572,726	-	572,000	-
Staff costs comprise:				
Defined contribution plan	329,984	597,099	-	-
Salaries, bonus, allowances and overtime	17,676,763	16,480,252	53,620	34,000
Other employee related expenses	29,439	46,128	-	-
	<u>18,036,186</u>	<u>17,123,479</u>	<u>53,620</u>	<u>34,000</u>
Staff costs recognised in contract costs	<u>(12,545,188)</u>	<u>(10,762,802)</u>	<u>-</u>	<u>-</u>
	<u>5,490,998</u>	<u>6,360,677</u>	<u>53,620</u>	<u>34,000</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

6. Loss from operations (cont'd)

The key management personnel of the Company whose remuneration is analysed as follows:

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Directors of the Company				
Executive directors:				
Salaries, wages, bonus and allowances	518,037	1,230,855	-	-
Defined contribution plan	43,356	102,000	-	-
Benefits-in-kind	11,000	90,366	-	-
Others	1,063	1,328	-	-
	<u>573,456</u>	<u>1,424,549</u>	<u>-</u>	<u>-</u>
Non executive directors:				
Fees	53,620	34,000	53,620	34,000
Salaries, wages, bonus and allowances	29,400	48,000	-	-
Defined contribution plan	3,528	5,760	-	-
Benefits-in-kind	-	21,251	-	-
Others	360	554	-	-
	<u>86,908</u>	<u>109,565</u>	<u>53,620</u>	<u>34,000</u>
Directors of the subsidiaries				
Fees	6,000	7,500	-	-
Salaries, wages, bonus and allowances	354,591	547,858	-	-
Defined contribution plan	9,936	37,869	-	-
	<u>370,527</u>	<u>593,227</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	<u>1,030,891</u>	<u>2,127,341</u>	<u>53,620</u>	<u>34,000</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

6. Loss from operations (cont'd)

The number of directors of the Company where total remuneration (included benefits in kind) during the financial year/period falls within the following bands is analysed as follows:

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Executive directors:				
Below RM50,000	-	-	2	3
RM200,001 to RM250,000	1	-	-	-
RM300,001 to RM350,000	1	-	-	-
RM350,001 to RM400,000	-	2	-	-
RM450,001 to RM500,000	-	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Non executive directors:				
Below RM50,000	6	5	6	6
RM51,001 to RM100,000	-	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

7. Finance costs

	Group	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Interest expense on:		
Term loans	4,669,057	3,107,053
Revolving credits	123,534	173,786
Bank overdrafts	545,313	939,509
Bankers' acceptance and trust receipts	-	953,910
Hire purchase	25,991	50,569
Advances from a jointly controlled operation	213,815	-
	<hr/>	<hr/>
	5,577,710	5,224,827
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2010 (cont'd)

8. Income tax expense

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Estimated income tax payable				
Malaysia				
- current year/period	(17,000)	520,000	-	-
- (under)/over provision in prior years	(208,235)	6,210	-	-
Overseas				
- current year/period	(25,268)	(40,014)	-	-
- under provision in prior year	(44,407)	-	-	-
	(294,910)	486,196	-	-
Deferred tax (Note 34)				
- current year	(11,500)	-	-	-
- (under)/over provision in prior years	(60)	164,867	-	-
	(11,560)	164,867	-	-
	<u>(306,470)</u>	<u>651,063</u>	<u>-</u>	<u>-</u>

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Loss before tax	<u>(5,761,701)</u>	<u>(6,378,120)</u>	<u>(522,036)</u>	<u>(1,310,082)</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

8. Income tax expense (cont'd)

	Group		Company	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Income tax using Malaysian tax rate of 25% (2009: 25%)	1,440,400	1,594,530	130,000	327,520
Expenses not deductible for tax purposes	(2,228,094)	(1,975,747)	(273,000)	(327,520)
Effect of double deduction expenses	2,400	-	-	-
Income not subject to tax	3,855,476	1,949,523	143,000	-
Deferred tax assets not recognised during the year/period	(3,243,550)	(1,601,596)	-	-
Utilisation of prior years' unrecognised deferred tax assets	119,600	-	-	-
(Under)/over provision in prior years				
- income tax	(252,642)	6,210	-	-
- deferred tax	(60)	164,867	-	-
Other items	-	513,276	-	-
	<u>(306,470)</u>	<u>651,063</u>	<u>-</u>	<u>-</u>
Income tax expense for the year/period	<u>(306,470)</u>	<u>651,063</u>	<u>-</u>	<u>-</u>

9. Loss per share

Basic loss per ordinary share is based on net loss attributable to ordinary shareholders and weighted average number of ordinary shares in issued as follows:

	Group	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Net loss attributable to ordinary shareholders	<u>(5,701,909)</u>	<u>(5,627,787)</u>
Weighted average number of ordinary shares in issue	<u>84,900,002</u>	<u>84,900,002</u>
Basic loss per ordinary share (sen)	<u>(6.72)</u>	<u>(6.63)</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

10. Property, plant and equipment

Group	Plant and machinery RM	Freehold land and buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Air conditioners and renovation RM	Total RM
2010							
Cost							
At beginning of year	9,018,704	159,252	1,060,010	2,963,077	2,724,555	602,239	16,527,837
Additions	1,875,416	-	-	170,507	80,144	-	2,126,067
Acquisition of a subsidiary	3	-	-	1	-	1	5
Disposals	(2,850,194)	-	-	(732,156)	-	-	(3,582,350)
Write offs	-	-	-	-	(161,249)	(75,600)	(236,849)
Foreign exchange adjustment	(1,369,674)	-	-	(116,288)	(123,688)	(5,049)	(1,614,699)
At end of year	<u>6,674,255</u>	<u>159,252</u>	<u>1,060,010</u>	<u>2,285,141</u>	<u>2,519,762</u>	<u>521,591</u>	<u>13,220,011</u>
Accumulated depreciation							
At beginning of year	5,111,765	10,330	13,429	1,748,278	1,406,505	262,331	8,552,638
Charge for the year	3,916,206	-	10,743	300,430	407,580	26,493	4,661,452
Disposals	(2,199,589)	-	-	(212,617)	-	-	(2,412,206)
Write offs	-	-	-	-	(116,939)	(11,015)	(127,954)
Foreign exchange adjustment	(1,323,566)	-	-	(432,164)	(86,750)	(4,811)	(1,847,291)
At end of year	<u>5,504,816</u>	<u>10,330</u>	<u>24,172</u>	<u>1,403,927</u>	<u>1,610,396</u>	<u>272,998</u>	<u>8,826,639</u>
Net book value							
At 31 March 2010	<u>1,169,439</u>	<u>148,922</u>	<u>1,035,838</u>	<u>881,214</u>	<u>909,366</u>	<u>248,593</u>	<u>4,393,372</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

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

Group 2009	Plant and machinery RM	Freehold land and buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Air conditioners and renovation RM	Total RM
Cost							
At beginning of period	3,799,458	159,252	-	2,578,030	1,971,853	518,191	9,026,784
Additions	4,700,706	-	1,060,010	575,065	687,978	76,951	7,100,710
Disposals	(23,382)	-	-	(242,174)	(37,119)	-	(302,675)
Foreign exchange adjustment	541,922	-	-	52,156	101,843	7,097	703,018
At end of period	<u>9,018,704</u>	<u>159,252</u>	<u>1,060,010</u>	<u>2,963,077</u>	<u>2,724,555</u>	<u>602,239</u>	<u>16,527,837</u>
Accumulated depreciation							
At beginning of period	1,961,010	10,330	-	1,533,581	918,529	206,483	4,629,933
Charge for the period	2,723,660	-	13,429	319,256	452,835	48,758	3,557,938
Disposals	(13,733)	-	-	(154,707)	(19,533)	-	(187,973)
Foreign exchange adjustment	440,828	-	-	50,148	54,674	7,090	552,740
At end of period	<u>5,111,765</u>	<u>10,330</u>	<u>13,429</u>	<u>1,748,278</u>	<u>1,406,505</u>	<u>262,331</u>	<u>8,552,638</u>
Net book value							
At 31 March 2009	<u>3,906,939</u>	<u>148,922</u>	<u>1,046,581</u>	<u>1,214,799</u>	<u>1,318,050</u>	<u>339,908</u>	<u>7,975,199</u>

At the balance sheet date:

- (i) Motor vehicles with net book value of RM246,167 (2009: RM478,629) of the Group are held in trust by a director of the Company;
- (ii) Included under property, plant and equipment of the Group are motor vehicles with net book value of RM310,142 (2009: RM558,597) acquired under hire purchase arrangements;
- (iii) The leasehold building of the Group with the carrying amount of RM1,035,838 (2009: RM1,046,581) has been charged as collateral to secure a term loan referred to in Note 32; and
- (iv) The title deed to the leasehold building of the Group has yet to be transferred to the Group by the developer.

Notes to the Financial Statements

31 March 2010 (cont'd)

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

During the financial year/period, cash payments made to purchase property, plant and equipment are as follows:

	Group	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Total additions	2,126,067	7,100,710
Additions through hire purchase arrangements	-	(145,000)
	<u>2,126,067</u>	<u>6,955,710</u>

11. Land held for property development and property development costs

	Group	
	2010 RM	2009 RM
Land held for property development		
Freehold land at cost		
At beginning of year/period	3,714,320	3,714,320
Transfer to assets held for sale (Note 19)	(3,714,320)	-
At end of year/period	<u>-</u>	<u>3,714,320</u>
Property development costs		
At beginning of year/period	2,009,931	722,170
Additions	331,213	1,287,761
Impairment loss during the year	(1,155,464)	-
Transfer to assets held for sale (Note 19)	1,185,680	2,009,931
	(1,185,680)	-
At end of year/period	<u>-</u>	<u>2,009,931</u>

Included in the property development costs is interest expense of RM167,116 (2009: RM198,844) capitalised during the financial year/period.

The freehold land of the Group with carrying amount of RM Nil (2009: RM3,714,320) has been charged as collateral to secure a banking facility referred to in Note 32.

Notes to the Financial Statements

31 March 2010 (cont'd)

12. Investment properties

	Group	
	2010	2009
	RM	RM
At beginning of year/period	4,526,273	6,118,700
Disposals	-	(1,479,000)
	<u>4,526,273</u>	<u>4,639,700</u>
Change in fair value	265,485	236,573
Transfer to assets held for sale (Note 19)	(670,000)	(350,000)
	<u>4,121,758</u>	<u>4,526,273</u>
At end of year/period	<u>4,121,758</u>	<u>4,526,273</u>
Comprises		
- freehold land and building	3,718,804	3,433,443
- long term leasehold land and buildings	402,954	1,092,830
	<u>4,121,758</u>	<u>4,526,273</u>

The investment properties of the Group amounting to RM3,784,888 (2009: RM3,362,044) have been pledged as collaterals to secure a banking facility referred to in Note 32.

Fair value of the investment properties are determined based on the market values where the fair value is derived by reference to market evidence of transaction prices of similar properties in the vicinity.

The investment properties with carrying amount of RM3,381,934 (2009: RM3,096,573) of the Group is held in trust by a director of the Company.

13. Investment in subsidiaries

	Company	
	2010	2009
	RM	RM
Unquoted shares at cost		
At beginning of year/ period	67,590,201	62,139,201
Acquisition of a subsidiary	700,000	51,000
Additional subscription of shares in a subsidiary	-	5,400,000
	<u>68,290,201</u>	<u>67,590,201</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

13. Investment in subsidiaries (cont'd)

	Company	
	2010	2009
	RM	RM
Accumulated impairment losses		
At beginning of year/period	41,478,619	41,478,619
Addition during the year	700,000	-
At end of year/period	<u>(42,178,619)</u>	<u>(41,478,619)</u>
Carrying amount	<u>26,111,582</u>	<u>26,111,582</u>

The details of the subsidiaries are as follows:

Subsidiaries of the Company	Country of incorporation	Issued and paid up share RM (unless otherwise indicated)	Group's effective interest		Principal activities
			2010	2009	
			%	%	
LFE Engineering Sdn Bhd ("LFEE")	Malaysia	36,845,000	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works
Mediaforte Holdings Sdn Bhd ("MHSB")	Malaysia	50,000	51	51	Investment holding company
LFE Builder Sdn Bhd	Malaysia	100,000	100	100	Property investment
Bestgate Development Sdn Bhd *	Malaysia	1,000,000	51	51	Builders and contractors for construction work

Notes to the Financial Statements

31 March 2010 (cont'd)

13. Investment in subsidiaries (cont'd)

	Country of incorporation	Issued and paid up share RM (unless otherwise indicated)	Group's effective interest		Principal activities
			2010 %	2009 %	
Subsidiaries of the Company (cont'd)					
Lynex Construction Sdn Bhd	Malaysia	100,000	51	51	General contractors
LFE International Limited */**	British Virgin Islands	USD3,800	100	100	Distribution of consumer electronics products
Teratai Megah Sdn Bhd	Malaysia	750,003	100	-	Building and general contractors
Subsidiaries of LFEE					
LFE Engineering (JB) Sdn Bhd	Malaysia	50,000	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works
Loong Fuat Engineering Limited **/#	British Virgin Islands	RMB8	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works
LFE Engineering (Shanghai) Limited #	People's Republic of China	RMB15,702,550	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works

Notes to the Financial Statements

31 March 2010 (cont'd)

13. Investment in subsidiaries (cont'd)

	Country of incorporation	Issued and paid up share RM (unless otherwise indicated)	Group's effective interest		Principal activities
			2010 %	2009 %	
Subsidiaries of LFEE (cont'd)					
LFE Engineering (Vietnam) Company Limited*	Socialist Republic of Vietnam	VND 4,815,300,000	100	100	Technical design and provision of consultancy services for design, implementation and contracting of mechanical and electrical engineering services
LFE Technology Sdn Bhd	Malaysia	50,000	60	60	Provision of specialised engineering services for extra low voltage electrical systems and instrumental and control systems for intelligent transportation systems applications such as expressway traffic management systems, tunnel plant and traffic management systems and automatic cash transfer systems
Subsidiary of MHSB					
Mediaforte (Malaysia) Sdn Bhd	Malaysia	100,000	51	51	Trading and distributing computer products, parts and components

* The financial statements of subsidiaries are not audited by Russell Bedford LC & Company.

** Company not required to be audited in its country of incorporation.

A non statutory audit of financial statements is carried out by Russell Bedford LC & Company for the purposes of consolidation.

On 13 June 2009, the Company acquired 750,003 ordinary shares of RM1 each, representing the entire issued and paid up share capital of Teratai Megah Sdn Bhd, a company incorporated in Malaysia, which is engaged in building and general construction, for a total cash consideration of RM700,000.

Notes to the Financial Statements

31 March 2010 (cont'd)

13. Investment in subsidiaries (cont'd)

During the last financial period:

- (i) On 20 February 2008, the Company acquired 51 ordinary shares of RM1 each, representing 51% of the issued and paid up share capital of Lynex Construction Sdn Bhd ("Lynex"), a company incorporated in Malaysia, which is engaged in general construction, for a total cash consideration of RM51. On 31 March 2008, the Company further subscribed for an additional 50,949 new ordinary shares of RM1 each in Lynex for a total consideration of RM50,949.
- (ii) On 28 June 2008, the Company further subscribed for additional 5,400,000 new ordinary shares of RM1.00 each in the share capital of LFE Engineering Sdn Bhd for a consideration of RM5,400,000.

The acquisitions had the following effects on the Group's financial results for the year/period:

	Group	
	Date of acquisition to 31.3.2010	Date of acquisition to 31.3.2009
	RM	RM
Net loss for the year/period	<u>(2,738)</u>	<u>(218,833)</u>

The acquisitions had the following effects on the financial position of the Group:

	Group	
	At date of acquisition 2010	2009
	RM	RM
Plant and equipment	5	-
Deferred tax asset	60	-
Deposits	12,800	-
Cash and bank balance	1,397	100,000
Other payables and accruals	<u>(7,855)</u>	<u>-</u>
Fair value of net assets acquired	6,407	100,000
Goodwill on acquisition	<u>693,593</u>	<u>-</u>
Purchase consideration	700,000	51,000
Cash and cash equivalents acquired	<u>(1,397)</u>	<u>(100,000)</u>
Net cash (outflow)/inflow arising from acquisition	<u>(698,603)</u>	<u>49,000</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

13. Investment in subsidiaries (cont'd)

(ii) The acquisitions had the following effects on the financial position of the Group: (cont'd)

Subsequent to the balance sheet date, the Company entered into a Sale and Purchase of Shares Agreement to dispose of its entire equity interest in LFE Engineering (Shanghai) Limited and Loong Fuat Engineering Limited, for a total cash consideration of RM6,000,000. The disposal was completed in July 2010.

14. Investment in an associate

	Group	
	2010 RM	2009 RM
Unquoted shares at cost	94,340	94,340
Share in post acquisition losses of associate	(94,340)	(94,340)
Carrying amount	-	-

The details of the associate are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
LFE Engineering (Qatar) W.L.L	Qatar	%	%	Provision of mechanical and electrical works and general building contracting
		49	49	

The financial statements of the associate are not audited by Russell Bedford LC & Company.

The summarised financial information of the associate is as follows:

	2010 RM	2009 RM
Assets and liabilities		
Total assets	16,180,134	32,353,997
Total liabilities	18,038,233	33,109,531

Notes to the Financial Statements

31 March 2010 (cont'd)

14. Investment in an associate (cont'd)

	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Results		
Revenue	13,297,022	38,512,533
Loss for the year/period	<u>(1,317,229)</u>	<u>(29,781)</u>

The Group's share in results of the associate has been recognised to the extent of the carrying amount of the investment. The cumulative and current period's unrecognised share of losses amounted to RM1,034,947 (2009: RM389,505) and RM645,442 (2009: RM14,593) respectively.

15. Other long term investments

	Group	
	2010 RM	2009 RM
Equity shares quoted, at cost		-
- At beginning of year/period	-	28,928,938
- Disposals	-	(28,928,938)
- At the end of year/period	-	-
Unquoted subordinated bonds		
- At beginning/end of year/period	<u>3,500,000</u>	<u>3,500,000</u>
	<u>3,500,000</u>	<u>3,500,000</u>
Accumulated impairment losses		
At beginning of year/period	1,500,000	25,070,529
Impairment loss during the year/period	2,000,000	-
Disposals	-	(23,570,529)
At end of year/period	<u>3,500,000</u>	<u>1,500,000</u>
Carrying amount	<u>-</u>	<u>2,000,000</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

16. Investments in jointly controlled operations

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

Name of jointly controlled operations	Principal place of operations	Proportion of ownership		Principal activities
		2010 %	2009 %	
IJM - Sunway Builders – Zelan – LFE Consortium* ("ISZL")	Abu Dhabi, United Arab Emirates	25	25	Designing, execution and completion of Zone C, Phase 1, Plot 1, Al Reem Island Development, consisting of five towers with an associated podium and villas
IJM – LFE*	Abu Dhabi, United Arab Emirates	30	30	Execution and completion of Zone E2 Hotel Development, Phase 1, Plot 1, Al Reem Island

The financial statements of the jointly controlled operations indicated by * are not audited by Russell Bedford LC & Company.

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

	Group	
	2010 RM	2009 RM
Assets and liabilities		
Current assets	121,041,458	70,935,235
Non current assets	1,362,247	4,244,256
Total assets	<u>122,403,705</u>	<u>75,179,491</u>
Current liabilities	100,753,446	61,415,514
Total liabilities	<u>100,753,446</u>	<u>61,415,514</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

16. Investments in jointly controlled operations (cont'd)

	Group	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Results		
Revenue	168,512,280	180,595,736
Expenses	158,596,737	173,043,404
Profit for the year/period	9,915,543	7,552,332

17. Goodwill on consolidation

	Group	
	2010 RM	2009 RM
At cost	393,950	393,950
Acquisition of a subsidiary (Note 13)	693,593	-
	1,087,543	393,950
Accumulated impairment losses		
At beginning of year/period	393,950	393,950
Impairment loss during the year/period	693,593	-
At end of year/period	(1,087,543)	(393,950)
	-	-

18. Inventories

	Group	
	2010 RM	2009 RM
At cost:		
Trading merchandise	1,360,917	985,643
Consumables	1,431,274	1,961,766
	2,792,191	2,947,409
Less: Allowances for inventory obsolescence	(16,036)	(16,036)
	2,776,155	2,931,373
Inventories carried at net realisable value	-	-

Notes to the Financial Statements

31 March 2010 (cont'd)

19. Non current assets held for sale

	2010 RM	Group 2009 RM
At beginning of year/period	350,000	1,706,556
Transfer from:		
- investment properties (Note 12)	670,000	350,000
- land held for property development and property development costs (Note11)	4,900,000	-
Disposals	<u>(350,000)</u>	<u>(1,706,556)</u>
At end of year/period, at fair value less costs to sell	<u>5,570,000</u>	<u>350,000</u>
Comprises		
- freehold development land and related property development costs	4,900,000	-
- long term leasehold land and buildings	<u>670,000</u>	<u>350,000</u>
	<u>5,570,000</u>	<u>350,000</u>

During the year, separate sale and purchase agreements were entered into to dispose of the freehold land and related property development costs and long term leasehold land and buildings of the Group for a total consideration of RM5,570,000. These disposals are expected to complete within next twelve months upon the fulfilment of all conditions precedent of the sale and purchase agreements. Accordingly, these assets are classified as assets held for sale.

The freehold land of the Group with carrying amount of RM3,714,320 (2009: RM Nil) has been charged as collateral to secure a banking facility referred to in Note 32.

20. Trade receivables

	2010 RM	Group 2009 RM
Trade receivables	105,984,727	63,870,947
Less: Allowances for doubtful debts	<u>(7,234,101)</u>	<u>(1,476,901)</u>
	98,750,626	62,394,046
Retention sums for contract works	<u>30,784,872</u>	<u>25,798,151</u>
	<u>129,535,498</u>	<u>88,192,197</u>

The Group's normal trade credit term is 60 days (2009: 60 days).

Notes to the Financial Statements

31 March 2010 (cont'd)

21. Amount due from/(to) contract customers

	Group	
	2010 RM	2009 RM
Aggregate costs incurred to date	406,102,478	441,197,836
Add: Attributable profits	35,204,593	29,674,650
Less: Recognised losses	-	(6,188,454)
	<u>441,307,071</u>	<u>464,684,032</u>
Less: Progress billings	(428,024,766)	(449,119,976)
	13,282,305	15,564,056
Less: Allowances for doubtful debts	(55,909)	(155,612)
	<u>13,226,396</u>	<u>15,408,444</u>
Presented as follows:		
Amount due from contract customers	28,240,599	24,557,182
Amount due to contract customers	(15,014,203)	(9,148,738)
	<u>13,226,396</u>	<u>15,408,444</u>

22. Amount due from subsidiaries

The amount due from subsidiaries represents unsecured interest free advances receivable on demand. It includes an amount due from LFE International Limited of RM17,497,026 (2009: RM17,497,026) which arose from its computer products trading activities as explained in Note 24.

23. Amount due from/(to) an associate

	Group	
	2010 RM	2009 RM
Balances arising from trade transactions	1,541,831	1,315,317
Unsecured interest free advances receivable on demand	<u>2,286,255</u>	<u>1,555,457</u>
	<u>3,828,086</u>	<u>2,870,774</u>

The amount due to an associate represents unsecured interest free advances repayable on demand.

Notes to the Financial Statements

31 March 2010 (cont'd)

24. Amount due from a former director

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

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

The former director has not met the repayment schedule on or before 21 December 2008 to pay the full amount of undertaking and the actions initiated by the directors of the Company to recover the amount due in accordance with the terms of the undertaking and pledge are ongoing. The directors of the Company are confident that the amount due is recoverable and no allowance for doubtful debt is required as no loss has been incurred as yet. In arriving at this judgment, the directors of the Company have amongst others, considered the financial performance and position of Stanton Technologies Sdn Bhd ("STSB"), the key operating subsidiary of STL, based upon STSB's latest available audited financial statements for the year ended 31 December 2008. Consequently, an allowance for doubtful debt is also not required for the amount due to the Company by LFEI.

The amount of revenue, cost of sales and profit generated from the trading activities of LFEI that were not recognised are as follows:

	Group	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Revenue	-	21,128,149
Cost of sales	-	(19,937,664)
Profit	-	<u>1,190,485</u>

Arising from the above derecognition, the profit guarantee for the year ended 31 March 2010 of RM Nil (period ended 31 March 2009: RM665,874) was recognized as 'Other income' in the Group financial statements upon the execution of the undertaking and pledge agreements.

Notes to the Financial Statements

31 March 2010 (cont'd)

25. Other receivables, deposits and prepayments

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Advanced payments to sub-contractors and suppliers	9,546,814	14,883,244	-	-
Less: Provision for doubtful debts	(2,307,623)	-	-	-
	7,239,191	14,883,244	-	-
Other receivables	3,964,951	14,001,193	1,450,224	2,022,224
Less: Provision for doubtful debts	(1,569,889)	(1,977,224)	(1,405,224)	(1,977,224)
	2,395,062	12,023,969	45,000	45,000
Margin deposits with bank for issuance of labour guarantees	1,953,049	2,420,189	-	-
Unsecured interest free advances receivable on demand from a company with common director	2,271,530	2,545,269	-	-
Deposits	2,206,394	1,761,092	-	100,000
Prepayments	318,262	1,568,719	-	-
	16,383,488	35,202,482	45,000	145,000

26. Fixed deposits with licensed banks

	Group	
	1.4.2009 to 31.3.2010 %	1.1.2008 to 31.3.2009 %
Weighted average effective interest rate	1.6	2.8
	Group	
	2010 Days	2009 Days
Average maturity as at the end of the financial year/period	71	24

The fixed deposits with licensed banks of the Group with aggregate carrying amount of RM12,532,439 (2009: RM9,673,042) have been pledged as collaterals to secure the bank guarantee and banking facilities referred to in Note 32.

Notes to the Financial Statements

31 March 2010 (cont'd)

27. Cash and bank balances

Included in cash at bank of the Group is an amount of RM515 (2009: RM520) which are Housing Development Accounts held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore is restricted from use in other operations.

28. Trade payables

	Group	
	2010 RM	2009 RM
Trade payables	56,130,636	53,943,135
Estimated contract costs incurred/payable	12,736,913	12,253,375
Retention sums for contracts works	12,608,349	10,097,562
	81,475,898	76,294,072

The normal trade credit term granted to the Group is 60 days (2009: 60 days).

29. Amount due to directors

The amount due to directors represents unsecured interest free advances repayable on demand.

30. Other payables and accruals

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unsecured interest free advances payable on demand to shareholders of subsidiaries	3,037,923	2,976,047	-	-
Unsecured interest free advances payable on demand to a jointly controlled operation	2,157,177	-	-	-
Unsecured interest free advances payable on demand to a former director	1,000,000	-	1,000,000	-
Advanced progress payments from customers	21,533,849	13,640,914	-	-
Other payables	10,242,155	17,670,592	1,102,980	1,272,501
Interest payable	788,696	-	-	-
Business tax payable	565,214	282,649	-	-
Accruals	10,263,885	3,633,533	106,710	45,566
	49,588,899	38,203,735	2,209,690	1,318,067

Notes to the Financial Statements

31 March 2010 (cont'd)

31. Hire purchase liabilities

	Group	
	2010	2009
	RM	RM
Amount outstanding	181,575	424,231
Less: Interest in suspense	<u>(30,133)</u>	<u>(73,419)</u>
Principal portion	151,442	350,812
Less: Portion due within one year	<u>(50,527)</u>	<u>(143,516)</u>
Non current portion	<u>100,915</u>	<u>207,296</u>

	Group	
	2010	2009
	RM	RM
The non current portion of the hire purchase obligations is payable as follows:		
Later than 1 year and not later than 2 years	32,906	116,755
Later than 2 years and not later than 5 years	62,169	66,067
Later than 5 years	<u>5,840</u>	<u>24,474</u>
	<u>100,915</u>	<u>207,296</u>

The interest rate implicit in the hire purchase obligations is 5.8% (2009: 6.2%) per annum.

32. Short term borrowings

	Group	
	2010	2009
	RM	RM
Secured:		
Bank overdrafts	2,006,099	2,020,737
Revolving credits	3,048,483	3,047,707
Term loans	20,496,366	2,954,446
	25,550,948	8,022,890

Notes to the Financial Statements

31 March 2010 (cont'd)

32. Short term borrowings (cont'd)

	Group	
	2010 RM	2009 RM
Unsecured:		
Bank overdrafts	1,853,251	7,233,277
Bankers' acceptance	-	488,879
Term loans	37,163,720	36,692,435
	<u>39,016,971</u>	<u>44,414,591</u>
	64,567,919	52,437,481
Less: Portion due within one year	<u>(38,850,952)</u>	<u>(50,418,404)</u>
Non current portion (Note 33)	<u>25,716,967</u>	<u>2,019,077</u>

The average effective interest rates are as follows:

	Group	
	2010 %	2009 %
Bank overdrafts – unsecured	7.6	7.1
Bank overdrafts - secured	7.3	7.1
Revolving credits - secured	4.0	7.4
Bankers' acceptance - unsecured	-	3.8
Term loans - secured	7.9	8.1
Term loans - unsecured	<u>7.2</u>	<u>7.0</u>

Secured borrowings are secured by way of:

	Carrying amount Group	
	2010 RM	2009 RM
Leasehold building (Note 10)	1,035,838	1,046,581
Freehold development land (Note 19)	3,714,320	-
Land held for property development (Note 11)	-	3,714,320
Investment properties (Note 12)	3,784,888	3,362,044
Fixed deposits with licensed banks (Note 26)	<u>12,532,439</u>	<u>9,673,042</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

32. Short term borrowings (cont'd)

Certain short term borrowings are also secured by way of:

- i. corporate guarantee by the Company;
- ii. joint and several guarantees by certain directors of the Company;
- iii. deed of assignment of contract proceeds of designated contract/project;
- iv. fixed charge over the project accounts for the proceeds of designated contract/project and sinking fund accounts;
- v. a debenture by way of a fixed and floating charge over all present and future assets of a subsidiary; and
- vi. assignment of all sales proceeds as well as all monies standing in credit in Housing Development Account in respect of the proposed project subject however to the provisions of the Housing Development (Housing Development Account) Regulations, 1991.

Included in unsecured term loans of the Group is an outstanding amount of RM31,721,644 (2009: RM35,000,000) out of the initial sum of RM35,000,000 payable by a subsidiary, LFE Engineering Sdn Bhd ("LFEE"), to a special purpose vehicle, Kerisma Berhad ("Kerisma"), under a Primary Collateralised Loan Obligations programme. The Kerisma's bondholders, pursuant to their extraordinary general meeting held on 3 June 2009, have in principle agreed to LFEE's restructuring proposal to reschedule the repayments of the term loan as follows:

On or before	RM
2 June 2009	3,300,000 *
30 June 2010	6,000,000 *
31 December 2010	4,000,000
30 June 2011	21,700,000
	35,000,000

* These amounts have been paid by LFEE. In addition, as at to date, a prepayment of RM1,500,000 has also been made by LFEE for the amounts that have yet to fall due.

The restructuring proposal of LFEE also entails the pledging as security of assets belonging to the Group and certain directors of the Company, and irrevocable instructions to certain third parties for the repatriation of LFEE's portion of profits or security money relating to its overseas joint venture projects. LFEE has received a written opinion from its solicitors that the security documents as required for the restructuring proposal of LFEE can, when executed, stamped and registered, constitute legal, valid and binding obligations of the respective security providers. In this connection, the directors of the Company who are to provide security assets have also each given an undertaking to LFEE to pledge such assets offered in the restructuring proposal.

Notes to the Financial Statements

31 March 2010 (cont'd)

33. Long term loans

	Group	
	2010 RM	2009 RM
The non current portion of term loans is payable as follows:		
Later than 1 year and not later than 2 years	22,934,485	1,363,928
Later than 2 years and not later than 5 years	2,282,607	111,519
Later than 5 years	499,875	543,630
	25,716,967	2,019,077

34. Deferred tax liabilities

	Group	
	2010 RM	2009 RM
At beginning of year/period	-	(164,867)
Recognised in income statement (Note 8)		
- current year/period	(11,500)	-
- over provision in prior years	-	164,867
	(11,500)	164,867
At end of year/period	(11,500)	-

	Group	
	2010 RM	2009 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	14,328,062	9,572,953
Deferred tax liabilities	(173,782)	(1,064,354)
	14,154,280	8,508,599
Less: Unrecognised deferred tax assets	(14,165,780)	(8,508,599)
Deferred tax liability recognised	(11,500)	-

Notes to the Financial Statements

31 March 2010 (cont'd)

34. Deferred tax liabilities (cont'd)

Deferred tax assets of the Group are in respect of the following:

	Group	
	2010 RM	2009 RM
Tax effects of:		
Unabsorbed capital allowances and unutilised tax losses	14,176,556	8,001,443
Other deductible temporary differences	<u>151,506</u>	<u>1,571,510</u>
	<u>14,328,062</u>	<u>9,572,953</u>

Deferred tax liabilities of the Group are in respect of the following:

	Group	
	2010 RM	2009 RM
Tax effects of:		
Excess of tax capital allowances over related depreciation of property, plant and equipment	<u>173,782</u>	<u>1,064,354</u>

Portion of the deferred tax assets have not been recognised as it is not probable that taxable profit will be available in the foreseeable future to utilise these tax benefits.

35. Share capital

	Group and Company		Group and Company	
	2010	2009	2010	2009
	No. of ordinary shares of RM1 each	No. of ordinary shares of RM1 each	RM	RM
Authorised:				
At beginning/end of year/period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At beginning/end of year/period	<u>84,900,002</u>	<u>84,900,002</u>	<u>84,900,002</u>	<u>84,900,002</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

36. Reserves

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Accumulated losses	(60,094,102)	(54,392,193)	(44,484,617)	(43,962,581)
Non distributable:				
Share premium	5,218,125	5,218,125	5,218,125	5,218,125
Foreign exchange translation reserve	454,156	3,136,491	-	-
	<u>5,672,281</u>	<u>8,354,616</u>	<u>5,218,125</u>	<u>5,218,125</u>
	<u>(54,421,821)</u>	<u>(46,037,577)</u>	<u>(39,266,492)</u>	<u>(38,744,456)</u>

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

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

37. Related party disclosures

(a) Related party transactions

	Type of transactions	Group		Company	
		1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
With an associate:					
- LFE Engineering Qatar W.L.L	Human resources and accounting service fee income	226,514	284,430	-	-

Notes to the Financial Statements

31 March 2010 (cont'd)

37. Related party disclosures (cont'd)

(a) Related party transactions (cont'd)

	Type of transactions	Group		Company	
		1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
With companies in which a director has interest:					
- Megaduct Systems Sdn Bhd	Rental expenses	260,518	325,647	-	-
- Megaduct Technology Sdn Bhd	Purchases of materials	-	163,298	-	-
With a company in which a substantial shareholder has interest:					
- Kejuruteraan Rayton Sdn Bhd	Contract revenue	-	39,552	-	-
- Linear Cooling Industries Sdn Bhd	Contract revenue	-	21,879,231	-	-
With a jointly controlled operation:					
- ISZL	Interest expense	213,815	-	-	-
With directors of the Company:					
- Lew Mew Choi	Rental expense	109,389	88,973	-	-
- Alan Rajendram A/L Jeya Rajendram	Undertaking and profit guarantee	-	2,285,471	-	-

The directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different from that obtainable in transactions with unrelated parties.

Notes to the Financial Statements

31 March 2010 (cont'd)

37. Related party disclosures (cont'd)

(b) Related party balances

Type of transactions	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Individually significant outstanding balances arising from transactions other than normal trade transactions are as follows:				
Receivables				
From an associate:				
- LFE Engineering Qatar W.L.L	Advances	2,286,255	1,555,457	-
From subsidiaries:				
- LFE Engineering Sdn Bhd	Advances	-	-	557,348
- LFE Engineering (JB) Sdn Bhd	Advances	-	-	264,620
- Loong Fuat Engineering Limited	Advances	-	-	26,247
- LFE Technology Sdn Bhd	Advances	-	-	12,752
- LFE Builder Sdn Bhd	Advances	-	-	2,038,301
- LFE International Limited	Advances	-	-	17,497,026

Notes to the Financial Statements

31 March 2010 (cont'd)

37. Related party disclosures (cont'd)

(b) Related party balances (cont'd)

	Type of transactions	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Receivables (cont'd)					
From an associate:					
- Mediaforte Holdings Sdn Bhd	Advances	-	-	769,813	769,813
- Bestgate Development Sdn Bhd	Advances	-	-	1,126,616	1,045,000
- Teratai Megah Sdn Bhd	Advances	-	-	900	-
From a director of the Company:					
- Alan Rajendram A/L Jeya Rajendram	Undertaking and profit guarantee	-	26,506,700	-	-
Payables					
To a jointly controlled operation:					
- IJM-LFE	Advances	2,157,177	-	-	-
To an associate:					
- LFE Engineering Qatar W.L.L	Advances	37,786	-	37,786	-
To a subsidiary:					
- LFE Engineering Sdn Bhd	Advances	-	-	17,818	-

Notes to the Financial Statements

31 March 2010 (cont'd)

37. Related party disclosures (cont'd)

(b) Related party balances (cont'd)

Type of transactions	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
To directors of the Company:				
- Lew Mew Choi Advances	57,285	-	-	-
- Liew Meow Nyeon Advances	13,063	13,063	-	-
- Liew Kiam Woon Advances	3,500	3,500	-	-
- Alan Rajendram A/L Jeya Rajendram Advances	-	1,000,000	-	1,000,000
To directors of subsidiaries:				
- Chiam How Teik Advances	50	-	-	-
- Yap Yoke Keong Advances	61,099	53,285	-	-
- Lew Fuong Yang Advances	249,500	233,000	-	-
- Lim Eam Hooi Advances	219,225	196,000	-	-

(c) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The key management personnel comprises mainly executive directors of the Company and its subsidiaries whose remuneration is disclosed in Note 6.

38. Operating lease commitments

	Group	
	2010 RM	2009 RM
The future minimum lease payments under non cancellable operating leases are as follows:		
Not later than 1 year	197,581	66,300

Notes to the Financial Statements

31 March 2010 (cont'd)

39. Event subsequent to balance sheet date

On 20 April 2010, the Group entered into a Joint Venture Agreement with Bina Puri Holdings Bhd ("BPHB"), to form an unincorporated joint venture known as BPHB-LFE JV for the purpose of jointly preparing and submitting a tender in the name of BPHB-LFE JV to undertake the construction of the proposed A1-Reem Island Development Sector 3, City of Lights, Packages K1 (NAVI 1) on Plot RT-3-C51 and RT-3-C52, Abu Dhabi, United Arab Emirates.

40. Contingent liabilities

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Guarantees issued to financial institutions for credit facilities granted to subsidiaries and an associate	2,156,000	-	71,451,160	152,300,000
Guarantees issued to financial institutions for credit facilities granted to a jointly control operation	-	-	30,174,000	30,174,000
Guarantees issued to suppliers of raw materials purchased by a subsidiary	-	-	-	7,000,000
Guarantee issued by a subsidiary to a third party for a contract awarded	250,000	250,000	-	-
Performance bonds issued by Company to clients in respect of due performance of contracts awarded to subsidiaries	-	-	627,900	627,900

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.

Notes to the Financial Statements

31 March 2010 (cont'd)

41. Segment information of the Group

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments while the secondary information is reported as geographical segments.

Inter segment transactions were entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segments 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 loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses and tax assets and liabilities.

The Group's operations comprise the following segments:

Business segments

- | | |
|---------------------------------------|--|
| Electrical and mechanical engineering | - Provision of general and specialised electrical and mechanical engineering services and maintenance works. |
| Technology products | - Trading and distributing consumer electronic and technology products, parts and components. |
| Property and investment holdings | - Property and investment holding activities |

Geographical segments

Malaysia
United Arab Emirates
Socialist Republic of Vietnam
People's Republic of China
Europe

Notes to the Financial Statements

31 March 2010 (cont'd)

41. Segment information of the Group (cont'd)

Business segments

1.4.2009 to 31.3.2010	Electrical and mechanical engineering RM	Technology products RM	Property and investment holdings RM	Elimination RM	Group RM
Revenue					
Revenue from external customers	217,493,441	7,423,590	-	(291,197)	224,625,834
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>217,493,441</u>	<u>7,423,590</u>	<u>-</u>	<u>(291,197)</u>	<u>224,625,834</u>
Results					
Segment results	<u>(236,087)</u>	<u>100,075</u>	<u>(354,929)</u>	<u>(7,385)</u>	(498,326)
Interest income					<u>314,335</u>
Loss from operations					(183,991)
Finance costs					<u>(5,577,710)</u>
Loss before tax					(5,761,701)
Income tax expense					<u>(306,470)</u>
Loss after tax					<u>(6,068,171)</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

41. Segment information of the Group (cont'd)

Business segments (cont'd)

2010	Electrical and mechanical engineering RM	Technology products RM	Property and investment holdings RM	Elimination RM	Group RM
Assets and liabilities					
Segment assets	215,090,424	31,296,234	57,576,253	(61,723,319)	242,239,592
Unallocated corporate assets					-
Consolidated total assets					<u>242,239,592</u>
Segment liabilities	207,811,976	21,789,655	9,977,705	(28,127,967)	211,451,369
Unallocated corporate liabilities					-
Consolidated total liabilities					<u>211,451,369</u>
Other information					
Capital expenditure	2,088,114	37,953	-	-	2,126,067
Depreciation	4,595,570	64,482	1,400	-	4,661,452
Non cash expenses other than depreciation and amortisation	<u>12,583,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,583,768</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

41. Segment information of the Group (cont'd)

Business segments (cont'd)

1.4.2009 to 31.3.2010	Electrical and mechanical engineering RM	Technology products RM	Property and investment holdings RM	Elimination RM	Group RM
Revenue					
Revenue from external customers	293,952,705	9,546,246	-	-	303,498,951
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>293,952,705</u>	<u>9,546,246</u>	<u>-</u>	<u>-</u>	<u>303,498,951</u>
Results					
Segment results	<u>(3,247,536)</u>	<u>618,416</u>	<u>(1,339,977)</u>	<u>2,149,350</u>	(1,819,747)
Interest income					<u>666,454</u>
Loss from operations					(1,153,293)
Finance costs					<u>(5,224,827)</u>
Loss before tax					(6,378,120)
Income tax expense					<u>651,063</u>
Loss after tax					<u>(5,727,057)</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

41. Segment information of the Group (cont'd)

Business segments (cont'd)

2009	Electrical and mechanical engineering RM	Technology products RM	Property and investment holdings RM	Elimination RM	Group RM
Assets and liabilities					
Segment assets	182,362,020	30,943,604	53,755,370	(63,268,708)	203,792,286
Unallocated corporate assets					<u>13,757,919</u>
Consolidated total assets					<u>217,550,205</u>
Segment liabilities	176,145,302	21,589,735	7,160,603	(29,666,858)	175,228,782
Unallocated corporate liabilities					<u>2,782,694</u>
Consolidated total liabilities					<u>178,011,476</u>
Other information					
Capital expenditure	6,719,565	381,145	-	-	7,100,710
Depreciation	3,516,643	41,295	-	-	3,557,938
Non cash expenses other than depreciation and amortisation	<u>1,109,642</u>	<u>-</u>	<u>78,988</u>	<u>-</u>	<u>1,188,630</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

41. Segment information of the Group (cont'd)

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

Geographical Segments	Revenue		Assets employed		Capital expenditure	
	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM	2010 RM	2009 RM	1.4.2009 to 31.3.2010 RM	1.1.2008 to 31.3.2009 RM
Malaysia	13,976,438	60,082,865	127,332,913	145,479,664	7,768	1,653,163
United Arab Emirates	168,577,170	180,595,736	131,665,619	91,845,520	2,080,346	5,066,402
Europe	-	-	-	8,046,000	-	-
Socialist Republic of Vietnam	-	7,543,114	7,173,440	9,138,641	-	-
People's Republic of China	42,363,423	55,277,236	37,790,939	26,309,088	37,953	381,145
	<u>224,917,031</u>	<u>303,498,951</u>	<u>303,962,911</u>	<u>280,818,913</u>	<u>2,126,067</u>	<u>7,100,710</u>
Elimination	(291,197)	-	(61,723,319)	(63,268,708)	-	-
	<u>224,625,834</u>	<u>303,498,951</u>	<u>242,239,592</u>	<u>217,550,205</u>	<u>2,126,067</u>	<u>7,100,710</u>

42. Financial instruments

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, foreign exchange and credit risks. The Group operates within guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

Interest rate risk

The Group's primary interest rate risk relates to interest bearing debt. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

Notes to the Financial Statements

31 March 2010 (cont'd)

42. Financial instruments (cont'd)

Liquidity risk

The Group actively monitors its debt maturity profile, operating cash flows and the availability of funding so as to best ensure that all funding needs are met. As part of its overall liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to best meet its working capital requirements.

Foreign exchange risk

The Group is exposed to foreign currency risks on sales and purchases that are denominated in a currency other than the respective operations' functional currency.

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

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

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

Functional currency	Ringgit Malaysia RM	Vietnamese Renminbi RM	UAE Dong RM	Dirhams RM
Group				
At 31 March 2010				
Financial assets				
Australian Dollar	-	-	-	1,096,777
United States Dollar	6,544	865	-	-
	<u>6,544</u>	<u>865</u>	<u>-</u>	<u>1,096,777</u>
Financial liabilities				
United States Dollar	(2,823,967)	-	(4,657,598)	-
	<u>(2,817,423)</u>	<u>865</u>	<u>(4,657,598)</u>	<u>1,096,777</u>

Notes to the Financial Statements

31 March 2010 (cont'd)

42. Financial instruments (cont'd)

Foreign exchange risk

Functional currency	Ringgit Malaysia RM	Vietnamese Renminbi RM	UAE Dong RM	Dirhams RM
At 31 March 2009				
Financial assets				
Australian Dollar	-	-	-	1,939,210
United States Dollar	6,544	461	-	-
	6,544	461	-	1,939,210
Financial liabilities				
United States Dollar	(417,075)	-	(4,291,520)	-
	(410,531)	461	(4,291,520)	1,939,210

Credit risk

Credit risks are managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. At balance sheet date, there were no significant concentrations of credit risk other than as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Amount due from one trade receivable	101,434,621	54,320,021	-	-
Amount due from a subsidiary	-	-	17,497,026	17,497,026
Amount due from a former director	26,506,700	26,506,700	-	-
	127,941,321	80,826,721	17,497,026	17,497,026

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

Notes to the Financial Statements

31 March 2010 (cont'd)

42. Financial instruments (cont'd)

Fair values

The fair values of all financial assets and financial liabilities of the Group and the Company as at balance sheet date are not materially different from their carrying values other than as follows:

	Group 2010		Group 2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset				
Unquoted subordinated bonds included in other long term investments	-	-	2,000,000	#

It is not practicable to estimate the fair values of the unquoted investments due to the lack of quoted market prices and inability to estimate fair value without incurring excessive costs.

43. Comparative figures

In the previous financial period, the Company changed its financial year end from 31 December to 31 March. The comparative figures relate to a period of 15 months and hence are not comparable to those of the current financial year.

The following comparative figures have also been reclassified to conform with current year's presentation.

	As previously reported RM	Reclassification RM	As restated RM
Balance sheet of the Group As at 31 March 2009			
Current assets			
Trade receivables	96,620,758	(8,428,561)	88,192,197
Amount due from contract customers	16,772,718	7,784,464	24,557,182
Other receivables, deposits and prepayments	34,558,385	644,097	35,202,482

Notes to the Financial Statements

31 March 2010 (cont'd)

43. Comparative figures (cont'd)

	As previously reported RM	Reclassification RM	As restated RM
Current liabilities			
Trade payables	64,040,698	12,253,374	76,294,072
Other payables and accruals	50,376,159	(12,172,424)	38,203,735
Tax payable	158,740	(80,950)	77,790

Consequently, certain comparative figures in the cash flow statements have also been reclassified for consistency in presentation.

List of Properties

as at 31 March 2010

Title/ Location	Description/ existing use	Tenure	Total land area sq. ft.	Built-up area sq. ft	Age of building / land (years)	NBV as at 31.03.2010 RM	Date of revaluation / *Date of Acquisition
Held under Geran 32501, Lot No. 550, Mukim 07, Daerah Seberang Perai Selatan Pulau Pinang	Land held for sale	Freehold	398,312	Not applicable	Not applicable	3,699,977	*10.01.2005
Held under GM 333, Lot P.T. No. 1189, Mukim Petaling, Dearah Petaling Negeri Selangor	Agricultural land for investment purpose	Freehold	95,260	Not applicable	Not applicable	3,381,933	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	10	137,484	01.10.2001
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	8	265,471	17.06.2002
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	6	321,542	*16.10.2006
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	6	368,333	*16.10.2006
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	-	1504	2	336,870	*07.07.2009
Lot No. C-31-3A, 3 Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor held under H.S. (D) 240117 Pt 8, Seksyen 36, Bandar Petaling Jaya, Negeri Selangor Darul Ehsan	Shop office	Leasehold for a period of 99 years, expiring on 06.09.2106	-	1,949	2	547,513	*20.09.2007
Lot No. C-32-3A, 3 Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor held under H.S. (D) 240117 Pt 8, Seksyen 36, Bandar Petaling Jaya, Negeri Selangor Darul Ehsan	Shop office	Leasehold for a period of 99 years, expiring on 06.09.2106	-	1,702	2	488,324	*20.09.2007

Analysis of Shareholdings

as at 5 August 2010

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	: 1,090

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of Shareholders	%	Shareholdings	%
Less than 100	7	0.64	269	0.00
100 to 1,000	348	31.93	205,300	0.24
1,001 to 10,000	368	33.76	2,082,000	2.45
10,001 to 100,000	287	26.33	9,804,743	11.55
100,001 to less than 5% of issued share capital	77	7.06	52,337,599	61.65
5% and above of issued share capital	3	0.28	20,470,091	24.11
Total	1,090	100.00	84,900,002	100.00

SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Shareholdings		%
	Direct	Indirect	
Lew Mew Choi	7,604,108	8,260,421*	18.69
Kekal Jaya Holdings Sdn Bhd	8,260,421	-	9.73
Soong Moi @ Song Mou	-	8,260,421*	9.73
Liew Meow Nyeen	710,549	5,625,562*	7.46
Liew Kiam Woon	4,133,843	4,605,562*	10.29
Liew Meow Nyeen Realty Sdn Bhd	4,605,562	-	5.42
Chang Lau Hoi @ Chang Sow Lan	-	4,605,562*	5.42
Alan Rajendram A/L Jeya Rajendram	6,534,000	3,549,900*	11.88

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

Analysis of Shareholdings

as at 5 August 2010 (cont'd)

DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

In the Company

Name	Direct	Shareholdings		%
		%	Indirect	
Lew Mew Choi	7,604,108	8.96	8,260,421 *	9.73
Liew Meow Nyeen	710,549	0.84	5,625,562 *	6.63
Liew Kiam Woon	4,133,843	4.87	4,605,562 *	5.42
David Low Teck Wee	-	-	-	-
Loo Thin Tuck	-	-	-	-
Tunku Azlan Bin Tunku Aziz	-	-	-	-

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

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.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liew Meow Nyeen Realty Sdn Berhad	4,605,562	5.42
4.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liew Kiam Woon	4,080,900	4.81
5.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	4,000,000	4.71
6.	Lee Muk Siong	3,859,920	4.55
7.	Salina Fernandas	3,549,900	4.18
8.	Lee Ming Wah	2,600,000	3.06
9.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	2,534,000	2.98
10.	Rudy Ng Chong Jin	2,225,900	2.62
11.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lee Saw Im	2,000,000	2.36
12.	Tan Kia Loke	1,875,461	2.21
13.	ECML Nominees (Tempatan) Sdn Bhd Peter Yew Cheong Eng	1,563,300	1.84

Analysis of Shareholdings

as at 5 August 2010 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D))

No.	Name	Shareholdings	%
14.	Low Boon Wah @ Lawrence Low	1,206,700	1.42
15.	Lan Geok Nam @ Tan Geok Nam	1,113,901	1.31
16.	Amsec Nominees (Tempatan) Sdn Bhd Tan Soon Muay @ Tan Kim Huay	1,101,000	1.30
17.	A. A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Angkasa Aman Sdn Bhd	1,060,000	1.25
18.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kekal Jaya Ventures Sdn Bhd	1,000,000	1.18
19.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse	797,900	0.94
20.	Chua Shiok Hoon	778,000	0.92
21.	Lee Kuan Chen	761,400	0.90
22.	Teoh Swee Aun	716,000	0.84
23.	Tasec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choy Sook Kuen	714,000	0.84
24.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liew Meow Nyeon	710,549	0.84
25.	Thong Lou Hoong	701,100	0.83
26.	Gan Lien Keng	612,700	0.72
27.	Tan Gek Sim	530,000	0.62
28.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Soon Foo	516,000	0.61
29.	Razman Md Hashim Bin Che Md Hashim	500,000	0.59
30.	Leong Yaw Fan	440,000	0.52

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting (“the Meeting”) of LFE Corporation Berhad (“the Company”) will be held at the Board Room, First Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Monday, 27 September 2010 at 10.00 a.m. to transact the following businesses:

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2010 and the Reports of the Directors and Auditors thereon. -
2. To approve the payment of Directors’ fees. *Ordinary Resolution 1*
3. To re-elect Tunku Azlan Bin Tunku Aziz, the Director who retires pursuant to Article 91 of the Company’s Articles of Association and who, being eligible, have offered himself for re-election. *Ordinary Resolution 2*
4. To re-appoint auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 3*

Special Business

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

5. **Proposed Amendment to Article 144 of the Articles of Association of the Company**

“That the existing Article 144 be deleted in its entirety and replaced with a new Article 144 as follows:

Existing Article 144

Payment by cheque

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the register of Members or Record of Depositors or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such

Notice of Annual General Meeting (cont'd)

cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

New Article 144

Dividend, interest or other monies payable

Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant, sent through the post directed to the registered address or through crediting of funds or such other mode of electronic means into a nominated bank account of the members or person entitled thereto, or person entitled thereto in consequence of the death or bankruptcy of the holder, to any one (1) of such persons and to such address or into such nominated bank account as such person may in writing direct. Every such cheque or warrant or funds crediting into a nominated bank account or through such other mode of electronic means shall be made payable to the order of the person to whom it is sent or person or persons entitled to the share in consequence of death or bankruptcy of the holder may in writing direct and the payment of any such cheque or warrant or through crediting of funds or such other mode of electronic means into a nominated bank account shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged or that there is discrepancy in the details of the bank account(s) given by the member or person entitled to the dividend. Every such cheque or warrant or funds crediting into a nominated bank account or through such other mode of electronic means shall be sent or credited at the risk of the person entitled to the money thereby represented. Any such dividend, interest or other monies may be paid by any bank through direct transfer or other funds transfer systems or such other means to or through such persons as the member or person entitled thereto in consequence of the death or bankruptcy of the holder may in writing direct, and the Company shall have no responsibility for any sums lost or delayed in the course of any such transfer or where the Company has acted on any such directions."

Special Resolution 1

BY ORDER OF THE BOARD

Hiew Nyet Hoong

(MAICSA 7046407)

Secretary

Selangor Darul Ehsan, Malaysia

3 September 2010

Notice of Annual General Meeting (cont'd)

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)) 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 current 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. Explanatory Notes on Special Business

The proposed Special Resolution 1, if passed, will allow the Articles of Association of the Company to be in line with the recent amendment issued by Bursa Malaysia Securities Berhad pertaining to eDividend vide its letter dated 19 February 2010 (Ref: SR/TAC/ro/LD07/10).

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 EIGHTH ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at the Board Room, First Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Monday, 27 September 2010 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. Payment of Directors' Fees		
2. Re-election of Tunku Azlan Bin Tunku Aziz		
3. Re-appointment of Auditors		
Special Resolution	For	Against
1. Proposed Amendment to Article 144 of the Articles of Association of the Company		

Dated this _____ day of _____ 2010.

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)) to attend and vote in his stead. A proxy may but need not be a member of the Company and Sections 149(1) (b) of the Companies Act, 1965 shall not apply.
2. This Form of Proxy, in the case of an individual, must be signed by the appointor or by his attorney duly authorised in writing and in the case of a body corporate, it must be given under its common seal or signed on its behalf by an attorney or officer of the body corporate duly authorised in writing.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares held by the member.
4. 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 current 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.

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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

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