LFE Corporation Berhad (579343-A)

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# Taking Leaps

annual report 2011

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LFE CORPORATION BERHAD (579343-A)

# Contents 2011

# Managing Director's Statement

This year, September 2011 marks the first year of my tenure as the Managing Director of the Company. The powers mandated to me by the Board are not few. Neither are they easy to discharge. But with great power comes great responsibility. That is and has always been the most essential and fervent quest of a leader. And I would say this as equally true for my fellow Board members of LFE Corporation Berhad.

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of LFE Corporation Berhad ("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 period from 1 April 2010 to 31 July 2011.

## Financial Review

For the financial period under review, the Group registered a consolidated revenue of RM83.85 million, a dip of RM140.77 million or 62.67% compared to the previous year's revenue of RM224.63 million due to the lower contribution from the construction activities undertaken by the Group. The total revenue was contributed by the construction/mechanical and electrical engineering segment and trading and distribution of computer products at RM72.78 million and RM11.08 million or 86.79% and 13.21% respectively.

## Corporate Highlights

One of the highlights of the financial year is the appointment of new Executive Directors and in October 2010, Mr. Kok Tong Yong (Tony) and Ms. Juliana Quah Kooi Hong were duly appointed following the retirement of our former Managing Director, Mr. Lew Mew Choi and the demise of my late father, Mr. Liew Meow Nyean.

The Board and I have collectively taken ourselves to task in leading the Company by resolving the few issues surrounding the Company on one hand and generating more profits on the other. One of our major milestones for the financial year concerned was to obtain the backing of our financial institutions which have allowed us to make some write back of our wholly-owned subsidiary, LFE Engineering Sdn Bhd's loan by granting us substantial discounts. As a result, the Group achieved a net profit of RM1.47 million and its total shareholders' funds now stand at RM29.69 million. We believe this to be a good start to greater things that lie ahead of the Group in the near and distant future.

The relevant financial period also saw the entry of our new External Auditors, Messrs Morison Anuarul Azizan Chew who replaced Messrs Russell Bedford LC and Company. I wish to place on record our sincere thanks to the audit team of Russell Bedford for the services they have rendered to the Company. We wish them the best.

In order to facilitate the transition process and to allow the new external auditors with sufficient time to carry out their audit works and to also enable the Annual General Meeting to be held within the calendar year of 2011 in accordance with the Companies Act, 1965, the Board had changed the financial year end of the Company to 31 July 2011.

# Managing Director's Statement (CONT'D)

**Dividend**

The Board is not recommending any dividend in respect of the financial period ended 31 July 2011.

**Future Prospect**

In view of the global economic slowdown in the United States, Europe & Japan and coupled with the competitiveness of the industry, the Group is expecting challenging times ahead for the coming year. Nonetheless, the Group will strive to explore more opportunities to increase its book order by bidding for more projects both locally and regionally, and to take necessary measures and steps to ensure that its progress remains on track.

**Acknowledgement**

I wish to thank my fellow Board members for their contribution and effort, for their astute counsel and assiduous guidance which have been my source of resilience and perseverance.

I further thank the management team and staff and record my sincere appreciation especially for their steadfast commitment and dedication in these trying times.

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

To Messrs Morison Anuarul Azizan Chew, welcome aboard.

**LIEW KIAM WOON**
Managing Director

# Corporate Information

## BOARD OF DIRECTORS

| | |
|---|---|
| Liew Kiam Woon | Managing Director |
| Kok Tong Yong | Executive Director |
| Juliana Quah Kooi Hong | Executive Director |
| David Low Teck Wee | Senior Independent Non-Executive Director |
| Loo Thin Tuck | Independent Non-Executive Director |
| Tunku Azlan Bin Tunku Aziz | Independent Non-Executive Director |

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

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

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

**RISK MANAGEMENT COMMITTEE**
Liew Kiam Woon (Chairman)
Juliana Quah Kooi Hong
Tunku Azlan Bin Tunku Aziz

**COMPANY SECRETARY**
Hiew Nyet Hoong
(MAICSA 7046407)

**AUDITORS**
Messrs Morison Anuarul Azizan Chew
(AF 1977)
Chartered Accountants

**REGISTERED OFFICE**
Lot 43117, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-89958982
Fax : 603-89958983
Website : www.lfe.com.my

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

**PRINCIPAL BANKERS**
Hong Leong Bank Berhad
(formerly known as EON Bank Berhad)
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

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

**PRINCIPAL OFFICES**

**KUALA LUMPUR, MALAYSIA**
**LFE ENGINEERING SDN BHD**
Lot 43117, Off Jalan Balakong
43300 Balakong, Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 603-89958888
Fax : 603-89610042
Website : www.lfe.com.my
Email : lfe@lfe.com.my

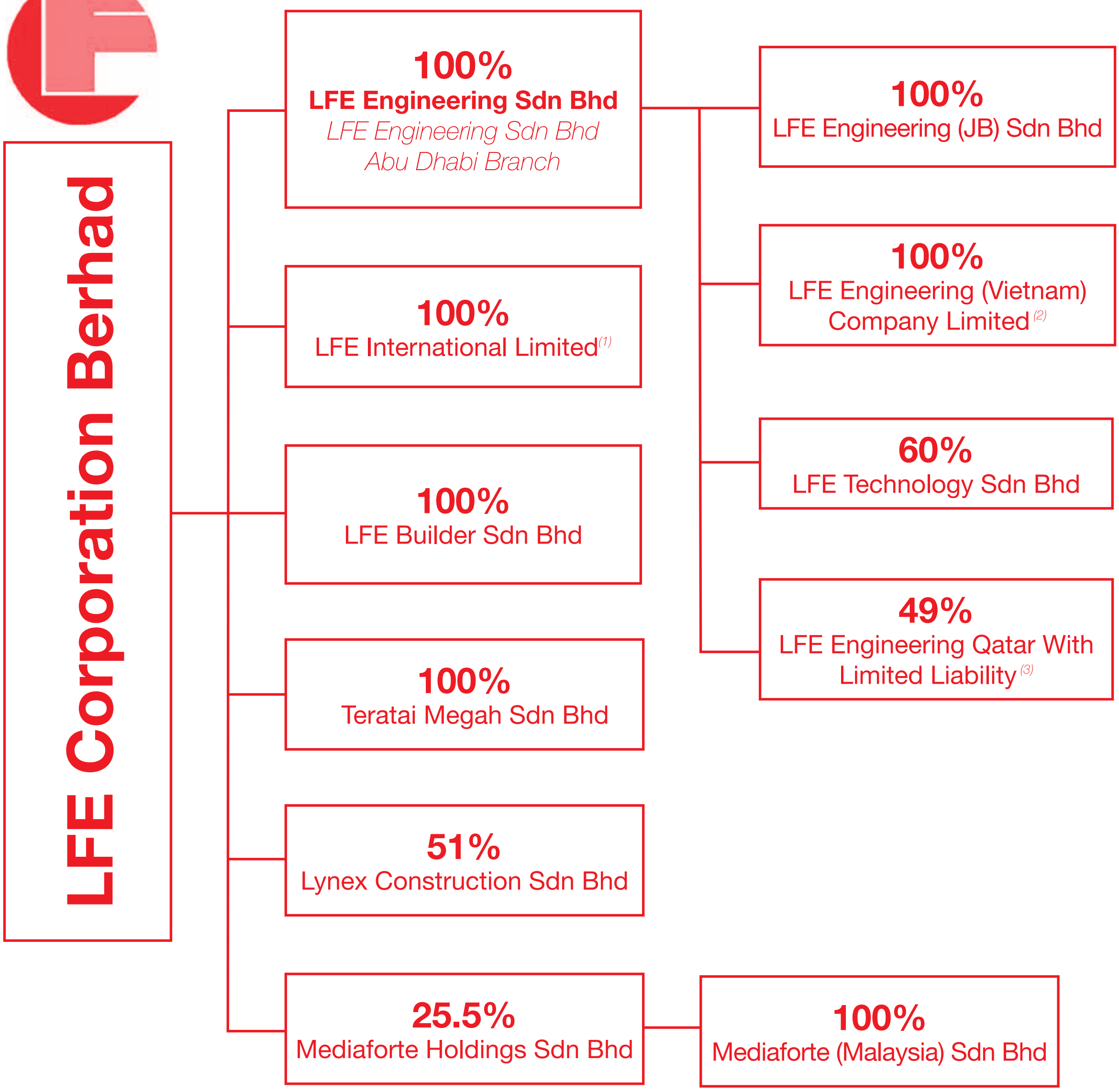
**JOHOR BAHRU, MALAYSIA**
**LFE ENGINEERING (JB) SDN BHD**
No. 43, Jalan Molek 2/30
81100 Johor Bahru, Malaysia
Tel : 607-3539817
Fax : 607-3515887
Email : lfe@lfe.com.my

**VIETNAM**
**LFE ENGINEERING (VIETNAM) COMPANY LIMITED**
116, 9A Street,Trung Son Residence
Binh Hung Commune Binh Chanh
District Ho Chi Minh City, Vietnam
Tel. : (84) 8-54317931
Fax : (84) 8-54317961
Email : mcchia@lfe.com.my

**ABU DHABI, UNITED ARAB EMIRATES**
**LFE ENGINEERING SDN BHD - ABU DHABI BRANCH**
Mezzanine Floor, Room 1 to 3
Opposite Capitol Hotel
PO Box 94830
Abu Dhabi, United Arab Emirates
Tel : + 971-505-725363
Email : dwon@lfe.com.my

**QATAR**
**LFE ENGINEERING QATAR WITH LIMITED LIABILITY**
P.O. Box 47055, Doha,
State of Qatar
Tel : +974-4906185
Fax : +974-4906217
Email : lfe@lfe.com.my

# Group Structure
as at 18 October 2011




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

# Directors' Profile

## Mr Liew Kiam Woon

Managing Director &
Chairman of Risk Management Committee

Mr Liew Kiam Woon, a Malaysian, aged 48, has been an Executive Director of the Company since his appointment to the Board on 15 September 2003 and was subsequently re-designated as Managing Director on 28 September 2010. Currently he is also the Chairman of the Risk Management Committee, a member of the Remuneration Committee, the Managing Director of LFE Engineering Sdn Bhd ("LFEE") and sits on the boards of all of the Company's subsidiaries. He is also actively involved in Master Builders Association of Malaysia and currently sits in the Council.

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

## Mr Kok Tong Yong

Executive Director

Mr Kok Tong Yong, a Malaysian, aged 55, has been the Executive Director of the Company since his appointment to the Board on 19 October 2010.

He was previously the Chief Operating Officer of LFE Engineering Sdn Bhd, a wholly-owned subsidiary of the Company. He has 29 years extensive working experience in the construction industry beginning as a design engineer with a consulting firm and leading to experiences as a mechanical and electrical engineer, having held various managerial positions with established main contractors and developers. Prior to joining the Company and the Group, he was a Director of Mechanical & Electrical in Ireka Engineering and Construction Sdn Bhd and was responsible for the execution of all mechanical and electrical works that were undertaken by Ireka Group throughout his tenure. He is currently not a director of any other public company.

## Ms Juliana Quah Kooi Hong
Executive Director

Ms Juliana Quah Kooi Hong, a Malaysian, aged 42, has been the Executive Director of the Company since her appointment to the Board on 19 October 2010. She is currently also a member of the Risk Management Committee.

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

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

Mr David Low Teck Wee, a Malaysian, aged 40, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. He was subsequently re-designated as Senior Independent Non-Executive Director on 31 July 2010. Currently, he is also the Chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

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

# Directors' Profile

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

Mr Loo Thin Tuck, a Malaysian, aged 46, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 18 May 2009. Currently he is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee.

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

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

YM Tunku Azlan Bin Tunku Aziz, a Malaysian, aged 43, has been an Independent Non-Executive Director of the Company since his appointment to the Board on 5 October 2009. He is also the Chairman of the Nomination Committee and a member of both the Audit Committee and Risk Management Committee.

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

### Other Information

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

# Statement on Corporate Governance

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

## BOARD OF DIRECTORS

### Board Composition

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

### Board Balance

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

The Independent Non-Executive Directors play a key supporting role, contributing their skills and knowledge in all major matters and issues referred to the Board for consideration and approval. Their 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 elements 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 Juy 2009.

### Board Responsibilities

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

# Statement on Corporate Governance (CONT'D)

### Board Meetings

The Board conducted 13 meetings for the financial period ended 31 July 2011, at which a variety of matters including amongst others, the Group's financial results, the Group's overall performance, challenges faced by the Group, business development activities, internal control issues and related party transactions were considered and deliberated upon. Details of attendance of the Directors at the Board meetings are as follows:-

| Director | No. of Meeting Attended |
|---|---|
| Lew Mew Choi *(Retired on 27 September 2010)* | 4 out of 6 |
| Liew Meow Nyean *(Demised on 22 September 2010)* | 1 out of 6 |
| Liew Kiam Woon | 12 out of 13 |
| Kok Tong Yong *(Appointed on 19 October 2010)* | 5 out of 5 |
| Juliana Quah Kooi Hong *(Appointed on 19 October 2010)* | 5 out of 5 |
| David Low Teck Wee | 13 out of 13 |
| Loo Thin Tuck | 13 out of 13 |
| Tunku Azlan Bin Tunku Aziz | 12 out of 13 |

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

### Board Committees

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

### Audit Committee

*(comprising entirely Independent Non-Executive Directors)*

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

### Nomination Committee

*(comprising entirely Independent Non-Executive Directors)*

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

### Remuneration Committee

*(comprising mainly Independent Non-Executive Directors)*

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

### Risk Management Committee

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

### Supply of Information

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

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

**Appointments to the Board**

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

**Re-election of Directors**

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

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

**Directors' Training**

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

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

During the financial period from 1 April 2010 to 31 July 2011, the Directors have attended various training programmes, seminars, conferences and evening talks, which include topics, amongst others, relating to corporate governance, finance, project, risk management and audit. Details of the Directors' participation are as follows:-

**Liew Kiam Woon**

- Horizon Project Management Series
  Organized by : Language Works Sdn Bhd
  Date : 19 & 20 October 2010
- Bursa Malaysia Evening Talks on Corporate Governance : Risk Management : Things Can Still Go Wrong
  Organized by : The Institute of Internal Auditors Malaysia
  Date : 28 October 2010
- 10th Malaysia Plan : The Challenges Ahead
  Organized by : Master Builders Association Malaysia
  Date : 2 November 2010
- Study Visit to GTower
  Organized by : Master Builders Association Malaysia
  Date : 21 December 2010
- Sustainability Programme for Corporate Malaysia
  Organized by : Bursa Malaysia Berhad
  Date : 23 March 2011
- Green Energy Talk
  Organized by : Master Builders Association Malaysia
  Date : 26 April 2011
- Annual Safety Conference
  Organized by : Master Builders Association Malaysia
  Date : 21 June 2011
- Sun Tzu's Art of War
  Organized by : New Era SME Centre, Dong Jiao Zong Higher Learning Centre Bhd
  Date : 27 & 28 July 2011

**Kok Tong Yong**

- Mandatory Accreditation Programme
  Organized by : Bursatra Sdn Bhd
  Date : 1 & 2 December 2010

**Juliana Quah Kooi Hong**

- Mandatory Accreditation Programme
  Organized by : Bursatra Sdn Bhd
  Date : 1 & 2 December 2010
- Bursa Malaysia Evening Talks on Corporate Governance : Risk Management : Things Can Still Go Wrong
  Organized by : The Institute of Internal Auditors Malaysia
  Date : 28 October 2010

# Statement on Corporate Governance (CONT'D)

**Directors' Training (cont'd)**

**Juliana Quah Kooi Hong (cont'd)**

- Sun Tzu's Art of War
  Organized by : New Era SME Centre, Dong Jiao Zong Higher Learning Centre Bhd
  Date : 27 & 28 July 2011

**David Low Teck Wee**

- Independent Director – Actual Verses Perceived Independence and View from Boardroom – Challenges Directors Face
  Organized by : Bursa Malaysia Berhad and Securities Commission
  Date : 30 June 2010

- Assessing the Risk and Control Environment
  Organized by : Bursa Malaysia Berhad
  Date : 24 March 2011

- Financial Instruments: FRS 139, FRS 132, FRS 7 & IFRS 9 – A Practical Approach
  Organized by : Malaysian Institute of Accountants
  Date : 28 & 29 March 2011

**Loo Thin Tuck**

- Sustainability Programme for Corporate Malaysia
  Organized by : Bursa Malaysia Berhad
  Date : 23 March 2011

- Corporate Governance Guide: Towards Boardroom Excellence
  Organized by : Bursa Malaysia Berhad
  Date : 31 May 2011

**Tunku Azlan Bin Tunku Aziz**

- Spirit of Corporate Governance and the CG Guide
  Organized by : Secretaries Inc Sdn Bhd
  Date : 27 December 2010

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

**DIRECTORS' REMUNERATION**

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

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

The remuneration of the Directors derived from the Group for the financial period ended 31 July 2011 are as follows:-

| Type of Remuneration | Executive Directors RM | Non - Executive Directors RM | Total RM |
|---|---|---|---|
| Fees | - | 64,000 | 64,000 |
| Salaries, wages, bonus and allowances | 710,941 | 45,486 | 756,427 |
| Defined contribution plan | 83,948 | 1,904 | 85,852 |
| Benefits-in-kind | 11,922 | - | 11,922 |
| **TOTAL** | 806,811 | 111,390 | 918,201 |

## DIRECTORS' REMUNERATION (cont'd)

The number of Directors whose total remuneration fell within the following bands for the financial period ended 31 July 2011 are as follows:-

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

## 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.

## 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 9001:2008 certification for having implemented a quality management system to consistently maintain high product quality.

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

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# Statement on Corporate Governance (CONT'D)

### Relationship with the Auditors

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

This statement was reviewed and approved by the Board on 9 November 2011.

# Audit Committee Report

## COMPOSITION

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

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

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Audit Committee is governed by the following Terms of Reference which have been revised by the Board pursuant to Chapter 15 of the Listing Requirements of Bursa Malaysia Securities Berhad on 9 November 2011.

#### Objectives

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

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

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

1.4 To reinforce the independence of the External Auditors and to ensure that the External Auditors will have free rein in the audit process.

1.5 To provide a forum for regular, informal and private discussion between the External Auditors and Directors who have no significant relationship with the Management.

1.6 To reinforce the objectivity of the Internal Auditors.

#### Membership

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

It shall comprise at least three (3) members of whom a majority shall be Independent Non-Executive Directors.

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

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

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

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

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

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

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

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

Membership (cont'd)

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

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

**Authority**

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

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

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

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

**Functions**

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

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

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

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

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

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

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

## Functions (cont'd)

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

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

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

4.11 To review the Company's quarterly and annual financial reports, before submission to the Board, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumption, compliance with accounting standards and other legal requirements.

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

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

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

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

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

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

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

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

## Meetings

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

5.2 A quorum shall consist of two (2) members. The majority of members present must be Independent Non-Executive Directors.

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

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.

### Meetings (cont'd)

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 period from 1 April 2010 to 31 July 2011, the Audit Committee conducted 7 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 period ended 31 July 2011.

Details of attendance of the Audit Committee members at the Audit Committee meetings during the financial period from 1 April 2010 to 31 July 2011 are as follows:

| Name of Audit Committee Member | No. of Audit Committee Meetings |
|---|---|
| David Low Teck Wee | 7 out of 7 |
| Loo Thin Tuck | 7 out of 7 |
| Tunku Azlan Bin Tunku Aziz | 5 out of 7 |

### Summary of Activities of the Audit Committee

The Audit Committee has carried out the following activities during the financial period from 1 April 2010 to 31 July 2011 in the discharge of its duties:

- Reviewed with External Auditors their evaluation of the internal control system;
- Noted and reviewed the reports of the External Auditors and Internal Auditors on the statement on internal control, thereafter recommended to the Board for inclusion in the annual report;
- Reviewed all quarterly financial results of the Company including the announcements pertaining thereto prior to recommending them for the Board's approval, focusing particularly on any changes in accounting policies, compliance with accounting standards and other legal equirements;
- To discuss problems and reservations arising from final audits, and any other matter with the External Auditors in the absence of the Executive Directors and the Management;
- Reviewed work done and reports from the Internal Auditors and considered the findings of the internal audit and the Management's responses thereto to ensure that appropriate actions are taken by the Management on the recommendations raised by the Internal Auditors;
- Reviewed the assistance given by the Company's officers and employees to the External and Internal Auditors;

**Summary of Activities of the Audit Committee (cont'd)**

- Considered the audit fee and any question of resignation of the External Auditors; and
- Noted and reviewed the report of the Internal Auditors on the audit committee report and thereafter recommended to the Board for inclusion in the annual report.

**Summary of Activities of the Internal Audit**

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

As at the date of this report, the external consultant has completed three (3) cycles 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 the 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 9 November 2011.

# 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 period from 1 April 2010 to 31 July 2011.

## 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 comprised 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 period 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 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 Group.

During the financial period, the updated ERM framework of the Group and the results of risk assessment and risk action planning process for the Group have been presented and adopted by the Risk Management Committee and the Board.

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 three (3) cycles of internal audit in accordance with the approved internal audit strategy by the Audit Committee and the findings of the internal audit review have been communicated to the Audit Committee. The Audit Committee reviewed the reports from the consultant 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 period ended 31 July 2011 is RM72,000.

**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 were held with heads of departments. The heads of departments are delegated with the responsibility to ensure that the system of internal control is put into place accordingly;
- Representations from the Company in consortium or joint venture are responsible to oversee the administration, operation and performance of the consortium or joint venture and are further responsible to provide on a regular basis, financial and operational information of the consortium or joint venture to the Management of the Company;
- Quarterly review of financial results by the Board and the Audit Committee before announcement to Bursa Securities;
- An organisational structure with defined lines of responsibilities and delegation of authority within which the Management operates;
- The principal operating subsidiary, LFE Engineering Sdn Bhd, has a formalised Quality Procedure Manual ISO 9001:2008 ("ISO") to *inter-alia* provide guidance to employees in carrying out daily tasks to ensure that there is a clear understanding of the operations of the Group, to continually improve the effectiveness of our Quality Management System so as to provide our customers with superior products and services;
- Scheduled in-house ISO internal audit held once a year to ensure full compliance with the ISO requirements, where findings are discussed during the Management review committee meetings.

**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 period from 1 April 2010 to 31 July 2011 as a result of weakness in internal control. The Board and the Management continue to take appropriate measures to improve and strengthen the control environment.

This statement was reviewed by the Audit Committee and approved by the Board on 9 November 2011.

# Statement on Directors' Responsibilities

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

In preparing the financial statements for the financial period ended 31 July 2011 ("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 goingconcern basis.

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

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

This statement was reviewed and approved by the Board on 9 November 2011.

# Additional Compliance Information

1. Utilisation of Proceeds

   There were no proceeds raised from any corporate exercises during the financial period from 1 April 2010 to 31 July 2011.

2. Share buybacks

   There were no share buyback transactions made by the Company during the financial period from 1 April 2010 to 31 July 2011.

3. Options, Warrants or Convertible Securities

   There were no options, warrants or convertible securities issued by the Company during the financial period from 1 April 2010 to 31 July 2011.

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

   During the financial period from 1 April 2010 to 31 July 2011, the Company did not sponsor any ADR or GDR programme.

5. Related Party Transactions

   The aggregate value of the Related Party Transactions for the financial period ended 31 July 2011 is set out in Note 36 of the Audited Financial Statements.

6. Imposition of Sanctions/Penalties

   There were no sanctions/penalties imposed on the Company & its subsidiaries, directors or management by the relevant regulatory bodies during the financial period from 1 April 2010 to 31 July 2011.

7. Non-audit Fees

   There were no non-audit fees payable to the External Auditors for the financial period ended 31 July 2011.

8. Profit Estimate, Forecast or Projection Variation In Results

   There were no material variance between the audited results for the financial period ended 31 July 2011 and the unaudited results announced to Bursa Securities on 26 September 2011. The Company did not publish any profit estimates, forecasts or projections for the financial period ended 31 July 2011.

9. Profit Guarantee

   There was no profit guarantee received by the Company during the financial period from 1 April 2010 to 31 July 2011.

10. Material Contracts

    The Company's wholly-owned subsidiary, LFE Engineering Sdn Bhd had on 18 May 2010 entered into a Sale of Shares Agreement with Green Resource Engineering Company Limited ("Green Resource") for the disposal of its entire equity interests of 1,900,000 ordinary shares of USD1.00 each in LFE Engineering (Shanghai) Limited and 1 ordinary share of USD1.00 in Loong Fuat Engineering Limited for a total cash consideration of RM6,000,000.

    Mr Lew Mew Choi, a major shareholder of the Company is the minor shareholder of Green Resources who holds 3% of its equity interest.

    Save as disclosed above, there were no other material contracts (not being contracts entered into in the ordinary course of business) either subsisting or entered into during the financial year from 1 April 2010 to 31 July 2011, by the Company and its subsidiaries which involved the interest of the Directors and substantial shareholders.

11. Revaluation of Landed Properties

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

# Financial Statements



# Directors' Report

**The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 July 2011.**

## Principal Activities

The principal activity of the Company is investment holding.

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

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

## Change of Financial Year End

The Company changed its financial year end from 31 March to 31 July. Accordingly, the financial statements for the current financial period are drawn up for the period from 1 April 2010 to 31 July 2011 or a period of sixteen months.

## Financial Results

| | Group RM | Company RM |
|---|---|---|
| Profit/(Loss) attributable to: | | |
| Owners of the Company | 1,412,425 | (1,493,380) |
| Non-controlling interests | 59,642 | - |
| Total | 1,472,067 | (1,493,380) |

## Dividend

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

## Reserves and Provisions

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

## Issue of Shares and Debentures

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

# Directors' Report

## Directors

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

| | |
|---|---|
| Liew Kiam Woon | |
| David Low Teck Wee | |
| Loo Thin Tuck | |
| Tunku Azlan Bin Tunku Aziz | |
| Juliana Quah Kooi Hong | (Appointed on 19.10.2010) |
| Kok Tong Yong | (Appointed on 19.10.2010) |
| Lew Mew Choi | (Retired on 27.9.2010) |
| Liew Meow Nyean | (Deceased on 22.9.2010) |

## Directors' Interests

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

| | Number of ordinary shares of RM1.00 each | | | | |
|---|---|---|---|---|---|
| | At 1.4.2010 | Acquired | Disposed | At 31.7.2011 | |
| **LFE Corporation Berhad**<br>Direct interest:<br>Liew Kiam Woon | 4,133,843 | - | - | 4,133,843 | |
| Indirect interest:<br>Liew Kiam Woon | 4,605,562 | - | - | 4,605,562 | ^ |

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

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

## Directors' Benefits

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

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

## Other Statutory Information

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

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

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

(b) At the date of this report, the Directors are not aware of any circumstances: -

  (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

  (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

  (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial period ended 31 July 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 17 and 41 to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made, except as disclosed in Note 17 and 41 to the financial statements.

## Auditors

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

Signed in accordance with a resolution of the Directors.

| | |
|---|---|
| LIEW KIAM WOON | JULIANA QUAH KOOI HONG |

KUALA LUMPUR

Dated: 9 November 2011

# Statement By Directors

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

We, LIEW KIAM WOON and JULIANA QUAH KOOI HONG, being two of the Directors of LFE CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 34 to 97 are drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2011 and of their financial performance and cash flows for the financial period then ended.

Signed in accordance with a resolution of the Directors.

LIEW KIAM WOON

JULIANA QUAH KOOI HONG

KUALA LUMPUR

Dated: 9 November 2011

# Statutory Declaration

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

I, LIEW KIAM WOON, being the Director primarily responsible for the financial management of LFE CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 97 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )
abovenamed LIEW KIAM WOON at Kuala Lumpur )
in the Federal Territory this 9 November 2011 )

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LIEW KIAM WOON

Before me,

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COMMISSIONER FOR OATHS

# Independent Auditors' Report
## To The Members Of LFE Corporation Berhad

## Report on the Financial Statements

We have audited the financial statements of LFE Corporation Berhad, which comprise the statements of financial position as at 31 July 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equities and statements of cash flow of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 97.

### Directors' Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Basis for Qualified Opinion

As at 31 July 2011, 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 July 2011 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 17 to the financial statements, no impairment on receivables has been made on these amounts.

On 29 September 2011 the Group obtained a favourable outcome from Kuala Lumpur Regional Centre on the legal proceeding against the aforesaid former director as further highlighted in Note 17 to the financial statements. However, we are 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 amount due to the Group by the former director of RM26,506,700 and due to the Company by LFEI of RM17,497,026.

## Qualified Opinion

In our opinion, except for the effects on the financial statements, if any, of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2011 and of their financial performances and cash flows for the financial period then ended.

## Report on Other Legal and Regulatory Requirements

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

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

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

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

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

**Other Reporting Responsibilities**

The supplementary information set out in Note 46 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

**Other Matters**

The financial statements of the Group and of the Company for the financial year ended 31 March 2010 were audited by another firm of Chartered Accountants, whose report dated 28 July 2010, expressed a qualified opinion on those statements. The auditors were unable to ascertain recoverability of the amounts owing by a former Director and amounts owing by the subsidiary company.

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

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
Approved Number: 1729/05/12 (J/PH)
Partner of Firm

KUALA LUMPUR

Dated: 9 November 2011

# Statements Of Financial Position
## As At 31 July 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | Note | RM | RM | RM | RM |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 1,287,033 | 4,393,372 | - | - |
| Investment properties | 4 | 739,825 | 4,121,758 | - | - |
| Investment in subsidiaries | 5 | - | - | 25,576,082 | 26,111,582 |
| Investment in associated companies | 6 | 220,382 | - | 25,500 | - |
| Other long term investments | 7 | - | - | - | - |
| Goodwill on consolidation | 9 | - | - | - | - |
| | | 2,247,240 | 8,515,130 | 25,601,582 | 26,111,582 |
| **Current Assets** | | | | | |
| Inventories | 10 | 663,242 | 2,776,155 | - | - |
| Assets held for sale | 11 | 930,880 | 5,570,000 | - | - |
| Amount owing by customers on contracts | 12 | 22,768,205 | 28,240,599 | - | - |
| Trade receivables | 13 | 61,561,265 | 129,535,498 | - | - |
| Other receivables | 14 | 4,600,358 | 16,383,488 | 45,000 | 45,000 |
| Amount owing by subsidiaries | 15 | - | - | 20,013,201 | 21,736,275 |
| Amount owing by associates | 16 | 5,684,019 | 3,828,086 | 769,813 | - |
| Amount owing by a former Director | 17 | 26,506,700 | 26,506,700 | - | - |
| Tax recoverable | | 528,536 | 915,223 | - | - |
| Cash held under Housing Development Accounts | 18 | - | 515 | - | - |
| Fixed deposits with licensed Banks | 19 | 876,025 | 13,630,343 | - | - |
| Cash and bank balances | | 2,118,080 | 6,337,855 | 4,050 | 5,947 |
| | | 126,237,310 | 233,724,462 | 20,832,064 | 21,787,222 |

# Statements Of Financial Position

## As At 31 July 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | Note | RM | RM | RM | RM |
| **Current Liabilities** | | | | | |
| Amount owing to customers on contracts | 12 | 3,303,980 | 15,014,203 | - | - |
| Trade payables | 20 | 30,580,437 | 81,475,898 | - | - |
| Other payables | 21 | 35,539,490 | 49,588,899 | 2,201,730 | 2,209,690 |
| Amount owing to subsidiaries | 15 | - | - | - | 17,818 |
| Amount owing to associates | 16 | 37,786 | 37,786 | 37,786 | 37,786 |
| Amount owing to Directors | 22 | 55,563 | 603,722 | - | - |
| Hire purchase payables | 23 | 20,723 | 50,527 | - | - |
| Bank borrowings | 24 | 25,171,500 | 38,850,952 | - | - |
| | | 94,709,479 | 185,621,987 | 2,239,516 | 2,265,294 |
| Net current assets | | 31,527,831 | 48,102,475 | 18,592,548 | 19,521,928 |
| | | 33,775,071 | 56,617,605 | 44,194,130 | 45,633,510 |
| **Financed by:** | | | | | |
| Share Capital | 25 | 84,900,002 | 84,900,002 | 84,900,002 | 84,900,002 |
| Reserves | 26 | (55,205,618) | (54,421,821) | (40,705,872) | (39,266,492) |
| Equity attributable to owners of the parent | | 29,694,384 | 30,478,181 | 44,194,130 | 45,633,510 |
| Non-controlling interests | | - | 310,042 | - | - |
| Total equity | | 29,694,384 | 30,788,223 | 44,194,130 | 45,633,510 |
| **Non -Current Liabilities** | | | | | |
| Hire purchase payables | 23 | 59,013 | 100,915 | - | - |
| Bank borrowings | 24 | 4,015,174 | 25,716,967 | - | - |
| Deferred tax liabilities | 27 | 6,500 | 11,500 | - | - |
| | | 4,080,687 | 25,829,382 | - | - |
| | | 33,775,071 | 56,617,605 | 44,194,130 | 45,633,510 |

# Statements Of Comprehensive Income
## For The Financial Period Ended 31 July 2011

| | | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | | To | to | to | to |
| | | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | Note | RM | RM | RM | RM |
| Revenue | 28 | 83,852,665 | 224,625,834 | - | - |
| Cost of sales | | (82,481,797) | (209,365,152) | - | - |
| Gross profit | | 1,370,868 | 15,260,682 | - | - |
| Other operating income | | 3,817,516 | 7,391,342 | 311 | 572,033 |
| Exceptional item | 29 | 15,744,069 | - | - | - |
| Administrative expenses | | (8,893,458) | (10,455,040) | (603,989) | (394,069) |
| Other operating expenses | | (6,389,979) | (12,380,975) | (835,702) | (700,000) |
| Finance costs | 30 | (4,095,653) | (5,577,710) | - | - |
| | | 1,553,363 | (5,761,701) | (1,439,380) | (522,036) |
| Share of results of associated company | | 24,577 | - | - | - |
| Profit/(Loss) before taxation | 31 | 1,577,940 | (5,761,701) | (1,439,380) | (522,036) |
| Taxation | 32 | (105,873) | (306,470) | - | - |
| Net profit/(loss) for the financial period/year | | 1,472,067 | (6,068,171) | (1,439,380) | (522,036) |
| ***Other comprehensive loss:*** | | | | | |
| - Exchange differences arising from translation of foreign operations | | (1,956,618) | (2,682,335) | - | - |
| ***Total comprehensive loss for the financial period/year*** | | (484,551) | (8,750,506) | (1,439,380) | (522,036) |

# Statements Of Comprehensive Income

## For The Financial Period Ended 31 July 2011

| | | Group | |
|---|---|---|---|
| | | 1.4.2010 | 1.4.2009 |
| | | To | to |
| | | 31.7.2011 | 31.3.2010 |
| | Note | RM | RM |
| Net profit/(loss) for the financial | | | |
| period/year attributable to: | | | |
| Owners of the Company | | 1,412,425 | (5,701,909) |
| Non-controlling interest | | 59,642 | (366,262) |
| | | 1,472,067 | (6,068,171) |
| | | | |
| Total comprehensive for the financial | | | |
| period/year attributable to: | | | |
| Owners of the Company | | (544,193) | 9,116,768 |
| Non-controlling interest | | 59,642 | (366,262) |
| | | (484,551) | (8,750,506) |
| Basic earnings/(loss) per share attributable to owners of the | | | |
| parent (sen) | 33 | 1.66 | (6.72) |

# Statements Of Changes In Equity

## For The Financial Period Ended 31 July 2011

| | | Attributable to Owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | | | |
| | | Share Capital | Share Premium | Foreign exchange translation reserve | Accumulated Losses | Total | Non-controlling Interests | Total Equity |
| **Group** | Note | RM | RM | RM | RM | RM | RM | RM |
| At 1 April 2010 | | | | | | | | |
| As previously reported | | 84,900,002 | 5,218,125 | 454,156 | (60,094,102) | 30,478,181 | 310,042 | 30,788,223 |
| Effect on adopting FRS 139 | 40 | - | - | - | (239,604) | (239,604) | - | (239,604) |
| As restated | | 84,900,002 | 5,218,125 | 454,156 | (60,333,706) | 30,238,577 | 310,042 | 30,548,619 |
| Total comprehensive loss | | - | - | (1,956,618) | 1,412,425 | (544,193) | 59,642 | (484,551) |
| Changes arises in changes in composition of group | | - | - | - | - | - | (369,684) | (369,684) |
| At 31 July 2011 | | 84,900,002 | 5,218,125 | (1,502,462) | 58,921,281 | 29,694,384 | - | 29,694,384 |
| At 1 April 2009 | | 84,900,002 | 5,218,125 | 3,136,491 | 54,392,193 | 38,862,425 | 676,304 | 39,538,729 |
| Total comprehensive loss | | - | - | (2,682,335) | (5,701,909) | (8,384,244) | (366,262) | (8,750,506) |
| At 31 March 2010 | | 84,900,002 | 5,218,125 | 454,156 | (60,094,102) | 30,478,181 | 310,042 | 30,788,223 |

| | | | Distributable | | |
|---|---|---|---|---|---|
| | | Share Capital | Share Premium | Accumulated Losses | Total Equity |
| | | RM | RM | RM | RM |
| **Company** | | | | | |
| At 1 April 2010 | | 84,900,002 | 5,218,125 | (44,484,617) | 45,633,510 |
| Total comprehensive loss | | - | - | (1,439,380) | (1,439,380) |
| At 31 July 2011 | | 84,900,002 | 5,218,125 | (45,923,997) | 44,194,130 |
| At 1 April 2009 | | 84,900,002 | 5,218,125 | (43,962,581) | 46,155,546 |
| Total comprehensive loss | | - | - | (522,036) | (522,036) |
| At 31 March 2010 | | 84,900,002 | 5,218,125 | (44,484,617) | 45,633,510 |

# Statements Of Cash Flow

## For The Financial Period Ended 31 July 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | | to | to | to | to |
| | | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | Note | RM | RM | RM | RM |
| **Cash Flows From Operating Activities** | | | | | |
| Profit/(Loss) before taxation | | 1,577,940 | (5,761,701) | (1,439,380) | (522,036) |
| Adjustments for: | | | | | |
| Impairment for trade receivables | | 2,941,935 | 8,224,590 | - | - |
| Depreciation of property, plant and equipment | | 1,483,426 | 4,661,452 | - | - |
| Fair values adjustments on investment properties | | - | (265,485) | - | - |
| Gain on disposal of property, plant and equipment | | (809,702) | (961,621) | - | - |
| (Gain)/Loss on disposal of investment properties | | (237,947) | (10,000) | - | - |
| Loss on disposal of assets held for sale | | 127,460 | - | - | - |
| Waiver on collateralised loan obligations | 29 | (15,744,069) | - | - | - |
| Impairment for obsolete inventories | | 647,631 | - | - | - |
| Bad debt written off | | 32,440 | - | - | - |
| Impairment loss on: | | | | | |
| - goodwill | | - | 693,593 | - | - |
| - investment in subsidiaries | | - | - | - | 700,000 |
| - other long term investment | | - | 2,000,000 | - | - |
| - property development costs | | - | 1,155,464 | - | - |
| Sundry deposits written off | | - | 22,665 | - | - |
| Property, plant and equipment written off | | 690,864 | 108,895 | - | - |
| Unrealised loss on foreign exchange | | - | 378,561 | - | - |
| Loss on disposal of investment in subsidiary companies | | 605,693 | - | 509,999 | - |
| Impairment of trade receivables written back | | (280,000) | (726) | - | - |
| Share of profit in associates | | (24,577) | | | |
| Interest income | | (174,390) | (314,335) | (310) | (33) |
| Interest expense | | 4,095,653 | 5,577,710 | - | - |
| Operating profit/(loss) before working capital changes | | (5,067,643) | 15,509,062 | (929,691) | 177,931 |

# Statements Of Cash Flow
## For The Financial Period Ended 31 July 2011 (Cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | | to | to | to | to |
| | | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | Note | RM | RM | RM | RM |
| Decrease/(Increase) in working capital | | | | | |
| Amount owing by customers on contracts | | (19,117,961) | (92,384) | - | - |
| Inventories | | 263,187 | 142,167 | - | - |
| Property development costs | | - | (331,213) | - | - |
| Trade and other receivables | | 62,158,973 | (40,286,798) | - | 100,000 |
| Trade and other payables | | (37,233,193) | 23,959,923 | (7,960) | (108,377) |
| Amount owing to director | | 2,005,156 | 104,874 | - | - |
| Amount owing by subsidiaries | | - | - | 1,705,256 | 492,650 |
| Amount owing by associates | | (1,855,933) | (693,012) | (769,813) | 37,786 |
| | | 6,220,229 | (17,196,443) | 927,483 | 522,059 |
| Cash generated/(used in) from operations | | 1,152,586 | (1,687,381) | (2,208) | 699,990 |
| Interest received | | 174,390 | 314,335 | 310 | 33 |
| Interest paid | | (4,095,653) | (4,789,014) | - | - |
| Tax refunded/(paid) | | 249,817 | (235,332) | - | - |
| | | (3,671,446) | (4,710,011) | 310 | 33 |
| Net cash from/(used in) operating activities | | (2,518,860) | (6,397,392) | (1,898) | 700,023 |
| **Cash Flows From Investing Activities** | | | | | |
| Purchase of property, plant and equipment | 3(d) | (1,319,879) | (2,126,067) | - | - |
| Acquisition of a subsidiary company | | - | (698,603) | - | (700,000) |
| Investment in associated company | | (201,115) | - | - | - |
| Proceeds from disposal of investment in subsidiary companies | | - | - | 1 | - |
| Disposal of subsidiary companies | 5(c) | (1,641,570 | - | - | - |
| Proceeds from disposal of property, plant and equipment | | 973,918 | 2,131,765 | - | - |
| Proceeds from disposal of assets held for sale | | 5,092,540 | - | - | - |
| Proceeds from disposal of investment properties | | 3,619,880 | 360,000 | - | - |
| Net cash used in investing activities | | 6,523,774 | (332,905) | 1 | (700,000) |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | | to | to | to | to |
| | Note | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | | RM | RM | RM | RM |
| **Cash Flows From Financing Activities** | | | | | |
| Increase in fixed deposits pledged | | 11,656,413 | (2,859,397) | - | - |
| Repayment of bank borrowings | | (19,158,080) | (8,289,071) | - | - |
| Drawdown of bank borrowings | | - | 25,814,173 | - | - |
| Repayment of hire purchase Payables | | (71,706) | (199,370) | - | - |
| Net cash used in financing activities | | (7,573,373) | 14,466,335 | - | - |
| **Net increase/(decrease) in cash and cash equivalents** | | (3,568,459) | 7,736,038 | (1,897) | 23 |
| **Effect of exchange rate changes** | | (1,270,639) | (887,375) | - | - |
| **Cash and cash equivalents at beginning of the financial period/year** | | 3,576,924 | (3,271,739) | 5,947 | 5,924 |
| **Cash and cash equivalents at end of the financial period/year** | | (1,262,174) | 3,576,924 | 4,050 | 5,947 |
| Cash and cash equivalents at end of the financial period/year comprises: | | | | | |
| Cash and bank balances | | 2,118,080 | 6,337,855 | 4,050 | 5,947 |
| Cash held under Housing Development Accounts | | - | 515 | - | - |
| Fixed deposits with licensed banks | | 876,025 | 13,630,343 | - | - |
| Bank overdrafts | | (3,380,254) | (3,859,350) | - | - |
| | | (386,149) | 16,109,363 | 4,050 | 5,947 |
| Less: Fixed deposits pledged | | (876,025) | (12,532,439) | - | - |
| | | (1,262,174) | 3,576,924 | 4,050 | 5,947 |

# Notes To The Financial Statements

## 1. Corporate Information

The principal activity of the Company is investment holding.

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

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

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

## 2. Significant Accounting Policies

### (a) Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies below and in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

During the financial period, the Company has adopted the following new FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations.

| | | **Effective date for financial periods beginning on or after** |
|---|---|---|
| FRS 7: | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 101: | Presentation of Financial Statements (Revised) | 1 January 2010 |
| FRS 123: | Borrowing Costs (Revised) | 1 January 2010 |
| FRS 139: | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| Amendments to FRS 1: | First-time Adoption of Financial Reporting Standards and FRS127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2010 |
| Amendments to FRS 132: | Financial Instruments: Presentation | 1 January 2010 |
| Amendments to FRS 139, | Financial Instruments: Recognition and Measurement, FRS7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives | 1 January 2010 |

| | | |
|---|---|---|
| Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)" | | 1 January 2010 |
| Amendments to FRS 132: | Financial Instruments: Presentation:- paragraphs 11,16 and 97E | 1 March 2010 |

The adoption of the above new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations did not have a significant impact on the financial statements of the Company except as disclosed in Note 40.

At the date of authorisation of these financial statements, the Company has not applied the following FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations that have been issued by MASB but are not yet effective:-

| | | **Effective date for financial periods beginning on or after** |
|---|---|---|
| FRS 3: | Business Combination (Revised) | 1 July 2010 |
| FRS 127: | Consolidated and Separate Financial Statements (Revised) | 1 July 2010 |
| Amendments to FRS 2: | Share-based Payment | 1 July 2010 |
| Amendments to FRS 5: | Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 138: | Intangible Assets | 1 July 2010 |
| IC Interpretation 12: | Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 16: | Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17: | Distributions of Non-cash Assets to Owners | 1 July 2010 |
| Amendments to IC Interpretation 9: | Reassessment of Embedded Derivatives | 1 July 2010 |
| Amendments to FRS 1: | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 1: | Additional Exemptions for First Time Adopters | 1 January 2011 |
| Amendments to FRS 2: | Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| Amendments to FRS 7: | Improving Disclosures about Financial Instruments | 1 January 2011 |
| IC Interpretation 4: | Determining Whether An Arrangement Contains a Lease | 1 January 2011 |

| | | |
|---|---|---|
| IC Interpretation 18: | Transfers of Assets from Customers | 1 January 2011 |
| Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)" | | 1 January 2011 |
| Amendments to IC interpretation 14 : | Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| IC Interpretation 19 : | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| IC Interpretation 15 : | Agreements for the Construction of Real Estate | 1 January 2012 |
| FRS 124 : | Related Party Disclosures (Revised) | 1 January 2012 |

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

The Directors of the Company anticipate that the application of the above FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Company except for the following:-

## IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

This new interpretation provides clarification when entity renegotiates the term of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully and partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit and loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in statements of comprehensive income.

## FRS 124 : Related Party Disclosures (Revised)

The revised FRS 124 simplifies the definition of related party, clarifies its intended meaning and eliminates inconsistencies from the definition. The changes from current practice among others include a partial exemption from disclosures for government-related entities. It requires disclosures of related party transactions between government-related entities only if the transactions are individually or collectively significant as follows:-

- the name of the government that has control, joint control or significant influence over the reporting entity and the nature of the relationship
- the nature and amount of any individually significant transactions; and
- the extent of any other collectively-significant transactions, qualitatively or quantitatively

**(b) Functional and presentation currency**

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

**(c) Significant accounting estimates and judgements**

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

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

(i) Revenue recognition of construction contracts

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

(ii) Estimation of fair value of properties

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

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

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

(iii) Impairment of goodwill

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

(iv) Impairment of other investments and assets held for sale

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

(v) Impairment of receivables

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

(vi) Impairment of non financial assets

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

(vii) Depreciation of property, plant and equipment

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

(viii) Assets held for sale

The Group follows the guidance of FRS5 in classifying assets recovered principally through a sale transaction as assets held for sale. This classification requires significant judgement. In making this judgement, the Group takes into consideration the likelihood of the sale.

(ix) Allowances for inventory write down

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

(x) Income taxes

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

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

(xi) Fair value of financial instruments

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

(xii) Impairment of investments in subsidiaries

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

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

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

(xiii) Contingent liabilities

As disclosed in Note 41 to the financial statements, the Group has several pending litigation with various parties as at current financial period end. The Board of Directors, after due consultation with the Group's solicitors, assess the merit of each case, and makes the necessary provision for liabilities in the financial statements if its crystallisation is deemed to be probable.

(xiv) Fair values of borrowings

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

**(d) Basis of consolidation**

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

(i) Subsidiary companies

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

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

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

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

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

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

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

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

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

(ii) Changes in Group composition

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

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

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

(iii) Transactions eliminated on consolidation

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

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

(iv) Transaction costs

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

**(e) Investment in subsidiary companies**

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

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the statement of comprehensive income.

**(f) Investment in associated companies**

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

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

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

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

**(g) 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.

**(h) Other long term investments**

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

**(i) Investment properties**

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

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that

future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statements of comprehensive income during the financial period in which they are incurred.
A property interest under an operating lease is classified and accounted for as an investment property on a property by property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classifies as an investment property is carried at fair value.

**(j) Goodwill on consolidation**

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

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

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's CGU expected to benefit from synergies of the business combination. An impairment loss is recognised in the consolidated statement of comprehensive income when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rate on the basis of the carrying amount of each asset in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

**(k) Property, plant and equipment**

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

The depreciable amount is determined after deducting the residual value.

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

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

**(l) Leases**

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

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

**(m) Impairment of non financial assets**

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

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

**(n) Inventories**

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

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

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

**(o) Assets held for sale**

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

**(p) Construction contracts**

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

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

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

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

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

**(q) Financial assets**

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

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

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

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

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

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

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains and losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in statements of comprehensive income.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statements of comprehensive income.

**(r) Impairment of financial assets**

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

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

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

All impairment losses are recognised in statements of comprehensive income.

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

**(s) Cash and cash equivalents**

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

**(t) Financial liabilities**

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

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

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

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

**(u) Hire purchase**

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

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

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

Lease rental under operating lease is charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease.

**(v) Provisions**

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

**(w) Borrowing costs**

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

**(x) Foreign currencies**

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

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

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

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

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

| | 2011 RM | 2010 RM |
|---|---|---|
| United States Dollar (US$) | 2.9555 | 3.2583 |
| Renminbi (RMB) | 0.4588 | 0.4774 |
| 100 Vietnamese Dong (VND) | 0.0144 | 0.0172 |
| UAE Dirhams (AED) | 0.8076 | 0.8871 |
| Qatari Riyal (QAR) | 0.8149 | 0.8962 |
| Australian Dollar (AUD) | 3.2447 | 2.9893 |

**(y) Revenue recognition**

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

(i) Construction Contract

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

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

(ii) Goods sold and services rendered

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

(iii) Rental and Interest income

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

(iv) Dividend income

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

**(z) Employee benefits**

(i) Short term employee benefits

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

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

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

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

(ii) Defined contribution plans

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

**(aa) Income taxes**

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

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

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

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

**(bb) Earnings per share**

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

### (cc) Operating segments

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

### (dd) Reserves

(i) Share Premium

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

(ii) Foreign currency translation reserves

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

### (ee) Equity instruments

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

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

## 3. Property, Plant and Equipment

| Group | Note | Plant and machinery RM | Freehold land and buildings RM | Leasehold building RM | Motor vehicles RM | Furniture, fittings and equipment RM | Air conditioners and renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| At 1 April 2010 | | 6,674,255 | 159,252 | 1,060,010 | 2,285,141 | 2,519,762 | 521,591 | 13,220,011 |
| Additions | | 504,442 | - | 580,880 | - | 111,312 | 123,245 | 1,319,879 |
| Disposals | | (2,673,496) | - | - | (516,373) | (82,733) | - | (3,272,602) |
| Disposal of subsidiary companies | 5(c) | - | - | (1,060,010) | (379,340) | (447,219) | (40,501) | (1,927,070) |
| Write-off | | - | (146,472) | - | - | (877,738) | (359,845) | (1,384,055) |
| Reclassification to assets held for sale | 11 | - | - | (580,880) | - | - | - | (580,880) |
| Foreign exchange adjustment | | (598,812) | - | - | (29,256) | (68,534) | (218) | (696,820) |
| At 31 July 2011 | | 3,906,389 | 12,780 | - | 1,360,172 | 1,154,850 | 244,272 | 6,678,463 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 April 2010 | | 5,504,816 | 10,330 | 24,172 | 1,403,927 | 1,610,396 | 272,998 | 8,826,639 |
| Charge for the financial period | | 1,001,582 | - | 12,534 | 200,742 | 227,727 | 40,841 | 1,483,426 |
| Disposals | | (2,673,493) | - | - | (383,473) | (51,420) | - | (3,108,386) |
| Disposal of subsidiary companies | 5(c) | - | - | (36,706) | (140,710) | (253,999) | (40,498) | (471,913) |
| Write-off | | - | 2,450 | - | - | (509,236) | (186,405) | (693,191) |
| Foreign exchange adjustment | | (559,329) | - | - | (21,740) | (63,994) | (82) | (645,145) |
| At 31 July 2011 | | 3,273,576 | 12,780 | - | 1,058,746 | 959,474 | 86,854 | 5,391,430 |
| **Carrying amount** | | | | | | | | |
| At 31 July 2011 | | 632,813 | - | - | 301,426 | 195,376 | 157,418 | 1,287,033 |

## 3. Property, Plant and Equipment (Cont'd)

| Group | Plant and machinery RM | Freehold land and buildings RM | Leasehold building RM | Motor vehicles RM | Furniture, fittings and equipment RM | Air conditioners and renovation RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| At 1 April 2009 | 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 company | 3 | - | - | 1 | - | 1 | 5 |
| Disposals | (2,850,194) | - | - | (732,156) | - | - | (3,582,350) |
| Write-off | - | - | - | - | (161,249) | (75,600) | (236,849) |
| Foreign exchange adjustment | (1,369,674) | - | - | (116,288) | (123,688) | (5,049) | (1,614,699) |
| At 31 March 2010 | 6,674,255 | 159,252 | 1,060,010 | 2,285,141 | 2,519,762 | 521,591 | 13,220,011 |
| **Accumulated depreciation** | | | | | | | |
| At 1 April 2009 | 5,111,765 | 10,330 | 13,429 | 1,748,278 | 1,406,505 | 262,331 | 8,552,638 |
| Charge for the financial 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-off | - | - | - | - | (116,939) | (11,015) | (127,954) |
| Foreign exchange adjustment | (1,323,566) | - | - | (432,164) | (86,750) | (4,811) | (1,847,291) |
| At 31 March 2010 | 5,504,816 | 10,330 | 24,172 | 1,403,927 | 1,610,396 | 272,998 | 8,826,639 |
| **Carrying amount** | | | | | | | |
| At 31 March 2010 | 1,169,439 | 148,922 | 1,035,838 | 881,214 | 909,366 | 248,593 | 4,393,372 |

## 3. Property, Plant and Equipment (Cont'd)

(a) In the previous financial year, the leasehold building of the Group has been charged to licensed banks for credit facilities granted to the Group, as disclosed in Note 24.

(b) Motor vehicles with net book value of RM95,021 (31.3.2010: RM246,167) of the Group are held in trust by a Director of the Company.

(c) Included under property, plant and equipment of the Group are motor vehicles with net book value of RM201,667 (31.3.2010: RM310,142) acquired under hire purchase arrangement.

## 4. Investment Properties

| | Group/Company | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| At beginning of period/year | 4,121,758 | 4,526,273 |
| Fair value adjustment | - | 265,485 |
| Transfer to assets held for sale (Note 11) | - | (670,000) |
| Disposal | (3,381,933) | - |
| At end of period/year | 739,825 | 4,121,758 |
| Comprises | | |
| - Freehold land and building | 336,871 | 3,718,804 |
| - Long term leasehold land and buildings | 402,954 | 402,954 |
| | 739,825 | 4,121,758 |

The investment properties of the Group amounting to RM402,954 (31.3.2010: RM3,784,888) have been pledged to a licensed bank to secure the banking facility as disclosed in Note 24.

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

The investment properties with carrying amount of RMNIL (31.3.2010: RM3,381,934) of the Group is held in trust by a Director of the Company.

## 5. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

| | Company | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Unquoted shares, at cost | | |
| At beginning of period/year | 68,290,201 | 67,590,201 |
| Disposal/acquisition of subsidiary companies | (535,500) | 700,000 |
| | 67,754,701 | 68,290,201 |
| Accumulated impairment losses | | |
| At beginning of the period/year | (42,178,619) | (41,478,619) |
| Addition during the year | - | (700,000) |
| At end of period/year | (42,178,619) | (42,178,619) |
| | 25,576,082 | 26,111,582 |

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

| | Name of company | Country of incorporation | Effective interest 2011 % | Effective interest 2010 % | Principal activities |
|---|---|---|---|---|---|
| | **Direct holding:** | | | | |
| | LFE Engineering Sdn Bhd ("LFEE") | Malaysia | 100 | 100 | Provision of general and specialised electrical and mechanical engineering services and maintenance works |
| | LFE Builder Sdn Bhd | Malaysia | 100 | 100 | Property investment |
| | Lynex Construction Sdn Bhd | Malaysia | 51 | 51 | General contractors |
| **/# | LFE International Limited | British Virgin Islands | 100 | 100 | Distribution of consumer electronics products |
| | Teratai Megah Sdn Bhd | Malaysia | 100 | 100 | Building and general Contractors |
| * | Bestgate Development Sdn Bhd | Malaysia | - | 51 | Builders and contractors for construction work |
| | Mediaforte Holdings Sdn Bhd ("MHSB") | Malaysia | - | 51 | Investment holding |
| | **Indirect holding:** | | | | |
| | *Subsidiaries company of LFE Engineering Sdn Bhd :* | | | | |
| | LFE Engineering (JB) Sdn Bhd | Malaysia | 100 | 100 | Provision of general and specialised electrical and mechanical engineering services and maintenance works |
| * | LFE Engineering (Vietnam) Company Limited | Socialist Republic of Vietnam | 100 | 100 | Technical design and provision of consultancy services for design, implementation and contracting of mechanical and electrical engineering services |

| | Name of company | Country of incorporation | Effective interest | | Principal activities |
|---|---|---|---|---|---|
| | | | 2011 % | 2010 % | |
| | LFE Technology Sdn Bhd | Malaysia | 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 |
| **/# | Loong Fuat Engineering Limited | British Virgin Islands | - | 100 | Provision of general and specialised electrical and mechanical engineering services and maintenances works |
| * | LFE Engineering (Shanghai) Limited | People's Republic of China | - | 100 | Provision of general and specialised electrical and mechanical engineering services and maintenances works |
| | **Indirect holding:** | | | | |
| | *Subsidiary company of MHSB* | | | | |
| | Mediaforte (Malaysia) Sdn Bhd | Malaysia | - | 51 | Trading and distributing computer products, parts and components |

*	*Companies not audited by Morison Anuarul Azizan Chew*

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

#	*A non statutory audit of financial statements is carried out by Morison Anuarul Azizan Chew for the purpose of consolidation.*

(c) Disposal of subsidiary companies

During the financial period, LFEE disposed of its entire equity interest held in Loong Fuat Engineering Limited and LFE Engineering (Shanghai) Limited, for a total cash consideration of RM6,000,000.

During the financial period, the Group disposed of its 51% equity interest held in Bestgate Development Sdn Bhd., for a total cash consideration of RM1.

During the financial period, the Group's wholly-owned subsidiary company MHSB increased its issued and paid up capital from RM50,000 to RM100,000 by the issue of 50,000 new ordinary of RM1.00 each at par for cash. Consequently, MHSB has ceased to be a subsidiary company and has in turn become an associate of the Company.

The disposal had the following effects on the financial position of the Group as at the end of the financial period:

| | **Group 2011 RM** |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 1,455,157 |
| Inventories | 1,202,095 |
| Amount due from contract customers | 12,880,132 |
| Trade and other receivables | 14,664,411 |
| Amount owing by related companies | 2,221,051 |
| Tax recoverable | 51,893 |
| Fixed deposit with a licensed bank | 2,628,078 |
| Cash and bank balances | 5,013,493 |
| Trade and other payables | (27,011,775) |
| Amount owing to related companies | (2,293,656) |
| Amount due to holding company | (627,297) |
| Amount owing to directors | (2,553,315) |
| Bank borrowings | (649,889) |
| Deferred tax liabilities | (5,000) |
| Non-controlling interest | (369,684) |
| Group's share of net assets | 6,605,694 |
| Loss on disposal of subsidiary companies | (605,693) |
| Total disposal consideration in cash | 6,000,001 |
| Cash and cash equivalent disposed of | (7,641,571) |
| Cash outflow on disposal of subsidiary companies | (1,641,570) |

(d) Acquisition of a subsidiary company in previous financial year

On 13 June 2009, the Group acquired 100% equity interest representing 750,003 ordinary shares of RM1.00 each in Teratai Megah Sdn. Bhd., for a total consideration of RM700,000.

The effect of the acquisition on the financial results of the Group in previous financial year is as follows:-

| | **2010 RM** |
|---|---|
| Revenue | - |
| Cost of sales | - |
| Gross loss | - |
| Administration expenses | (2,738) |
| Loss for the financial year | (2,738) |

The fair value of the assets acquired and liabilities assumed from the acquisition of a subsidiary company is as follows:-

| | 2010 RM |
|---|---|
| Net assets acquired: | |
| Plant and equipment | 5 |
| Deferred tax asset | 60 |
| Deposits | 12,800 |
| Cash and bank balances | 1,397 |
| Other payables and accruals | (7,855) |
| Fair value of net assets acquired | 6,407 |
| Goodwill on consolidation | 693,593 |
| | 700,000 |
| Less: Cash and cash equivalent acquired | (1,397) |
| Cash outflow on acquisition of a subsidiary company | 698,603 |

## 6. Investment in Associated Companies

(a) Investment in associated companies

| | Group | | Company | |
|---|---|---|---|---|
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Unquoted shares at cost | | | | |
| At beginning of period/year | 94,340 | 94,340 | - | - |
| Acquisition of a associate company | 25,500 | - | 25,500 | - |
| | 119,840 | 94,340 | 25,500 | - |
| Share of post acquisition losses of associate | 100,542 | (94,340) | - | - |
| | 220,382 | - | 25,500 | - |

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

| | Name of company | Country of incorporation | Effective interest | | Principal activities |
|---|---|---|---|---|---|
| | | | 2011 % | 2010 % | |
| | **Direct holding:** | | | | |
| * | LFE Engineering (Qatar) W.L.L | Qatar | 49 | 49 | Provision of mechanical and electrical works and general building contracting |
| | Mediaforte Holdings Sdn Bhd ("MHSB") | Malaysia | 25.5 | - | Investment holding |

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

As stated in Note 5(c), MHSB effectively became the associated company of the Group during the financial period.

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

| | 31.7.2011 | 31.3.2010 |
|---|---|---|
| | RM | RM |
| Assets and liabilities: | | |
| Total assets | 23,710,548 | 16,180,134 |
| Total liabilities | 2,5362,721 | 18,038,233 |
| | 1.4.2010 to 31.7.2011 | 1.4.2009 To 31.3.2010 |
| | RM | RM |
| Results: | | |
| Revenue | 12,651,970 | 13,297,022 |
| Loss for the period/year | (635,311) | (1,317,229) |
| Share of results | 24,577 | - |

## 7. Other Long Term Investments

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Unquoted subordinated bonds, at cost | | |
| | | |
| At beginning/end of period/year | 3,500,000 | 3,500,000 |
| Accumulated impairment losses | | |
| At beginning of period/year | 3,500,000 | 1,500,000 |
| Impairment loss during the period/year | - | 2,000,000 |
| At end of period/year | 3,500,000 | 3,500,000 |
| | | |
| | - | - |

## 8. Investments in Jointly Controlled Operations

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

| | Name of jointly controlled operations | Country of incorporation | Effective interest 2011 % | Effective interest 2010 % | Principal activities |
|---|---|---|---|---|---|
| * | 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 are not audited by Morison Anuarul Azizan Chew.*

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

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Assets and liabilities: | | |
| Current assets | 70,259,508 | 121,041,458 |
| Non-current assets | 697,692 | 1,362,247 |
| Total assets | 70,957,200 | 122,403,705 |
| Total liabilities | 54,942,986 | 100,753,446 |
| | 1.4.2010 to 31.7.2011 RM | 1.4.2009 to 31.3.2010 RM |
| Results: | | |
| Revenue | 42,548,965 | 168,512,280 |
| Expenses | 43,678,699 | 158,596,737 |
| (Loss)/Profit for the period/year | (2,190,177) | 9,915,543 |

## 9. Goodwill on Consolidation

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| At beginning of period/year | 1,087,543 | 393,950 |
| Acquisition of a subsidiary (Note 5d) | - | 693,593 |
| | 1,087,543 | 1,087,543 |
| Accumulated impairment losses | | |
| At beginning of period/year | 1,087,543 | 393,950 |
| Impairment loss during the period/year | - | 693,593 |
| At end of period/year | 1,087,543 | (1,087,543) |
| | - | - |

## 10. Inventories

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| At cost: | | |
| Trading merchandise | - | 1,360,917 |
| Consumables | 1,310,873 | 1,431,274 |
| | 1,310,873 | 2,792,191 |
| Less: Allowances for obsolete inventories | (647,631) | (16,036) |
| | 663,242 | 2,776,155 |

## 11. Assets Held For Sale

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| At beginning of period/year | 5,570,000 | 350,000 |
| Transfer from | | |
| - investment properties (Note 4) | - | 670,000 |
| - land held for property development | - | 3,714,320 |
| - property development cost | - | 1,185,680 |
| - property, plant and equipment (Note 3) | 580,880 | - |
| | 580,880 | 5,570,000 |
| | 6,150,880 | 5,920,000 |

| | | |
|---|---|---|
| Disposals | (5,220,000) | (350,000) |
| At end of period/year | 930,880 | 5,570,000 |

During the financial period, a sale and purchase agreements were entered into to dispose of the long term leasehold land and buildings of the Group for a total consideration of RM350,000. These disposals are expected to complete within next twelve months upon fulfillment of all conditions precedent of the sale and purchase agreements. Leasehold building amounted to RM580,880 have been held for sale. Accordingly, these assets are classified as assets held for sale.

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

| | **Group** | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Contract costs | 179,159,110 | 406,102,478 |
| Add: Attributable profits | 6,486,293 | 35,204,593 |
| | 185,645,403 | 441,307,071 |
| Less: Progress billings including retention sum | (166,181,178) | (428,024,766) |
| | 19,464,225 | 13,282,305 |
| Less: Impairment for doubtful debts | - | (55,909) |
| | 19,464,225 | 13,226,396 |
| Represented by: | | |
| Amount owing by customers on contract | 22,768,205 | 28,240,599 |
| Amount owing to customers on contract | (3,303,980) | (15,014,203) |

## 13. Trade Receivables

| | **Group** | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Trade receivables | 51,700,797 | 105,984,727 |
| Retention sum receivables | 19,689,768 | 30,784,872 |
| | 71,390,565 | 136,769,599 |
| Less: Impairment for trade receivables | (9,829,300) | (7,234,101) |
| | 61,561,265 | 129,535,498 |

The Group's normal trade credit terms range from 60 to 90 days (31.3.2010: 60 to 90 days). Other credit terms are assessed and approved on a case by case basis.

<u>Ageing analysis of trade receivables</u>

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

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Neither past due or impaired | 36,093,062 | 51,120,264 |
| 1 - 90 days past due but not impaired | 584,033 | 48,464,399 |
| 91 - 180 days past due but not impaired | 6,790 | 30,072,994 |
| More than 1 year past due but not impaired | 34,706,680 | 7,111,942 |
| | 35,297,503 | 85,649,335 |
| Fully impaired | (9,019,829) | (1,207,737) |
| Partially impaired | (809,471) | (6,026,364) |
| | (9,829,300) | (7,234,101) |
| | 61,561,265 | 129,535,498 |

<u>The trade receivables that are impaired</u>

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Individually | 9,019,829 | 1,207,737 |
| Partially | 809,471 | 6,026,364 |
| | 9,829,300 | 7,234,101 |
| <u>Allowance for impairment</u> | | |
| At 1 January | 7,234,101 | 1,481,801 |
| Allowance written off | - | - |
| Allowance written back | (280,000) | - |
| Allowance made | 2,875,199 | 5,752,300 |
| At 31 December | 9,829,300 | 7,234,101 |

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amounts owing by one major customer, Tamouh amounting to RM49,305,140 (31.3.2010: RM105,671,410) which accounts for 80% (31.3.2010: 82%) of the total trade receivables of the Group.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long term customers with no history of default in payments. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

The Group's trade receivables of RM35,297,503 (31.3.2010: RM85,649,335) that are past due at the reporting date but not impaired are unsecured. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored. None of the trade receivables that are past due but not impaired have been renegotiated during the financial period.

Included in past due but not impaired is amount due from Tamouh the developer for Zone E2 Hotel Development, Phase 1, Plot 1, A1 Reem Island amounting to RM32,078,471. The Directors of the Group are of the opinion that the aforesaid amount is fully recoverable.

## 14. Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Other receivables | 8,105,955 | 17,736,344 | 1,450,224 | 1,450,224 |
| Less: Impairment for doubtful debts | (3,944,248) | (3,877,512) | (1,405,224) | (1,405,224) |
| | 4,161,707 | 13,858,832 | 45,000 | 45,000 |
| Deposits | 287,967 | 2,206,394 | - | - |
| Prepayments | 150,684 | 318,262 | - | - |
| | 4,600,358 | 16,383,488 | 45,000 | 45,000 |

Included in other receivables of the Group are margin deposits with bank for issuance of labour guarantees and unsecured interest free advances receivables on demand from a company with common director amounting to RM692,665 (2010: RM1,953,049) and RMNIL (2010: RM2,271,530) respectively.

## 15. Amount Owing by/(to) Subsidiaries

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

## 16. Amount Owing by/(to) Associates

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

## 17. Amount Owing by A Former Director

The amount owing by a former Director of RM26,506,700 (31.3.2010: RM26,506,700) of the Group arose from his undertaking pursuant to advances made for and his profits guarantee obligations on the computer products trading activities carried out by a subsidiary, LFE International Limited ("LFEI"), during the financial year and period ended 31 December 2007 and 31 March 2009 respectively. This undertaking also gave rise to an amount owing to the Company by LFEI of RM17,497,026 (31.3.2010: RM17,497,026) after the Directors of the Company have decided out of prudence to disregard and not to recognise in totality the revenue, cost of sales and profit generated from the trading activities of LFEI for these accounting periods.

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

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

As disclosed in Note 41 to the financial statements, Kuala Lumpur Regional Centre for Arbitration ("KLRCA") had on 29 September 2011 awarded the Company final award of proceedings amounting to RM26,356,698 and the interest rate of 8% per annum until the date of the realization of the said sum. The Directors of the Company are confident that the amount owing is recoverable and no impairment is required.

The Directors of the Company are confident that the amount owing to the Company by LFEI is recoverable and no impairment is required. 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, impairment for doubtful debt is also not required for the amount due to the Company by LFEI.

## 18. Cash Held Under Housing Development Accounts

Cash held under the Housing Development Accounts represents monies received from purchasers of properties less payments or withdrawals in accordance with the Housing Development (Control and Licensing) Act 1966.

## 19. Fixed Deposits with Licensed Banks

The fixed deposits with licensed banks of the Group have been pledged as collaterals to secure the bank guarantee and banking facilities as disclosed in Note 24.

## 20. Trade Payables

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Trade payables | 23,891,706 | 56,130,636 |
| Estimated contract costs incurred/payable | - | 12,736,913 |
| Retention sums payables | 6,688,731 | 12,608,349 |
| | 30,580,437 | 81,475,898 |

The normal trade credit term granted to the Group is 60 days (31.3.2010: 60 days).

## 21. Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | **RM** | **RM** | **RM** | **RM** |
| Other payables | 30,832,610 | 39,325,014 | 2,039,991 | 2,102,980 |
| Accruals | 4,706,880 | 10,263,885 | 161,739 | 106,710 |
| | 35,539,490 | 49,588,899 | 2,201,730 | 2,209,690 |

Included in other payables of the Group is advances received from customers amounting to RM12,349,180 (31.3.2010: RM21,533,849).

## 22. Amount Owing to Directors

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

## 23. Hire Purchase Payables

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| (a) Minimum hire purchase payments | | |
| Within one year | 25,044 | 62,232 |
| Between one and two years | 70,896 | 119,343 |
| | 95,940 | 181,575 |
| Future finance charges | (16,204) | (30,133) |
| Present value of hire purchase liabilities | 79,736 | 151,442 |
| (b) Present value of hire purchase liabilities | | |
| Within one year | 20,723 | 50,527 |
| Between one and two years | 59,013 | 100,915 |
| | 79,736 | 151,442 |
| Analysed as: | | |
| Repayable within twelve months | 20,723 | 50,527 |
| Repayable after twelve months | 59,013 | 100,915 |
| | 79,736 | 151,442 |

The effective interest rates of the Group are between 5.5% and 6.0% (31.3.2010: 6.0% and 6.5%) per annum.

## 24. Bank Borrowings

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Secured | | |
| Bank overdrafts | 2,168,451 | 2,006,099 |
| Term loans | - | 20,496,366 |
| Revolving credits | 12,863,670 | 3,048,483 |
| | 15,032,121 | 25,550,948 |
| Unsecured | | |
| Bank overdrafts | 1,211,803 | 1,853,251 |
| Term loans | 12,942,750 | 37,163,720 |
| | 14,154,553 | 39,016,971 |
| Total bank borrowings | 29,186,674 | 64,567,919 |

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Analysed as follows: | | |
| Repayable within twelve months | | |
| Secured | | |
| Bank overdrafts | 2,168,451 | 2,006,099 |
| Revolving credits | 12,863,670 | 22,890,491 |
| | 15,032,121 | 24,896,590 |
| Unsecured | | |
| Bank overdrafts | 1,211,803 | 1,853,251 |
| Term loans | 8,927,576 | 12,101,111 |
| | 10,139,379 | 13,954,362 |
| | 25,171,500 | 38,850,952 |
| Repayable after twelve months | | |
| Unsecured | | |
| Term loans | 4,015,174 | 25,716,967 |
| | 4,015,174 | 25,716,967 |

Maturity of borrowings is as follows:

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Within one year | 25,171,500 | 38,850,952 |
| Between one and two years | 4,015,174 | 22,900,000 |
| Between two and five years | - | 2,816,967 |
| | 29,186,674 | 64,567,919 |

The weighted average effective interest rate is as follows:

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | % | % |
| Bank overdrafts | 7.3% - 7.7% | 7.3% - 7.6% |
| Term loans | 7.2% - 8.0% | 7.2% - 7.9% |
| Revolving credits | 4.5% | 4% |

Secured borrowings are secured by way of:

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Leasehold building (Note 3) | - | 1,035,838 |
| Investment properties (Note 4) | 402,954 | 3,784,888 |
| Land held for property development | - | 3,714,320 |
| Fixed deposits with licensed banks (Note 19) | 876,025 | 12,532,439 |

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.

Includes in unsecured term loans of the Group is an outstanding amount of RM8,227,575 (RM31,721,644) out of the initial sum of RM35,000,000 payable to a specific purpose vehicle, Kerisma Berhad ("Kerisma"), under a Primary Collaterised Loan Obligations programme. The Kerisma's bondholders, pursuant to their extraordinary general meeting held on 3 June 2009, have in principle agreed to the Group's restructuring proposal to reschedule the repayments of the term 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 |

* In respect of previous financial year, 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 the LFEE also entails the pledging as security of assets belonging to the Group and certain Directors of the Group, and irrevocable instructions to certain third parties for the repatriation of the 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 Group who are to provide security assets have also each given an undertaking to LFEE to pledge such assets offered in the restructuring proposal.

However, on 29 July 2011, the Company had entered into a settlement agreement for the Primary Collaterised Loan Obligations ("PCLO") with Kerisma and Malaysian Trustees Berhad.

The settlement agreement entailed that Kerisma and Malaysian Trustees Berhad as trustees and issuers respectively agree to accept a sum of RM8,477,575.34 as the agreed settlement amount of the outstanding loan amounting to RM24,221,643.84 as at 3 June 2010. The issuers and trustees agreed to waive the Group's obligation to repay the sum of RM15,744,069 which arose from the difference between the outstanding loan and the settlement amount. Consequently, during the financial period the Group had recognised RM15,744,069 as waiver of the PCLO.

The settlement agreement entailed that the trustees and issuers had agreed to repay the aforesaid settlement amount as follows:

**On or before**

| | | RM |
|---|---|---|
| 30 July 2011 | * | 250,000.00 |
| 31 January 2012 | | 3,383,246.57 |
| 30 April 2012 | | 605,541.10 |
| 31 July 2012 | | 4,238,787.67 |
| | | 8,477,575.34 |

* These amounts have been paid by LFEE. The restructuring proposal of the LFEE also entails the pledging as security of assets belonging to the Group and certain Directors of the Group, and irrevocable instructions to certain third parties for the repatriation of the 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 Group who are to provide security assets have also each given an undertaking to LFEE to pledge such assets offered in the restructuring proposal.

## 25. Share Capital

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares | | Amount | |
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | | | RM | RM |
| Authorised | | | | |
| Ordinary shares of RM1 each: | | | | |
| At beginning/end of period/year | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| | | | | |
| Issued and fully paid | | | | |
| Ordinary shares of RM1 each: | | | | |
| At beginning/end of period/year | 84,900,002 | 84,900,002 | 84,900,002 | 84,900,002 |

## 26. Reserves

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

| | Group | | Company | |
|---|---|---|---|---|
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| **Non-distributable:** | | | | |
| Share premium | 5,218,125 | 5,218,125 | 5,218,125 | 5,218,125 |
| Exchange reserves | (1,502,462) | 454,156 | - | - |
| | | | | |
| **Distributable:** | | | | |
| Accumulated losses as previously reported | (58,921,281) | (59,854,498) | (45,923,997) | (44,484,617) |
| Effect on adopting FRS 139 | - | (239,604) | - | - |
| As restated | (58,921,281) | (60,094,102) | (45,923,997) | (44,484,617) |
| | (55,205,618) | (54,421,821) | (40,705,872) | (39,266,492) |

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

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

## 27. Deferred Tax Liabilities

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| At beginning of period/year | 11,500 | - |
| Recognised in statements of comprehensive income (Note 32) | (5,000) | 11,500 |
| At end of period/year | 6,500 | 11,500 |

Represented after appropriate offsetting as follows:

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Deferred Tax Assets | (12,199,708) | (14,328,062) |
| Deferred Tax Liabilities | 48,078 | 173,782 |
| | (12,151,630) | (14,154,280) |
| Less: Unrecognised deferred tax assets | 12,158,130 | 14,165,780 |
| Deferred tax liabilities recognised | 6,500 | 11,500 |

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

Deferred tax assets of the Group:-

| | Accelerated capital allowances | Others | Total |
|---|---|---|---|
| At 1 April 2010 | 14,176,556 | 151,506 | 14,328,062 |
| Recognised in statements of comprehensive Income | (1,976,848) | (151,506) | (2,128,354) |
| At 31 July 2011 | 12,199,708 | - | 12,199,708 |

| | Accelerated capital allowances | Others | Total |
|---|---|---|---|
| At 1 April 2009 | 8,001,443 | 1,571,510 | 9,572,953 |
| Recognised in statements of comprehensive Income | 6,175,113 | (1,420,004) | 4,755,109 |
| At 31 March 2010 | 14,176,556 | 151,506 | 14,328,062 |

The recognition of deferred tax assets of the Group is dependent on future taxable profits in excess of profits arising from reversal of existing temporary differences. The evidence used to support this recognition is the management's budget, which shows that it is probable that deferred tax assets would be realised in future years.

Deferred tax liabilities of the Group:-

| | Accelerated capital allowances | |
|---|---|---|
| | 31.7.2011 | 31.7.2010 |
| | RM | RM |
| At beginning of period/year | 173,782 | 1,064,354 |
| Recognised in statements of comprehensive income | (125,704) | (890,572) |
| At end of period/year | 48,078 | 173,782 |

## 28. Revenue

| | Group | |
|---|---|---|
| | 1.4.2010 | 1.4.2009 |
| | to | to |
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Contract revenue | 72,775,034 | 217,202,244 |
| Sale of technology products | 11,077,631 | 7,423,590 |
| | 83,852,665 | 224,625,834 |

## 29. Exceptional Item

As stated in Note 24, as at 3 June 2010 the Group has an outstanding loan amounting to RM24,221,643.84 payable by a subsidiary, LFE Engineering Sdn Bhd ("LFEE"), to a special purpose vehicle, Kerisma Berhad ("Kerisma"), under a Primary Collaterised Loan Obligations programme ("PCLO").

On 29 July 2011, the Company entered into a settlement agreement for the PCLO with Kerisma and Malaysian Trustees Berhad as the issuers and as the trustees respectively.

As defined in the aforesaid settlement agreement, the issuer and the trustees agree to accept a sum of RM8,477,575.34, as the agreed settlement amount of the outstanding loan amounting to RM24,221,644. Consequential to the execution of the settlement agreement, the original PCLO is deemed extinguished and derecognised from the financial statement of the Group during the financial period. The Group had accordingly recognised the difference of RM15,744,069 as waiver of the PCLO in its statement of comprehensive income.

## 30. Finance Costs

| | Group | |
|---|---|---|
| | 1.4.2010 | 1.4.2009 |
| | to | to |
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| Interest expense on: | | |
| Term loans | 1,058,507 | 4,669,057 |
| Bank overdrafts | 372,312 | 545,313 |
| Revolving credits | 229,654 | 123,534 |
| Hire purchase | 13,929 | 25,991 |
| Advances from a jointly controlled operation | 2,421,251 | 213,815 |
| | 4,095,653 | 5,577,710 |

## 31. Profit/Loss Before Taxation

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | to | to | to | to |
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Impairment of trade receivables | 2,941,935 | 8,224,590 | - | - |
| Auditors' remuneration | | | | |
| Statutory audit | | | | |
| - Current period/year | 105,997 | 142,112 | - | 28,000 |
| - under provision in prior year | - | 7,596 | - | - |
| Other non audit fee | - | 28,077 | - | - |
| - under provision in prior year | - | 28,385 | - | - |
| Bad debts written off | 32,440 | - | - | - |
| Depreciation of property, plant and equipment | | | | |
| - recognised in income statement | 348,096 | 453,429 | - | - |
| - recognised in contract costs | 1,135,330 | 4,208,023 | - | - |
| Benefit in kind for directors of the Company | - | 11,000 | - | - |
| Property, plant and equipment written off | 690,864 | 108,895 | - | - |
| Impairment loss on | | | | |
| - goodwill | - | 693,593 | - | - |
| - other long term investments | - | 2,000,000 | - | - |
| - investment in subsidiaries | - | - | - | 700,000 |

| | Group | | Company | |
|---|---|---|---|---|
| | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | to | to | to | to |
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Impairment loss on | | | | |
| - property development costs | - | 1,155,464 | - | - |
| - inventory | 647,631 | | | |
| Loss on disposal of assets held for sale | 127,460 | - | - | - |
| Loss/(Gain) on foreign exchange | | | | |
| - realized | 5,898 | (219,138) | - | 5,412 |
| - unrealized | - | 378,561 | - | - |
| Rental of plant and machinery recognised in contract cost | 4,335 | 7,270 | - | - |
| Rental of equipment | | | | |
| - recognised in income statement | 15,629 | 13,444 | | - |
| - recognised in contract costs | 3,200 | 10,890 | - | - |
| Sundry deposits written off | - | 22,665 | - | - |
| Loss on disposal of investment in subsidiary companies | 605,693 | - | 509,999 | - |
| Staff costs | | | | |
| - directors' remuneration | | | | |
| - fees | 56,000 | 59,620 | 48,000 | 53,620 |
| - other than fees | - | 960,271 | - | - |
| Waiver on collateralised loan obligations | (15,744,069) | - | - | - |
| Fair value adjustment on investment properties | - | (265,485) | - | - |
| Gain on disposal of property, plant and equipment | (809,702) | (961,621) | - | - |
| Gain on disposal of investment properties | (237,947) | (10,000) | - | - |
| Interest Income | (174,390) | (314,335) | (310) | (33) |
| Rental income on land and buildings | (19,800) | (7,050) | - | - |
| Write back of impairment of receivables | (280,000) | (726) | - | - |

## 32. Taxation

| | Group | | Company | |
|---|---|---|---|---|
| | 1.4.2010 to 31.7.2011 | 1.4.2009 to 31.3.2010 | 1.4.2010 to 31.7.2011 | 1.4.2009 to 31.3.2010 |
| | RM | RM | RM | RM |
| Current income tax:- | | | | |
| Malaysia income tax | | | - | - |
| - Current year tax | 59,837 | 17,000 | | |
| - (Over)/under provision in prior year | (11,321) | 208,235 | - | - |
| | 48,516 | 225,235 | - | - |
| Current income tax:- | | | | |
| Foreign income tax | | | | |
| - Current year tax | 52,357 | 48,268 | - | - |
| - Under provision in prior year | - | 44,407 | - | - |
| | 52,357 | 92,675 | - | - |
| | 100,873 | 317,910 | - | - |
| Deferred tax | | | | |
| - Relating to origination and reversal of temporary differences | 5,000 | (11,500) | - | - |
| - Under provision in prior year | - | 60 | - | - |
| | 5,000 | (11,440) | - | - |
| Tax expense for the financial period/year | 105,873 | 306,470 | - | - |

Income tax is calculated at the Malaysia statutory tax rate of 25% (year ended 2010: 25%) of the estimated assessable profit for the financial year.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1.4.2010 to 31.7.2011 RM | 1.4.2009 to 31.3.2010 RM | 1.4.2010 to 31.7.2011 RM | 1.4.2009 to 31.3.2010 RM |
| Profit/Loss before taxation | 1,577,940 | (5,761,701) | (1,439,380) | (522,036) |
| Taxation at Malaysian statutory tax rate of 25% (2010: 25%) | 394,485 | (1,440,425) | (359,845) | (130,509) |
| Expenses not deductible for tax purposes | 876,809 | 2,228,094 | 359,845 | 201,610 |
| Effect of double deductions | - | 2,400 | - | - |
| Income not subject to tax | (4,357,766) | (3,860,251) | - | (71,101) |
| Deferred tax assets not recognised during the period/year | 3,230,302 | 3,243,550 | - | - |
| Utilisation of prior years' unrecognised deferred tax assets | (26,636) | (119,600) | - | - |
| (Over)/under provision of current taxation in respect of prior year | (11,321) | 252,642 | - | - |
| Under/(over) provision of deferred tax in respect of prior year | - | 60 | - | - |
| Tax expense for the financial period/year | 105,873 | 306,470 | - | - |

## 33. Basic Earnings/(loss) Per Share

The basic earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial period/year attributable to owners of the parent of RM1,412,425 (year ended 2010: RM5,701,909) for the Group and the weighted average number of ordinary shares in issue during the financial period/year of 84,900,002 (year ended 2010: 84,900,002) are as follows:

| | Group | |
|---|---|---|
| | 31.7.2011 RM | 31.3.2010 RM |
| Net profit/(loss) for the financial period/year attributable to owners of the parent | 1,412,425 | (5,701,909) |
| Weighted average number of ordinary shares in issue | 84,900,002 | 84,900,002 |
| Basic earnings/(loss) per share (sen) | 1.66 | (6.72) |

## 34. Key Management Personnel

The key management personnel compensation is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Short-term employee benefits | | | | |
| -Fees | 56,000 | 59,620 | 48,000 | 53,620 |
| - Salaries and other emoluments | 749,060 | 902,028 | - | - |
| - Estimated monetary value of benefits-in-kinds | - | 12,423 | - | - |
| | 805,060 | 974,071 | 48,000 | 53,620 |
| Post employment benefits | | | | |
| - Defined contribution plan | 75,673 | 56,820 | - | - |
| | 880,773 | 1,030,891 | 48,000 | 53,620 |

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

## 35. Staff Costs

| | Group | | Company | |
|---|---|---|---|---|
| | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | to | to | to | to |
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Staff costs (excluding Directors) | 11,120,250 | 18,036,186 | - | - |
| Less: Staff costs recognised in contract costs | (8,515,703) | (12,545,188) | - | - |
| | 2,604,547 | 5,490,998 | - | - |

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM257,750 (year ended 2010: RM329,984)

## 36. Significant Related Parties Transactions

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1.4.2010 | 1.4.2009 | 1.4.2010 | 1.4.2009 |
| | to | to | to | to |
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Human resources and accounting service fee income from: | | | | |
| - Associate company | | | | |
| - LFE Engineering Qatar W.L.L | 270,807 | 226,514 | - | - |
| Rental expenses paid to: | | | | |
| - Company in which a former director has interest | | | | |
| - Megaduct Systems Sdn Bhd | 92,549 | 260,518 | - | - |
| Interest expense: | | | | |
| - With a jointly controlled operation: | | | | |
| - ISZL | 379,605 | 213,815 | - | - |
| Rental expense to: | | | | |
| - Former directors of the Company | | | | |
| - Lew Mew Choi | 106,800 | 109,389 | - | - |

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

## 37. Operating Lease Commitments

| | Group | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| The future minimum lease payments under non cancellable operating leases are as follows: | | |
| Not later than 1 year | - | 197,581 |

## 38. Contingent Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 31.7.2011 | 31.3.2010 | 31.7.2011 | 31.3.2010 |
| | RM | RM | RM | RM |
| Guarantees given to financial institutions for credit facilities granted to subsidiaries and an associate | 2,156,000 | 2,156,000 | 71,451,160 | 71,451,160 |
| Guarantees given to financial institutions for credit facilities granted to a jointly control operation | - | - | 30,174,000 | 30,174,000 |
| Guarantees issued by a subsidiary to a third party for a contract awarded | 250,000 | 250,000 | - | - |
| Performance bonds issued by company to clients in respect of due performance of contracts awarded to subsidiaries | - | - | 627,900 | 627,900 |
| Waiver and the outstanding balance for PCLO as disclosed in Note 24 | 24,221,644 | - | - | - |
| | 26,627,644 | 2,406,000 | 102,253,060 | 102,253,060 |

## 39. Segment Information – Group

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

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

Electrical and Mechanical Engineering : General and Specialised electrical and mechanical engineering services and maintenances works.

Technology Products : Property development activities

Investment : Investment holding

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

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

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

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

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

## Segment Information – Group (Cont'd)

| | Electrical and Mechanical Engineering | Technology Products | Investment | Eliminations | Total |
|---|---|---|---|---|---|
| **2011** | RM | RM | RM | RM | RM |
| **Revenue** | | | | | |
| Total Revenue | 72,775,034 | 11,077,631 | - | - | 83,852,665 |
| **Results** | | | | | |
| Segment profit/(loss) | 6,274,856 | 200,162 | (2,528,234) | 1,497,809 | 5,444,593 |
| Interest Income | | | | | 204,423 |
| Share of results of associated companies | | | | | 24,577 |
| Profit from operations | | | | | 5,673,593 |
| Finance costs | | | | | (4,095,653) |
| Profit before tax | | | | | 1,577,940 |
| Income tax expense | | | | | (105,873) |
| Profit after tax | | | | | 1,472,067 |
| **Assets** | | | | | |
| Segment assets | 104,686,936 | 26,529,009 | 50,007,694 | (52,739,089) | 128,484,550 |
| Segment liabilities | 103,980,304 | 17,634,075 | 4,285,432 | (27,109,645) | 98,790,166 |

## Segment Information – Group (Cont'd)

| | Electrical and Mechanical Engineering | Technology Products | Investment | Eliminations | Total |
|---|---|---|---|---|---|
| **2011** | RM | RM | RM | RM | RM |
| Revenue | | | | | |
| Total Revenue | 217,493,441 | 7,423,590 | - | (291,197) | 224,625,834 |
| Results | | | | | |
| Segment (loss)/profit | (236,087) | 100,075 | (354,929) | (7,385) | (498,326) |
| Interest Income | | | | | 314,335 |
| Loss from operations | | | | | (183,991) |
| Finance costs | | | | | (5,577,710) |
| Loss before tax | | | | | (5,761,701) |
| Income tax expense | | | | | (306,470) |
| Loss after tax | | | | | (6,068,171) |
| Assets | | | | | |
| Segment assets | 215,090,424 | 31,296,234 | 57,576,253 | (61,723,319) | 242,239,592 |
| Segment liabilities | 207,811,976 | 21,789,655 | 9,977,705 | (28,127,967) | 211,451,369 |

## Segment Information – Group (Cont'd)

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

(b) Geographical segments

| | Malaysia | United Arab Emirates | Socialist Republic of Vietnam | People's Republic of China | Elimination | Total |
|---|---|---|---|---|---|---|
| **2011** | RM | RM | RM | RM | RM | RM |
| **Revenue** | 23,930,257 | 42,548,965 | 763,282 | 16,610,161 | - | 83,852,665 |
| **Assets** | 74,047,011 | 100,411,932 | 6,764,696 | - | (52,739,089) | 128,484,550 |
| **Capital expenditure** | 226,818 | 512,181 | - | - | - | 738,999 |
| **2010** | | | | | | |
| **Revenue** | 13,976,438 | 168,577,170 | - | 42,363,423 | (291,197) | 224,625,834 |
| **Assets** | 127,332,913 | 131,665,619 | 7,173,440 | 37,790,939 | (61,723,319) | 242,239,592 |
| **Capital expenditure** | 7,768 | 2,080,346 | - | 37,953 | - | 2,126,067 |

(c) Major Customer

The revenue from one major customer amounting to RM42,548,965 represents 10% or more of the Group's total revenue.

## 40. Effects on Financial Statements on Adoption of New Revised FRSs

The effects on adoption of the following new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations in 2011 are set out below:-

FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation. The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

FRS 101 Presentation of financial statements (revised), prohibits 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 statement of financial positions at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period.

FRS 123 Borrowing Costs (revised) which replaces FRS $123_{2004}$, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted.

The adoption of FRS 139 has the following effect on the opening balance in the consolidated statements of financial position as at 1 April 2010:

| | Balance as at 1.4.2010 before FRS 139 (Restated) | Effect of adopting FRS 139 | Balance as at 1.4.2010 after adopting FRS 139 |
|---|---|---|---|
| | RM | RM | RM |
| **Accumulated losses** | (60,094,102) | (239,604) | (60,333,706) |

## 41. Material Litigation

The Group has not engaged in any material litigation which will have a material effect on the business or financial position of the Group except the following:

As discussed in Note 17, the amount owing by a former director amounting to RM26,506,700 of the Group arose from his undertaking pursuant to advances made for and his profits guarantee obligations on the computer products trading activities carried out by a subsidiary, LFE International Limited ("LFEI"). The former Director has not met the repayment schedule on or before 21 December 2008 to pay the full amount of undertaking.

On 25 May 2010, the Group made an application for the appointment of sole arbitrator and commencement of arbitration proceedings pursuant to the Kuala Lumpur Regional Centre for Arbitration Rules ("KLRCA").

On 6 July 2010, KLRCA appointed Tan Sri Cecil Abraham as Sole Arbitrator under Rule 3(1) of the KLRCA rules.

The Group requested an extension of time to file their Statement of Case and the Tribunal granted an extension of time until 29 September 2010. Subsequently, on 29 September 2010, the Group's Statement of Case was filed. The respondent being a former director did not file a defence.

The arbitration hearing was fixed on 7 September 2011 and the Tribunal issued directions for the Group to provide the Tribunal with Submission on Costs.

On 9 September 2011, the Group submitted the aforesaid Submission on Costs.

On 29 September 2011, KLRCA awarded the Company final award of proceedings amounting to RM26,356,698 and the interest rate of 8% per annum on the final award proceedings from 21 December 2008 until the date of the realization of the said sum. In addition the Tribunal orders the respondent to pay the legal cost and the cost of arbitration amounting to RM200,000 and RM104,353 respectively to the Group.

## 42. Financial Instruments

(a) Financial risk management objectives and policies

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

(b) Foreign currency exchange risk

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

Exposure to foreign currency risk

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

| **Functional Currency** | **Vietnamese Dong ("VND")** | **UAE Dirhams ("AED")** | **Qatari Riyal ("QAR")** | **Total** |
|---|---|---|---|---|
| | **RM** | **RM** | **RM** | **RM** |
| **Group** | | | | |
| **2011** | | | | |
| Amount owing by subsidiary company | | | | |
| Ringgit Malaysia | - | 881,908 | - | 881,908 |
| Amount owing by associate company | | | | |
| Ringgit Malaysia | - | - | 4,516,429 | 4,516,429 |
| Amount owing by subsidiary company | | | | |
| Ringgit Malaysia | 597,805 | - | - | 597,805 |
| **2010** | | | | |
| Amount owing by subsidiary company | | | | |
| Ringgit Malaysia | - | 670,892 | - | 670,892 |
| Amount owing by associate company | | | | |
| Ringgit Malaysia | - | - | 3,575,476 | 3,575,476 |
| Amount owing by subsidiary company | | | | |
| Ringgit Malaysia | (55,911) | - | - | - |

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

Currency risk sensitivity analysis

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

| **Group** | **Profit net of tax**<br>**RM** |
|---|---|
| AED/RM – strengthening/weakening 5% | 35,552 |
| QAR/RM – strengthening/weakening 5% | 215,029 |
| VND/RM – strengthening/weakening 5% | 28,414 |
| | 278,995 |

(c) Interest rate risk

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

Exposure to interest rate risk

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

| | **Group** | |
|---|---|---|
| | 31.7.2011 | 31.3.2010 |
| | RM | RM |
| **Floating rate instruments** | | |
| Term Loans | 4,015,174 | 25,716,967 |

Interest rate risk sensitivity analysis

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

| **Group** | **Profit net of tax**<br>**100bp**<br>**Increase/(Decrease)** |
|---|---|
| Floating rate instruments:- | |
| Term Loans | 91,872 |

(d) Credit risk

Exposure to credit risk

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

Credit risk concentration profile

At reporting date, there were no significant concentrations of credit risk other than disclosed in Note 13. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

(e) Liquidity and cash flow risk

The Group seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Group's ability to repay and/or refinance.
The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

Maturity analysis

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

| **Group** | **On demand or within one year** | **One to five years** | **Over five years** | **Total** |
|---|---|---|---|---|
| **Total** | | | | |
| | **RM** | **RM** | **RM** | **RM** |
| Financial liabilities:- | | | | |
| Trade and other payables | 66,119,927 | - | - | 66,119,927 |
| Bank borrowings | 25,171,000 | 4,015,174 | - | 29,186,674 |
| Hire purchase payables | 20,723 | 59,013 | - | 79,736 |
| | 91,312,150 | 4,074,187 | - | 95,386,337 |

| **Company** | **On demand or within one year** | **One to five years** | **Over five years** | **Total** |
|---|---|---|---|---|
| **Total** | | | | |
| | **RM** | **RM** | **RM** | **RM** |
| Financial liabilities:- | | | | |
| Trade and other payables | 2,201,730 | - | - | 2,201,730 |

(f) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, short term borrowings and short term intercompany balances approximate their respective fair values at the reporting date due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial liabilities as at 31 July 2011 are as follows:

| | 31.7.2011 | | 31.3.2010 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair Value |
| | RM | RM | RM | RM |
| Group | | | | |
| Financial liabilities | | | | |
| Hire purchase payables | 59,013 | 42,331 | 100,915 | 95,869 |
| Bank borrowings | 4,015,174 | 3,604,921 | 25,716,967 | 24,431,119 |

The fair value of the hire purchase payables and bank borrowings are estimated using the discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Group, the carrying values of the long term borrowings approximate their fair values.

## 43. Capital Management

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

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

| | | Group | |
|---|---|---|---|
| | | 31.7.2011 | 31.3.2010 |
| | | RM | RM |
| Borrowings | | 29,186,674 | 64,567,919 |
| Hire purchase | | 79,736 | 151,442 |
| Cash and cash equivalents | | (2,118,080) | (6,338,370) |
| Net borrowings | | 27,148,330 | 58,380,991 |
| Equity attributable to owners of the parent | | 29,694,384 | 30,478,181 |
| Gearing ratio | | 0.91 | 1.92 |

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

## 44. Change of Financial Year End

The Company changed its financial year end from 31 March to 31 July. Accordingly, the financial statements for the current financial period are drawn up for the period from 1 April 2010 to 31 July 2011 or a period of sixteen months.

## 45. Comparative Figures

The comparative figures of the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of cash flow are for the financial year from 1 April 2009 to 31 March 2010. As they reflect the results for less than 16 months, they are not comparable to the current financial period's results.

The financial statements of the previous financial year which are presented for comparative purpose were examined and reported on by another firm of auditors.

## 46. Realised and Unrealised Profit/Losses (Supplementary Information)

| | Group | Company |
|---|---|---|
| | RM | RM |
| Total accumulated losses of the company and its subsidiary companies:- | | |
| Realised profits | (58,129,281) | (45,223,997) |
| Unrealised losses | (717,000) | (700,000) |
| | (58,846,281) | 45,923,997 |
| Total accumulated losses of the associated companies:- | | |
| Realised profits | (75,000) | - |
| Unrealised losses | - | - |
| | (75,000) | - |
| | (58,921,281) | (45,923,997) |

Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure set out by the Bursa Malaysia Securities Berhad.

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

## 47. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial period from 1 April 2010 to 31 July 2011 were authorised for issue in accordance with a resolution of The Board of Directors on 9 November 2011.

# List of Properties
as at 31 July 2011

| Title / Location | Description/ existing use | Tenure | Total land area | Built-up area | Age of building/ land (years) | NBV as at 31.07.2011 RM | Date of revaluation / *Date of Acquisition |
|---|---|---|---|---|---|---|---|
| 26-329 No. 38, Jln Hijau 1/7, Pinggiran Lembah Hijau 1, Bandar Tasik Puteri, Rawang, erected on land held under H.S. (D) 32209, P.T. No. 20064, Mukim of Rawang, District of Gombak, State of Selangor | Double storey link house for investment purpose | Leasehold for a period of 99 years, expiring on 11.07.2060 | 1,040 sq. ft. | 1,200 sq. ft. | 11 | 137,484 | 01.10.2001 |
| 8-154 No. 59, Jln 7A/7, Bandar Tasik Puteri, Kundang, Rawang, erected on land held under H.S. (D) 32195, P.T. No. 20050, Mukim of Rawang, District of Gombak, State of Selangor | Double storey link house for investment purpose | Leasehold for a period of 99 years, expiring on 11.07.2060 | 365.84 sq. m | 1,566 sq. ft. | 9 | 265,471 | 17.06.2002 |
| Unit No.: RC-11-9, 11-8, Suria 3, Condominium Rivercity, No. 468, Jalan Ipoh, 51200 Kuala Lumpur, erected on lands held under Geran Mukim 1831 & 1832, Lot 220 & 221, & H.S. (D) 75981, P.T. No. 171, Seksyen 83, Bandar & Daerah Kuala Lumpur, Negeri Wilayah Persekutuan | Apartment for investment purpose | Freehold | - | 1,504 sq. ft. | 3 | 336,870 | *07.07.2009 |
| B-17-15, Blok B, Condominium Juta Mines, Jalan Tanmin Permai 1, Balakong, 43300 Seri Kembangan, erected on land held under H.S. (D) 140375, No PT 54627 Pekan Cheras, Daerah Ulu Langat, Selangor Darul Ehsan | Apartment for investment purpose | Leasehold for a period of 99 years, expiring on 25.07.2099 | - | 83.7 sq. m | 4 | 190,880 | *10.06.2011 |
| B-19-3A, Blok B, Condominium Juta Mines, Jalan Tanmin Permai 1, Balakong, 43300 Seri Kembangan, erected on land held under H.S. (D) 140375, No PT 54627 Pekan Cheras, Daerah Ulu Langat, Selangor Darul Ehsan | Apartment for investment purpose | Leasehold for a period of 99 years, expiring on 25.07.2099 | - | 372.91 sq. m | 4 | 390,000 | *07.07.2011 |

# Analysis of Shareholdings
as at 18 October 2011

## 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 | : | 1,072 |

## ANALYSIS OF SHAREHOLDINGS

| Size of holdings | No. of Shareholders | % | Shareholdings | % |
|---|---|---|---|---|
| Less than 100 | 8 | 0.75 | 330 | 0.00 |
| 100 to 1,000 | 339 | 31.62 | 200,200 | 0.24 |
| 1,001 to 10,000 | 334 | 31.16 | 1,865,500 | 2.20 |
| 10,001 to 100,000 | 296 | 27.61 | 10,643,600 | 12.54 |
| 100,001 to less than 5% of issued share capital | 92 | 8.58 | 51,720,281 | 60.92 |
| 5% and above of issued share capital | 3 | 0.28 | 20,470,091 | 24.11 |
| Total | 1072 | 100.00 | 84,900,002 | 100.00 |

## SUBSTANTIAL SHAREHOLDERS
As per the Register of Substantial Shareholders

| | Shareholdings | | |
|---|---|---|---|
| Name | Direct | Indirect | % |
| Lew Mew Choi | 7,604,108 | 8,260,421* | 18.69 |
| Liew Kiam Woon | 4,133,843 | 4,605,562* | 10.29 |
| Kekal Jaya Holdings Sdn Bhd | 8,260,421 | - | 9.73 |
| Soong Moi @ Song Mou | - | 8,260,421* | 9.73 |
| Alan Rajendram A/L Jeya Rajendram | 6,534,000 | - | 7.70 |
| Liew Teow Woon | 20,000 | 4,605,562* | 5.45 |
| Liew Meow Nyean Realty Sdn Bhd | 4,605,562 | - | 5.42 |
| Liew Chee Woon | - | 4,605,562* | 5.42 |

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

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

### In the Company

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

** 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. | Liew Meow Nyean Realty Sdn Bhd | 4,605,562 | 5.42 |
| 4. | Liew Kiam Woon | 4,133,843 | 4.87 |
| 5. | EB Nominees (Tempatan) Sdn Bhd<br>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. | Lee Ming Wah | 2,600,000 | 3.06 |
| 8. | Mayban Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram | 2,534,000 | 2.98 |
| 9. | Rudy Ng Chong Jin | 2,025,900 | 2.39 |
| 10. | EB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lee Saw Im | 2,000,000 | 2.36 |
| 11. | ECML Nominees (Tempatan) Sdn Bhd<br>Peter Yew Cheong Eng | 1,563,300 | 1.84 |
| 12. | Low Boon Wah @ Lawrence Low | 1,206,700 | 1.42 |
| 13. | Martine Jacqueline Maximilienne Pelegrin | 1,151,200 | 1.36 |
| 14. | Lan Geok Nam @ Tan Geok Nam | 1,113,901 | 1.31 |
| 15. | Amsec Nominees (Tempatan) Sdn Bhd<br>Tan Soon Muay @ Tan Kim Huay | 1,101,000 | 1.30 |
| 16. | On Hai Swee | 1,014,668 | 1.20 |
| 17. | Kekal Jaya Ventures Sdn Bhd | 1,000,000 | 1.18 |
| 18. | Thong Lou Hoong | 901,100 | 1.06 |
| 19. | Chua Shiok Hoon | 778,000 | 0.92 |
| 20. | Lee Kuan Chen | 761,400 | 0.90 |
| 21. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Pledge Securities Account for Cho See Yoo | 750,000 | 0.88 |
| 22. | Teoh Swee Aun | 716,000 | 0.84 |
| 23. | Tasec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Choy Sook Kuen | 714,000 | 0.84 |
| 24. | Chang Lau Hoi @ Chang Saw Lan | 710,549 | 0.84 |
| 25. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lee Chee Ming | 589,900 | 0.69 |
| 26. | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB for Edward Soo Hong Wah | 564,800 | 0.67 |
| 27. | R Kannan A/L P Ramasamy | 519,600 | 0.61 |
| 28. | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Soon Foo | 516,000 | 0.61 |
| 29. | Leong Yaw Fan | 513,000 | 0.60 |
| 30. | Razman Md Hashim Bin Che Din Md Hashim | 500,000 | 0.59 |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting ("the Meeting") of LFE Corporation Berhad ("the Company") will be held at the Boardroom, 1st Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 27 December 2011 at 10.00 a.m. to transact the following businesses :-

## Ordinary Business

1. To receive the Audited Financial Statements for the financial period ended 31 July 2011 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees. *Ordinary Resolution 1*

3. To re-elect the following Director who retires pursuant to Article 84 of the Company's Articles of Association and who, being eligible, has offered himself for re-election:-

   3.1 Liew Kiam Woon *Ordinary Resolution 2*

4. To re-elect the following Directors who retire pursuant to Article 91 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:-

   4.1 Kok Tong Yong *Ordinary Resolution 3*
   4.2 Juliana Quah Kooi Hong *Ordinary Resolution 4*

5. To re-appoint auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*

## Special Business

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

**6. Ordinary Resolution-Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

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

*Ordinary Resolution 6*

### 7. Proposed Amendments to the Articles of Association of the Company

"That the existing Article 4 be deleted in its entirety and Article 93(1) be replaced as follows:-

| No | Existing Articles | No | New Articles |
|---|---|---|---|
| **4** | The Company may delete, amend or add to any of the existing Articles provided a letter of compliance together with the said deletion, amendment or addition thereto are submitted to the Exchange. | **4** | Deleted. |
| **93(1)** | The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting provided that such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. | **93(1)** | Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting." |

*Special Resolution*

**BY ORDER OF THE BOARD**

**Hiew Nyet Hoong**
(MAICSA 7046407)
Secretary
Selangor Darul Ehsan, Malaysia

5 December 2011

*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 Act shall not apply.*

   *The Form of Proxy must be deposited at the Company's Registered Office, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than fourty-eight (48) hours before the time appointed for the holding of the Meeting.*

2. ***Explanatory Notes on Special Business:-***

   2.1 *The proposed Ordinary Resolution under item no. 6 is a new general mandate. If passed, it will give the Directors of the Company the power to issue shares of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.*

   *The general mandate will provide flexibility to the Company for any possible fund raising activities. Currently, however, there is no decision to issue new shares. Should there be a decision to issue new shares after the authorisation is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.*

   2.2 *The proposed Special Resolution under item no.7, if passed, will enhance the Board's efficiency in administer the Articles of Association of the Company.*

# 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 NINTH ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at the Boardroom, 1st Floor, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 27 December 2011 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 Liew Kiam Woon | | |
| 3. Re-election of Kok Tong Yong | | |
| 4. Re-election of Juliana Quah Kooi Hong | | |
| 5. Re-appointment of Auditors | | |
| 6. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 | | |
| **Special Resolution** | | |
| Proposed Amendments to the Articles of Association of the Company | | |

Dated this ---------------------- day of ----------------- 2011

| 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 ntitled to vote or abstain from voting as he thinks fit.

5. This Form of Proxy must be deposited at the Company's Registered Office, Lot 43117, Off Jalan Balakong, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

Fold along the line

Affix
Postage
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**The Company Secretary**
**LFE CORPORATION BERHAD (579343-A)**
**Lot 43117, Off Jalan Balakong**
**43300 Balakong, Seri Kembangan**
**Selangor Darul Ehsan**
**Malaysia**

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