

14. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

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The Board of Directors
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Selangor Darul Ehsan
22 September 2003

Dear Sirs

Accountants' report

This report has been prepared by KPMG, an approved company auditor, for inclusion in the Prospectus of LFE Corporation Berhad ("LFE" or "the Company") to be dated 30 September 2003 in connection with the proposed listing of and quotation for the entire issued and paid-up share capital of LFE on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

1. General information

1.1 Incorporation

LFE was incorporated in Malaysia under the Companies Act, 1965 on 8 May 2002 as a public limited company with an authorised share capital of RM2 comprising 2 ordinary shares of RM1.00 each. The principal activity of the Company is that of investment holding.

1.2 Share capital

	RM
Authorised:	
100,000,000 shares of RM1.00 each	<u>100,000,000</u>
Issued and fully paid-up upon incorporation	
2 ordinary shares of RM1.00 each	2
Issued pursuant to the Restructuring Scheme:	
44,000,000 ordinary shares of RM1.00 each	44,000,000
To be issued pursuant to the Private Placement:	
8,000,000 ordinary shares of RM1.00 each	8,000,000
Enlarged issued and paid-up share capital	<u>52,000,002</u>



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.



14. ACCOUNTANTS' REPORT (continued)



1.3 Restructuring Scheme

In connection with and as part of the listing of and quotation for the entire issued and paid up share capital of LFE on the Second Board of the KLSE, LFE undertook the following restructuring scheme:-

- Acquisition of the entire issued and paid up share capital of LFE Engineering Sdn. Bhd. (formerly known as Loong Fuat Electrical Engineering Sdn. Bhd.) ("LFEE") comprising of 900,000 ordinary shares of RM1.00 each and 545,000 convertible preference shares of RM1.00 each for a purchase consideration of RM31,478,619 based on the net tangible assets of LFEE as at 31 December 2001 being fully satisfied by the issuance of 31,478,619 new ordinary shares of RM1.00 each in LFE valued at RM1.00 per ordinary share.
- Acquisition of 5,100 ordinary shares of RM1.00 each in Mayduct Technology Sdn. Bhd. ("MTSB") for a purchase consideration of RM509,684 being satisfied by the issuance of 509,684 new ordinary shares of RM1.00 each in LFE valued at RM1.00 per ordinary share.
- Acquisition of land and buildings from Lew Mew Choi, a director of LFEE for a purchase consideration of RM10,250,000 being satisfied by the issuance of 5,401,420 new ordinary shares of RM1.00 each in LFE valued at RM1.11 per ordinary share and cash consideration of RM4,254,423.
- Cash settlement of debts owed by Loong Fuat Engineering (JB) Sdn. Bhd. ("LFJB") and MTSB to Emulate Marketing Sdn. Bhd. ("Emulate") and Busway Industries Sdn. Bhd. ("Busway") and the amounts owed by LFEE to certain Directors of LFEE as at 30 April 2002 totalling RM7,337,407 by utilising the proceeds arising from the issue of 6,610,277 new shares in LFE at an issue price of RM1.11 per share to Emulate, Busway and the said Directors of LFEE.

In conjunction with the listing, LFE will undertake the following:-

- Proposed placement of 8,000,000 new ordinary shares of RM1.00 each in LFE at an issue price of RM1.70 per share to placees to be determined later and the proposed offer for sale by Ramli bin Abu Kasim, Eminent Builders Sdn. Bhd., Liew Meow Nyeon Realty Sdn. Bhd. and M.C. Lew Realty Sdn. Bhd. of an aggregate of 5,000,000 LFE shares at an offer price of RM1.70 per share to the Malaysian public, eligible directors and employees of LFE and persons who have contributed to the success of the LFE Group.
- Proposed listing of and quotation for the entire enlarged issued and paid up share capital of LFE comprising 52,000,002 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

All new ordinary shares issued pursuant to the restructuring exercise rank pari-passu in all respects with the existing ordinary shares of LFE.

14. ACCOUNTANTS' REPORT (continued)



1.4 Subsidiaries and associates

Upon completion of the restructuring exercise, the subsidiaries of LFE Group, all of which are incorporated in Malaysia except as indicated, and their principal activities are as follows:-

Name	Date of Incorporation	<-----Share Capital----->		Equity interest %	Principal activities
		Authorised RM	Issued and paid-up RM		
LFE Engineering Sdn. Bhd. (formerly known as Loong Fuat Electrical Engineering Sdn. Bhd.)	31 December 1975	5,000,000	1,445,000	100	Provision of general and specialised electrical and mechanical services and maintenance works
Mayduct Technology Sdn. Bhd. ("MTSB")	27 August 1998	100,000	10,000	51	Manufacturing of electrical busbar trunking systems, equipment, component and other electrical products
Subsidiaries of LFE Engineering Sdn. Bhd.					
Loong Fuat Engineering (JB) Sdn. Bhd. ("LFJB")	24 August 1994	500,000	50,000	100	Provision of electrical and mechanical engineering services
Loong Fuat Electrical Engineering Ltd. ("LFBVI") - incorporated in British Virgin Islands	15 December 1994	190,000	4	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works

14. ACCOUNTANTS' REPORT (continued)



<i>Name</i>	<i>Date of Incorporation</i>	<i><-----Share Capital-----></i>			<i>Principal activities</i>
		<i>Authorised RM</i>	<i>Issued and paid-up RM</i>	<i>Equity interest %</i>	
Inai Engineering Corporations Limited ("IEC") - incorporated in British Virgin Islands	25 July 1995	190,000	3,800	100	Supply of general and specialised electrical and mechanical equipment and components
Mee Nyeen Enterprise Sdn. Bhd. ("MYE")	31 March 1990	1,000,000	2	100	Property investment
LFE Technology Sdn. Bhd. (formerly known as GS-Two Network Sdn. Bhd. ("LFET"))	22 May 2001	100,000	50,000	60	Specialised engineering services for extra low voltage electrical systems instrumentation and control systems for applications such as intelligent systems (e.g. traffic control surveillance), toll collection fibre optics communication networks, intelligent transportation and smart homes

14. ACCOUNTANTS' REPORT (continued)



Upon completion of the restructuring exercise, the associates of LFE Group, both of which are incorporated in Malaysia, and their principal activities are as follows:

Name	Date of Incorporation	<-----Share Capital----->		Equity interest %	Principal activities
		Authorised RM	Issued and paid-up RM		
Barisan Minda Sdn. Bhd.	1 August 1995	10,000,000	3,000,000	43	Investment holding
Kejuruteraan Rayton Sdn. Bhd.	21 February 1976	1,000,000	700,000	40	Provision of water and sewerage services on water treatment plants, sewerage treatment plants, pumping plants, protection systems and pipe laying

1.5 Financial statements and auditors

The intended financial year end of LFE Group is 31 December.

The financial statements of LFEE and LFJB for the financial years ended 31 December 1998 to 1999 were audited by another firm of accountants. KPMG acted as the auditors of LFEE and LFJB for the financial years ended 31 December 2000, 2001 and 2002 and period ended 31 March 2003.

The financial statements of LFBVI and IEC for the financial years ended 31 December 1997 to 2002 and period ended 31 March 2003 were audited by KPMG.

The financial statements of LFET for the financial period from the date of incorporation to 31 December 2002 and period ended 31 March 2003 were audited by KPMG.

The financial statements of MTSB and MYE for the financial years ended 31 December 1998 to 2002 and period ended 31 March 2003 were audited by another firm of accountants.

The auditors' reports for the financial statements for all the relevant financial years/period under review were not subject to any qualification.

14. ACCOUNTANTS' REPORT (continued)

**1.6 Dividends**

The Company has not paid or declared any dividends since its incorporation.

No dividends have been declared or paid by the subsidiaries during the relevant periods/years under review except for LFEE in 1998 and 1999. Details of dividends declared and paid by LFEE for the years ended 31 December 1998 and 1999 are as follows:

Year ended	Gross dividend rate %	Dividends paid RM'000
31 December 1998	200	1,296
31 December 1999	1,050	6,804

14. ACCOUNTANTS' REPORT (continued)



2. Group financial performance

We set out below the summarised proforma consolidated results of LFE Group for the past five financial years ended 31 December 2002 and period ended 31 March 2003. The proforma consolidated results are prepared for illustrative and comparability purposes, based on the audited financial statements of all companies within the LFE Group after making such adjustments considered necessary on the assumption that the restructuring scheme had been in existence throughout the years under review.

2.1 Summarised proforma consolidated results

	<----- Year ended 31 December ----->					3 months ended 31 March
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	91,130	46,053	44,382	56,271	89,472	31,625
Profit before depreciation and interest	5,436	7,230	9,172	9,719	14,587	4,250
Depreciation	(265)	(324)	(391)	(570)	(842)	(242)
Interest expense	(129)	(109)	(154)	(1,294)	(1,486)	(354)
Interest income	850	237	164	121	59	11
Profit before taxation	5,892	7,034	8,791	7,976	12,318	3,665
Taxation	(992)	(125)	(1,961)	(1,808)	(4,450)	(1,295)
Profit after taxation	4,900	6,909	6,830	6,168	7,868	2,370
Minority interest	(5)	(243)	(172)	(45)	(289)	(26)
Profit attributable to shareholders	4,895	6,666	6,658	6,123	7,579	2,344
Number of ordinary shares of RM1.00 each in issue ('000)	44,000	44,000	44,000	44,000	44,000	44,000
Earnings per share (RM)						
- Gross	0.13	0.16	0.20	0.18	0.28	0.33*
- Net	0.11	0.16	0.16	0.14	0.18	0.22*

* Annualised

14. ACCOUNTANTS' REPORT (continued)



Notes:

- i) The effective tax rate for the financial years ended 31 December 1998, 2000 and 2001 was lower than the statutory tax rate in Malaysia due to the lower tax rates applicable to the subsidiaries incorporated in the British Virgin Islands. The effective tax rate for 2002 and 2003 was higher than the statutory tax rate in Malaysia as certain expenses are not deductible for tax purposes.
- ii) Pursuant to the Income Tax (Amendment) Act, 1999, all income (except for dividend income) falling within the waiver year was waived from income tax. Accordingly, no provision for taxation was made in respect of year ended 31 December 1999. The taxation expense for the year ended 31 December 1999 was in respect of deferred taxation and tax of foreign subsidiaries.
- iii) There were no extraordinary and exceptional items for all the years under review.
- iv) All material related company transactions and balances were eliminated on consolidation.
- v) The gross earnings per share has been calculated based on the profit before taxation divided by the number of shares in issue of the respective years, on the assumption that the restructuring scheme had been in existence throughout the years under review.
- vi) The net earnings per share has been calculated based on the profit after taxation divided by the number of shares in issue of the respective years, on the assumption that the restructuring scheme had been in existence throughout the years under review.

14. ACCOUNTANTS' REPORT (continued)



3. Financial performance

We set out below the summarised results of the individual subsidiaries based on their audited financial statements for the years/period ended 31 December 1998 to 31 March 2003.

3.1 MTSB

	27 August to 31 December 1998 RM'000	<----- 1999 RM'000	Year ended 31 December 2000 RM'000	2001 RM'000	2002 RM'000	3 months ended 31 March 2003 RM'000
Revenue	383	3,513	1,717	4,097	7,855	3,237
Profit before depreciation and interest	27	544	605	404	1,104	176
Depreciation	(10)	(34)	(96)	(133)	(248)	(82)
Interest expense	-	-	-	(5)	(40)	(18)
Interest income	-	6	1	2	-	-
Profit before taxation	17	516	510	268	816	76
Taxation	(7)	(20)	(159)	(136)	(227)	(23)
Profit after taxation	10	496	351	132	589	53
Number of ordinary shares of RM1.00 each in issue ('000)	10	10	10	10	10	10
Earnings per share (RM)						
- Gross	1.70	51.60	51.00	26.80	81.60	30.40*
- Net	1.00	49.60	35.10	13.20	58.90	21.20*

* Annualised

Notes:

- i) The effective tax rate for the financial years ended 31 December 1998, 2000, 2001 and 2002 and period ended 31 March 2003 was higher than the statutory tax rate in Malaysia as certain expenses were not deductible for tax purposes.
- ii) Pursuant to the Income Tax (Amendment) Act, 1999, all income (except for dividend income) falling within the waiver year was waived from income tax. Accordingly, no provision for taxation was made in respect of the year ended 31 December 1999. The taxation expense for 31 December 1999 was in respect of provision for deferred taxation.
- iii) There were no extraordinary items and exceptional items for all the years under review.

14. ACCOUNTANTS' REPORT (continued)



3.2 LFEE

	<----- Year ended 31 December ----->					3 months ended 31 March 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	65,453	36,715	20,535	44,564	68,859	23,380
Profit before depreciation, interest and preliminary and pre-operating expenses	2,856	6,305	4,766	7,591	11,979	3,677
Preliminary and pre- operating expenses	-	-	(4)	-	-	-
Profit before depreciation and interest	2,856	6,305	4,762	7,591	11,979	3,677
Depreciation	(211)	(212)	(218)	(355)	(499)	(134)
Interest expense	(157)	(151)	(134)	(1,267)	(1,433)	(329)
Interest income	40	19	22	-	-	-
Profit before taxation	2,528	5,961	4,432	5,969	10,047	3,214
Taxation	(867)	(13)	(1,382)	(1,800)	(3,601)	(1,053)
Profit after taxation	1,661	5,948	3,050	4,169	6,446	2,161
Number of ordinary shares of RM1.00 each in issue ('000)	900	900	900	900	900	900
Earnings per share (RM)						
- Gross	2.81	6.62	4.92	6.63	11.16	14.28*
- Net	1.85	6.61	3.39	4.63	7.16	9.60*

* Annualised

14. ACCOUNTANTS' REPORT (continued)



Notes:

- i) The effective tax rate for the financial years ended 31 December 1998, 2000, 2001 and 2002 and period ended 31 March 2003 was higher than the statutory tax rate in Malaysia as certain expenses were not deductible for tax purposes.
- ii) Pursuant to the Income Tax (Amendment) Act, 1999, all income (except for dividend income) falling within the waiver year was waived from income tax. Accordingly, no provision for taxation was made in respect of the year ended 31 December 1999. The taxation expense for the year ended 31 December 1999 was in respect of provision for deferred taxation.
- iii) There were no extraordinary items and exceptional items for all the years under review.

14. ACCOUNTANTS' REPORT (continued)



3.3 LFJB

	<----- Year ended 31 December ----->					3 months ended 31 March 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	1,188	808	4,434	6,487	5,842	1,981
Profit before depreciation and interest	38	46	92	174	647	121
Depreciation	(4)	(5)	(4)	(7)	(7)	(2)
Interest expense	(9)	(3)	(20)	(22)	(13)	(7)
Interest income	-	-	-	-	-	-
Profit before taxation	25	38	68	145	627	112
Taxation	(14)	(2)	(31)	(51)	(222)	(39)
Profit after taxation	11	36	37	94	405	73
Number of ordinary shares of RM1.00 each in issue ('000)	50	50	50	50	50	50
Earnings per share (RM)						
- Gross	0.50	0.76	1.36	2.90	12.54	8.96*
- Net	0.22	0.72	0.74	1.88	8.10	5.84*

* Annualised

Notes:

- i) The effective tax rate for the financial years ended 31 December 1998, 2000, 2001 and 2002 and the period ended 31 March 2003 was higher than the statutory tax rate in Malaysia as certain expenses were not deductible for tax purposes.
- ii) Pursuant to the Income Tax (Amendment) Act, 1999, all income (except for dividend income) falling within the waiver year was waived from income tax. Accordingly, no provision for taxation was made in respect of the year ended 31 December 1999. The taxation expense for 31 December 1999 was in respect of provision for deferred taxation.
- iii) There were no extraordinary items and exceptional items for all the years under review.

14. ACCOUNTANTS' REPORT (continued)



3.4 LFBVI

	<----- Year ended 31 December ----->					3 months ended 31 March
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	1,852	3,675	16,512	1,102	7,233	3,018
Profit before depreciation and interest	149	449	3,237	239	1,023	399
Depreciation	(38)	(73)	(73)	(72)	(86)	(24)
Interest expense	-	-	-	-	-	-
Interest income	6	8	8	-	50	9
Profit before taxation	117	384	3,172	167	987	384
Taxation	(20)	(89)	(193)	-	(399)	(180)
Profit after taxation	97	295	2,979	167	588	204
Number of ordinary shares of USD1.00 each in issue ('000)	1	1	1	1	1	1
Earnings per share (RM)						
- Gross	117	384	3,172	167	987	1,536*
- Net	97	295	2,979	167	588	816*

* Annualised

Notes:

- i) The Company carries out its business activities in China. The Taxation Regulations in China requires tax to be paid monthly on a cash basis. Pursuant to the taxation regulations in China, business tax of 3% is payable on revenue. Income tax arising from operations is calculated at 1.5% on gross profit. The Company is exempt from all forms of taxation in the British Virgin Islands, including income, capital gains and withholding taxes. No taxation was incurred in 2001 as the Company reversed overprovision for business, income and withholding taxes brought forward from previous years.
- ii) There were no extraordinary items and exceptional items for all the years under review.

14. ACCOUNTANTS' REPORT (continued)



3.5 IEC

	<----- Year ended 31 December ----->					3 months ended 31 March
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	22,439	1,414	1,184	21	-	-
Profit before depreciation and interest	2,415	(27)	291	1,385	(81)	(4)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest income	790	162	138	89	8	1
Profit before taxation	3,205	135	429	1,474	(73)	(3)
Taxation	(85)	-	-	196	-	-
Profit after taxation	3,120	135	429	1,670	(73)	(3)
Number of ordinary shares of USD1.00 each in issue ('000)	1	1	1	1	1	1
Earnings per share (RM)						
- Gross	3,205	135	429	1,474	(73)	(12)*
- Net	3,120	135	429	1,670	(73)	(12)*

* Annualised

Notes:

- i) The Company carries out its business activities in China. The Taxation Regulations in China requires tax to be paid monthly on a cash basis. Pursuant to the taxation regulations in China, business tax of 3% is payable on revenue. Income tax arising from operations is calculated at 1.5% on gross profit. The Company is exempt from all forms of taxation in the British Virgin Islands, including income, capital gains and withholding taxes.
- ii) There were no extraordinary items and exceptional items for all the years under review.

3.6 LFE, MYE and LFET

No financial information is presented as the companies are insignificant to the LFE Group

14. ACCOUNTANTS' REPORT (continued)



4 Summarised balance sheets

4.1 LFEE Group

As the purchase consideration for the acquisitions as stated in Note 1.3 was calculated based on the audited net tangible assets of the subsidiaries as at 31 December 2001, it is therefore impractical to present proforma balance sheets of LFEE Group throughout the periods under review. Accordingly, the individual proposed subsidiaries' balance sheets have been presented. The proforma consolidated balance sheet of LFEE Group at 31 March 2003 as shown in Section 6 of this report has been presented based on the latest audited statement of assets and liabilities of the subsidiaries.

4.2 LFEE

	<----- As at 31 December ----->					As at
	1998	1999	2000	2001	2002	31 March
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	2,805	4,176	5,120	6,128	3,685	3,474
Investment properties	-	-	-	-	1,533	1,528
Goodwill	394	394	394	394	394	394
Intangible assets	4	4	-	-	-	-
Investment in subsidiaries	55	55	55	85	85	85
Investment in associates	-	-	-	4,532	4,813	4,813
Other investments	-	-	-	-	16	16
Current assets	30,554	33,857	30,708	71,417	74,630	75,293
Current liabilities	(25,557)	(31,158)	(25,798)	(62,558)	(59,471)	(58,108)
Net current assets	4,997	2,699	4,910	8,859	15,159	17,185
	8,255	7,328	10,479	19,998	25,685	27,495
Financed by:						
Share capital						
- ordinary shares	900	900	900	900	900	900
- preference shares	-	-	-	545	545	545
Reserves	7,111	6,255	9,305	13,474	19,920	22,080
	8,011	7,155	10,205	14,919	21,365	23,525
Deferred and long term liabilities	244	173	274	5,079	4,320	3,970
	8,255	7,328	10,479	19,998	25,685	27,495
NTA per share (RM)	8.5	7.5	10.9	12.4	19.7	22.1

14. ACCOUNTANTS' REPORT (continued)



Notes:

- i) Included in investment in associates is goodwill of RM3,402,413.
- ii) Net tangible assets ("NTA") per year is calculated based on NTA over the number of shares in issue at the year end.

4.3 MTSB

	<----- As at 31 December ----->					31 March
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	90	297	876	1,492	1,845	1,957
Intangible assets	-	48	94	197	441	441
Current assets	1,326	1,946	2,630	3,325	5,560	6,604
Current liabilities	(1,389)	(1,748)	(2,645)	(3,662)	(5,806)	(6,847)
Net current (liabilities)/assets	(63)	198	(15)	(337)	(246)	(243)
	27	543	955	1,352	2,040	2,155
Financed by:						
Share capital	10	10	10	10	10	10
Reserves	10	506	857	989	1,579	1,631
	20	516	867	999	1,589	1,641
Deferred and long term liabilities	7	27	88	353	451	514
	27	543	955	1,352	2,040	2,155
NTA per share (RM)	2.0	46.8	77.3	80.2	114.8	120.0

Note:

- i) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year end.

14. ACCOUNTANTS' REPORT (continued)



4.4 LFJB

	←----- As at 31 December ----->					31 March
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Property, plant and equipment	38	42	38	42	47	46
Intangible assets	8	8	-	-	-	-
Current assets	6,089	2,431	5,764	5,240	3,910	4,679
Current liabilities	(6,058)	(2,366)	(5,650)	(5,036)	(3,306)	(4,001)
Net current assets	31	65	114	204	604	678
	77	115	152	246	651	724
Financed by:						
Share capital	50	50	50	50	50	50
Reserves	23	59	96	190	595	668
	73	109	146	240	645	718
Deferred and long term liabilities	4	6	6	6	6	6
	77	115	152	246	651	724
NTA per share (RM)	1.3	2.0	3.1	4.8	12.9	14.3

Note:

- i) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year end.

14. ACCOUNTANTS' REPORT (continued)



4.5 LFBVI

	←----- As at 31 December ----->					31 March
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Property, plant and equipment	1,819	1,921	1,847	1,777	1,932	1,915
Current assets	2,716	3,986	7,965	8,225	10,962	11,888
Current liabilities	(3,237)	(4,314)	(5,241)	(5,265)	(7,569)	(8,273)
Net current (liabilities)/ assets	(521)	(328)	2,724	2,960	3,393	3,615
	1,298	1,593	4,571	4,737	5,325	5,530
Financed by:						
Share capital	*	*	*	*	*	*
Reserves	1,298	1,593	4,571	4,737	5,325	5,530
	1,298	1,593	4,571	4,737	5,325	5,530
NTA per share (RM)	1,298	1,593	4,571	4,737	5,325	5,530

* *RMI*

Note:

- i) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year end.

14. ACCOUNTANTS' REPORT (continued)



4.6 IEC

	<----- As at 31 December ----->					31 March
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current assets	19,640	15,548	15,640	15,544	15,460	15,444
Current liabilities	(6,543)	(2,315)	(1,978)	(212)	(201)	(188)
Net current assets	13,097	13,233	13,662	15,332	15,259	15,256
	13,097	13,233	13,662	15,332	15,259	15,256
Financed by:						
Share capital *	4	4	4	4	4	4
Reserves	13,093	13,229	13,658	15,328	15,255	15,252
	13,097	13,233	13,662	15,332	15,259	15,256
NTA per share (RM)	13,097	13,233	13,662	15,332	15,259	15,256

* Represented by 1 share at RM4.

Note:

- i) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year end.

4.7 LFE, MYE and LFET

No financial information is presented as the companies are insignificant to the LFE Group.

14. ACCOUNTANTS' REPORT (continued)



5. Proforma consolidated cashflow statement

The cashflow statements of LFE and the proforma LFE Group are based on the audited financial statements of LFE and its subsidiaries and associates for the period ended 31 March 2003.

The proforma consolidated cashflow statement of the LFE Group for the period ended 31 March 2003 set out below is for illustration purposes only, to show the effects of the restructuring scheme and on the assumption that the restructuring scheme, before the public issue and placement of shares, was completed on 31 March 2003. The proforma consolidated cashflow statement should be read in conjunction with the notes set out in the following paragraph.

	<i>Proforma</i>	
	<i>Group</i>	<i>Company</i>
	<i>RM'000</i>	<i>RM'000</i>
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	31,505	170
	-----	-----
Cash payments to suppliers	(22,468)	(170)
Cash payments to employees and for expenses	(2,092)	-
Interest paid	(393)	-
Tax paid	(746)	-
	-----	-----
Total cash payments	(25,699)	(170)
	-----	-----
Net cashflow generated from operating activities	5,806	-
	=====	=====
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of PPE	(369)	-
Proceeds from disposal of PPE	40	-
Interest income	11	-
	-----	-----
Net cashflow used in investing activities	(318)	-
	=====	=====

14. ACCOUNTANTS' REPORT (continued)

**CASHFLOWS FROM FINANCING ACTIVITIES**

Proceeds from issue of shares	-	*
Repayment of hire purchase and lease creditors	(148)	-
Repayment of borrowings	(896)	-
	-----	-----
Net cashflow (used in)/generated from financing activities	(1,044)	*
	=====	=====
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	4,444	*
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(3,278)	-
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,166	*
	=====	=====

Notes to proforma consolidated cashflow statements

(i) Cash and cash equivalents comprise:

Cash and bank balances	5,656	*
Deposits with licensed banks	1,420	-
Bank overdraft	(5,910)	-
	-----	-----
	1,166	*
	=====	=====

* RM2

14. ACCOUNTANTS' REPORT (continued)



6 Statement of assets and liabilities

The following statement of assets and liabilities of the Proforma LFE Group and LFE are prepared for illustrative purposes only based on the audited financial statements of LFE and its subsidiaries as at 31 March 2003. The statement of assets and liabilities of the Proforma LFE Group has been prepared on the assumption that the restructuring scheme, before the public issue and placement of shares, was completed on 31 March 2003. The statement of assets and liabilities should be read in conjunction with the notes thereon.

	<i>Note</i>	<i>Audited balance sheet at 31.3.2003 RM'000</i>	<i>Proforma consolidated balance sheet after acquisition of subsidiaries RM'000</i>
Property, plant and equipment	6.1.2	-	18,721
Investment properties	6.1.3	-	1,528
Intangible assets	6.1.4	-	1,029
Investment in associates	6.1.5	-	4,740
Other investments	6.1.6	-	16
Current assets			
Inventories, at cost	6.1.7	-	3,855
Investment properties	6.1.3	-	3,638
Trade receivables		-	51,655
Other receivables	6.1.8	594	28,922
Cash and bank balances	6.1.9	*	7,076
		594	95,146
Current liabilities			
Trade payables		-	30,452
Other payables and accruals		599	10,028
Amount due to Directors	6.1.10	-	4,486
Borrowings (secured)	6.1.11	-	9,661
Provision for taxation		-	2,188
		599	56,815
Net current (liabilities)/assets		(5)	38,331
		(5)	64,365

14. ACCOUNTANTS' REPORT (continued)



	<i>Note</i>	<i>Audited balance sheet at 31.3.2003 RM'000</i>	<i>Proforma consolidated balance sheet after acquisition of subsidiaries RM'000</i>
Financed by:			
Share capital	6.1.12	*	44,000
Share premium	6.1.13	-	1,321
Reserves	6.1.14	(5)	13,749
(Deficit in)/Shareholders' funds		<u>(5)</u>	<u>59,070</u>
Minority interest		-	804
Borrowings	6.1.11	-	4,060
Deferred taxation		-	431
		<u>(5)</u>	<u>64,365</u>
Net tangible assets per share (RM)		<u>2,500</u>	<u>1.2</u>

* The Company's issued and paid-up share capital is made up of 2 ordinary shares of RM1.00 each.

14. ACCOUNTANTS' REPORT (continued)

**6.1 Notes to the statement of assets and liabilities****6.1.1 Summary of significant accounting policies**

The following accounting policies are adopted by the Proforma LFE Group and the Company and are consistent with those adopted in previous years except for the adoption of MASB 25, Income Taxes which is applied retrospectively. The adoption of MASB 25 has no financial effects to the statement of assets and liabilities.

(a) Basis of accounting

The financial statements of the Proforma LFE Group and the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

The Proforma LFE Group's financial statements have been prepared based on the audited financial statements of the Company and its proposed subsidiaries as at 31 March 2003. All material related company transactions and balances have been eliminated on consolidation. The acquisition of LFEE and MTSB is accounted for under the acquisition method of accounting.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the proforma consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the financial year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Proforma LFE Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

14. ACCOUNTANTS' REPORT (continued)

**(c) Associates**

Associates are those enterprises in which the Proforma LFE Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis, if the effect on the Group's financial statements is considered significant, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

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

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Depreciation

Freehold land and capital work in progress are not amortised. Leasehold land and buildings are amortised in equal installments over the period of the respective leases which range from 81 to 98 years. Other assets are depreciated on the reducing balance basis at rates which are intended to write off the cost of the assets over their estimated useful lives. However, certain subsidiaries adopt the straight line method to write off the cost of the assets over the term of their estimated useful lives.

The principal annual rates of depreciation adopted for both methods are as follows :-

Buildings	2%
Machinery	10%
Motor vehicles	20%
Furniture, fittings and office equipment	10%-20%
Air conditioners and renovation	10%
Tools and implements	10%

14. ACCOUNTANTS' REPORT (continued)

**(e) Investments****(i) Investment properties**

Long term investment properties are stated at cost. Cost includes related and incidental expenditure incurred. Investment properties are not depreciated. An allowance is made when the Directors are of the view that there is a diminution in value which is other than temporary.

Short term investment properties are properties held for disposal. Short term investment properties are stated at the lower of cost and net realisable value.

(ii) Subsidiaries and associates

Investment in subsidiaries and associates are stated at cost less impairment losses.

(iii) Other investments

Other investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(f) Impairment

The carrying amount of the Proforma LFE Group's assets, other than inventories (refer note (g)), assets arising from electrical and mechanical contracts, deferred tax assets (refer note (m)) and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

14. ACCOUNTANTS' REPORT (continued)

**(g) Intangible asset****(i) Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairments losses, if any. Goodwill is not amortised.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

(ii) Purchased goodwill

Purchased goodwill is stated at cost and is not amortised.

(h) Inventories

Raw materials, work-in-progress and manufactured inventories are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(j) Amount due from contract customers

Amount due from contract customers on electrical and mechanical engineering work contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct electrical and mechanical engineering work costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) Accounting for hire purchases

Property, plant and equipment held under hire purchase are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are disclosed as hire purchase creditors. Financing charges for hire purchases are charged to the income statement over the year of the hire purchase agreements using the sum of digits method.

14. ACCOUNTANTS' REPORT (continued)

**(n) Income tax**

Tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(o) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and dividends are discretionary at the option of the issuer.

(p) Revenue

Revenue from fixed price electrical and mechanical engineering contracts is recognised on the percentage of completion method, measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

When the outcome of an electrical and engineering works contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

(q) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

14. ACCOUNTANTS' REPORT (continued)

**(r) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Proforma LFE Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations is USD1 to RM3.80.

14. ACCOUNTANTS' REPORT (continued)

6.1.2 Property, plant and equipment

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air conditioners and renovation RM'000	Tools and implements RM'000	Capital work in progress RM'000	Total RM'000
Proforma LFE Group Cost									
At 1 January 2003	-	-	-	-	-	-	-	-	-
Arising from acquisition of subsidiaries	452	2,404	1,563	3,305	1,509	572	98	1,489	11,392
Arising from acquisition of land and buildings from a director	10,250	-	-	-	-	-	-	-	10,250
At 31 March 2003	10,702	2,404	1,563	3,305	1,509	572	98	1,489	21,642
Accumulated depreciation									
At 1 January 2003	-	-	-	-	-	-	-	-	-
Charge for the period	28	226	371	1,264	630	237	72	93	2,921
At 31 March 2003	28	226	371	1,264	630	237	72	93	2,921
Net book value									
At 31 March 2003	10,674	2,178	1,192	2,041	879	335	26	1,396	18,721

Certain land and buildings of the Group costing RM1,920,361 are charged to financial institutions as security for borrowings of the LFE Group. The cost and carrying value of land is not segregated from buildings as the required records are not available.

Included in net book value of property, plant and equipment are motor vehicles with net book value of RM2,287,000 acquired under hire purchase arrangements.

14. ACCOUNTANTS' REPORT (continued)



6.1.3 Investment properties

	<i>Proforma LFE Group RM'000</i>
Long term	
Leasehold land and buildings	<u>1,528</u>
Short term	
Freehold land and buildings, at cost	1,141
Leasehold land and buildings, at cost	<u>2,497</u>
	<u>3,638</u>

6.1.4 Intangible assets

	<i>Proforma LFE Group RM'000</i>		
	<i>Goodwill</i>	<i>Development costs</i>	<i>Total</i>
At 1 January/31 March 2003	<u>588</u>	<u>441</u>	<u>1,029</u>

6.1.5 Investments in associates

	<i>Proforma LFE Group RM'000</i>
Unquoted shares, at cost	4,812
Share of post-acquisition losses	<u>(72)</u>
	<u>4,740</u>
Represented by:	
Group's share of net assets other than goodwill	1,458
Goodwill on acquisition	<u>3,282</u>
	<u>4,740</u>

14. ACCOUNTANTS' REPORT (continued)



6.1.6 Other investments

	<i>Proforma LFE Group RM'000</i>
At cost,	
Quoted shares	59
Unquoted shares	10
	<u>69</u>
Less: Allowance for diminution in value of quoted shares	<u>(53)</u>
	<u>16</u>
Market value of quoted shares	<u>6</u>

6.1.7 Inventories

	<i>Proforma LFE Group RM'000</i>
Raw materials	2,773
Work-in-progress	402
Manufactured inventories	680
	<u>3,855</u>

6.1.8 Other receivables

Included in other receivables of the Proforma LFE Group is a prepayment for unquoted shares of RM24,811,000.

6.1.9 Cash and bank balances

	<i>Proforma LFE Group RM'000</i>
Cash and bank balances	5,656
Deposits with licensed banks	1,420
	<u>7,076</u>

14. ACCOUNTANTS' REPORT (continued)



6.1.10 Amount due to Directors

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

6.1.11 Borrowings (secured)

	<i>Proforma LFE Group RM'000</i>
Current	
Bank overdraft	5,910
Bankers' acceptance	1,991
Finance lease	200
Hire purchase	422
Trust receipts	90
Term loan	<u>1,048</u>
	<u>9,661</u>
Non current	
Finance lease	190
Hire purchase	725
Term loan	<u>3,145</u>
	<u>4,060</u>

The borrowings of the Proforma LFE Group are secured by:-

- a) first party charge over land and buildings of LFEE,
- b) first party charge over certain land pledged by the Directors of LFEE,
- c) joint and several guarantee by certain Directors of LFEE,
- d) assignment of proceeds from a construction contract of LFEE.
- e) equity shares of an associate

The bank borrowings bear the following interest charges:

	Interest rate
Bank overdraft	1.5% to 2% per annum above the bank's base lending rate
Bankers' acceptance	1.5% per annum of the face value of each bankers' acceptance or 0.5% to 1.25% above the prevailing interbank rate
Finance lease	6.92% flat per annum
Hire purchase	4.25% to 7.00% flat per annum
Trust receipts	1% to 1.75% per annum above the bank's base lending rate/cost of funds
Term loan	1.5% per annum above the bank's base lending rate

14. ACCOUNTANTS' REPORT (continued)



6.1.12 Share capital

	<i>Proforma LFE Group RM'000</i>
Ordinary shares of RM1 each :	
Authorised	<u>100,000</u>
Issued and fully paid	
LFE's issued and paid up capital as at 31 March 2003	*
Shares to be issued for :	
Acquisition of LFEE	31,479
Acquisition of MTSB	510
Acquisition of land and buildings	5,401
Capitalisation of intercompany debts	<u>6,610</u>
	<u>44,000</u>

* RM2

6.1.13 Share premium

	<i>RM'000</i>
LFE's share premium as at 31 March 2003	-
Capitalisation of intercompany debts	727
Acquisition of land and buildings	<u>594</u>
	<u>1,321</u>

6.1.14 Reserves

The acquisition of LFEE and MTSB will result in an estimated negative goodwill of RM13,985,650.

14. ACCOUNTANTS' REPORT (continued)



6.1.15 Capital commitments

Capital expenditure approved by the Directors but not provided for in the financial statements as at 31 March 2003 amounted to approximately:

	<i>Proforma LFE Group RM'000</i>
Contracted but not provided for in the financial statements	
-Investment in unquoted shares	21,500
-Property, plant and equipment	886
	<u>22,386</u>

6.1.16 Contingent liabilities (unsecured)

	<i>Proforma LFE Group RM'000</i>
In respect of letters of guarantee issued by a bank to third parties (performance guarantees)	26,117
In respect of letters of guarantee issued by the Company to third parties (performance guarantees)	2,750
	<u>28,867</u>

6.1.17 Financial instruments

Financial risk management objectives and policies

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

Credit risk

Exposure to credit risk is monitored on an ongoing basis via the review of receivables' ageing.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group are represented by the carrying amount of each financial asset.

14. ACCOUNTANTS' REPORT (continued)

**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 the Group's borrowings and deposits and is managed through the use of fixed and floating rate debts.

Foreign currency risk

The Group incurs foreign currency risks on transactions that are denominated in a currency other than Ringgit Malaysia and also from the translation of the financial statements of the Group's foreign subsidiaries to Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis. The Group does not hedge its foreign currency risks.

Effective interest rates and repricing analysis

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

Group	Effective interest rate %	Total RM'000	2003 Within 1 year RM'000	1 - 5 years RM'000
Financial assets				
Deposits with licensed banks	2.0	1,420	1,420	-
Financial liabilities				
Bank overdraft	8.2	(5,910)	(5,910)	-
Bankers' acceptance	4.1	(1,991)	(1,991)	-
Trust receipts	6.4	(90)	(90)	-
Term loans	7.9	(4,193)	(1,048)	(3,145)

Fair values*Recognised financial instruments*

The carrying amounts of financial instruments in respect of cash and bank balances, short term investment properties, receivables and payables approximate their fair values due to the relatively short term nature of the financial instruments.

14. ACCOUNTANTS' REPORT (continued)



The Directors deemed the fair value of long term investment properties to approximate their carrying amount. The fair value of unquoted investments is not disclosed as the amount is insignificant in the context of the Group's statement of assets and liabilities.

The Directors deemed the fair values of other financial liabilities to approximate their carrying amounts as the financial liabilities are subject to interest rates which are pegged to the lenders' lending rates and there has been no significant changes in the Group's credit standing.

6.1.18 Proforma net tangible assets cover

Based on the statement of assets and liabilities of the Proforma LFE Group as at 31 March 2003 and after adjusting for the public issue and estimated cost of the restructuring exercise, the net tangible assets cover per ordinary share is calculated as follows:-

	<i>RM'000</i>
Net tangible assets as at 31 March 2003	54,759
Add: Proceeds from Public Issue	13,600
Less : Estimated listing expenses	(1,300)

Adjusted balance at 31 March 2003	67,059
	=====
Number of ordinary shares of RM1.00 each in issue as per proforma statement of assets and liabilities as at 31 March 2003 (RM'000)	44,000
Add: Public issue	8,000

Number of ordinary shares of RM1.00 each in issue after the public issue	52,000
	=====
Proforma net tangible assets per ordinary share (RM)	1.29
	=====

14. ACCOUNTANTS' REPORT (continued)



6.1.19 Events subsequent to the balance sheet date as at 31 March 2003

No events have arisen subsequent to the balance sheet date which requires disclosures in this report.

6.1.20 Audited financial statements

No audited financial statements of LFE and its subsidiary companies have been made up in respect of any period subsequent to 31 March 2003.

Yours faithfully

KPMG
Firm Number: AF0758
Chartered Accountants

HEW LEE LAM SANG
Partner
Approval Number: 1862/10/03(J)