

## 13. FINANCIAL INFORMATION

## 13.1 Proforma Consolidated Financial Results

The following table is a summary of the proforma consolidated financial results of the LFECB Group or the past five (5) financial years ended 31 December 1998 to 2002 and the proforma consolidated audited results for the 3-month period ended 31 March 2003 and is prepared on the assumption that the LFECB Group has been in existence throughout the years/period under review. The proforma consolidated financial results are prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

	← Financial years ended 31 December →					Audited 3-month period ended 31.3.03 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Revenue	91,130	46,053	44,382	56,271	89,472	31,625
Profit before depreciation, interest and interest taxation	5,436	7,230	9,172	9,719	14,587	4,250
Depreciation	(265)	(324)	(391)	(570)	(842)	(242)
Interest income	850	237	164	121	59	11
Interest expense	(129)	(109)	(154)	(1,294)	(1,486)	(354)
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
MI	(5)	(243)	(172)	(45)	(289)	(26)
Profit after taxation and MI	4,895	6,666	6,658	6,123	7,579	2,344
No. of ordinary shares in issue ('000)	44,000	44,000	44,000	44,000	44,000	44,000
Gross EPS (sen)	0.13	0.16	0.20	0.18	0.28	0.33*
Net EPS (sen)	0.11	0.16	0.16	0.14	0.18	0.22*

\* Annualised.

Notes:-

- i. The effective tax rate for the financial years ended 31 December 1998, 2000, 2001 and 2002 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 rates for 2002 and 2003 were 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/period under review.
- iv. All material related company transactions and balances were eliminated on consolidation.
- v. The gross EPS has been calculated by dividing PBT by the number of shares in issue in the respective years.
- vi. The net EPS has been calculated by dividing PAT by the number of shares in issue of the respective years.

## 13. FINANCIAL INFORMATION (continued)

## 13.2 Segmental Analysis of Revenue and Profit

*Analysis of turnover by companies*

Subsidiary Companies	← Financial years ended 31 December →					Audited 3- month period ended 31.3.03 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
LFECB	-	-	-	-	-	-
LFEE	65,453	36,715	20,535	44,564	68,859	23,380
Mayduct	383	3,513	1,717	4,097	7,855	3,237
LFJB	1,118	808	4,434	6,487	5,842	1,981
LFBVI	1,852	3,675	16,512	1,102	7,233	3,018
Inai	22,439	1,414	1,184	21	-	-
MNESB	-	-	-	-	-	-
LFET	-	-	-	-	165	8
Consolidation adjustments	(115)	(72)	-	-	(482)	1
Proforma Consolidated Turnover	91,130	46,053	44,382	56,271	89,472	31,625

*Analysis of PBT by companies*

Subsidiary Companies	← Financial years ended 31 December →					Audited 3- month period ended 31.3.03 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
LFECB	-	-	-	-	(4)	(1)
LFEE	2,528	5,961	4,432	5,969	10,047	3,214
Mayduct	17	516	510	268	816	76
LFJB	25	38	68	145	627	112
LFBVI	117	384	3,172	167	987	384
Inai	3,205	135	429	1,474	(73)	(3)
MNESB	-	-	(16)	-	(1)	(2)
LFET	-	-	-	(61)	(84)	(45)
Consolidation adjustments	-	-	196	14	3	(70)
Proforma Consolidated PBT	5,892	7,034	8,791	7,976	12,318	3,665

## 13. FINANCIAL INFORMATION (continued)

## 13.3 Impact of Interest Rates on Operating Profit

The following table sets out the interest expense and profit before interest and taxation for the past five (5) financial years ended 31 December 2002 and the proforma consolidated audited results for the 3-month period ended 31 March 2003.

	<—— Financial years ended 31 December ——>					Audited 3- month period ended 31.3.03 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Interest expense	129	109	154	1,294	1,486	354
Profit before taxation	5,892	7,034	8,791	7,976	12,318	3,665
Interest coverage	46.7	65.5	58.1	7.2	9.3	11.4

## 13.4 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, as at 15 September 2003, being the latest practicable date prior to the printing of this Prospectus, the financial conditions and operations of the Company and its Subsidiaries are not materially affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the LFECB Group reasonably expects to have a material favourable or unfavourable impact on financial performance, position and operations of the LFECB Group;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the LFECB Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

## 13.5 Working Capital, Borrowings, Litigation and Contingent Liabilities

## (i) Working Capital

The Directors of LFECB are of the opinion that, after taking into account the cashflow forecast, banking facilities and the gross proceeds from the Placement available, the LFECB Group will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

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### 13. FINANCIAL INFORMATION (continued)

#### (ii) Borrowings

As at 15 September 2003 (being the latest practical date which such amounts could be calculated prior to the registration of this Prospectus), the total banking facilities available to the LFECB Group amounted to RM49.37 million, details of which are as follows:-

Description of Banking Facility	RM'million
1. Trade line and overdraft facilities from OCBC	9.8
2. Trade line and overdraft facilities from Malayan Banking Berhad	7.5
3. Trade line, overdraft and term loan facilities from EON Bank Berhad	31.65
4. Overdraft facilities from Alliance Bank Malaysia Berhad	0.42
<b>Total</b>	<b>49.37</b>

The Group's total borrowings as at 15 September 2003 amounted to approximately RM15.9 million, of which RM4.1 million are long term borrowings and RM11.8 million are short term borrowings. All the banking facilities are interest bearing and secured. A brief summary of the type of securities given for each of the above banking facilities is set out below.

Banking Facility	Type of security given
1. Trade line and overdraft facilities from OCBC	<ul style="list-style-type: none"> <li>• First and third party fixed charges over landed properties</li> <li>• Joint and several guarantees of Liew Meow Nyeen, Lew Mew Choi and Liew Kiam Woon</li> </ul>
2. Trade line and overdraft facilities from Malayan Banking Berhad	<ul style="list-style-type: none"> <li>• First party fixed charges over landed property and an assignment of rights over a parcel of land</li> <li>• Joint and several guarantees of Lew Mew Choi, Liew Meow Nyeen, Liew Kiam Woon and Ramli Bin Abu Kasim</li> <li>• A blanket assignment by LFEE to Malayan Banking Berhad of the proceeds of any projects awarded by certain prescribed corporations to LFEE</li> </ul>
3. Trade line, overdraft and term loan facilities from EON Bank Berhad	<ul style="list-style-type: none"> <li>• A charge in respect of 1,290,000 ordinary shares of RM1.00 each (representing 43%) in the issued share capital of BMSB</li> <li>• A charge in respect of monies standing to the credit of LFEE's account with EON Bank Berhad</li> <li>• A third party charge over two parcels of land</li> <li>• An assignment of all proceeds of the Sub-Contract dated 3 August 2001 between SunCon and LFEE for the electrical and mechanical engineering works for the SILK project</li> <li>• Joint and several guarantees of Ir. Cheong Thiam Fook and Lew Chih Bok</li> </ul>
4. Overdraft facilities from Alliance Bank Malaysia Berhad	<ul style="list-style-type: none"> <li>• Third party charges for landed properties</li> <li>• Joint and several guarantees of Lew Mew Choi and Liew Kiam Woon</li> </ul>

### 13. FINANCIAL INFORMATION (continued)

There have not been any default on payments of either interest and/or principal sums, for all the borrowings disclosed above, throughout the financial year ended 31 December 2002 and as at 15 September 2003.

In addition to the current RM7.5 million facilities from Malayan Banking Berhad, LFEE has accepted an offer of RM9.5 million overdraft and trade line facilities, which is pending documentation. Additional security in the form of a charge over RM400,000 fixed deposit is required.

Save as disclosed above, the LFECB Group does not have any other loan capital outstanding or loan created including unissued, mortgages or charges outstanding.

#### (iii) Material Commitments

Save as disclosed below, as at the date of 15 September 2003 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any capital commitments which, upon becoming enforceable, may have material impact on the profit or net assets value of the LFECB Group:-

<u>As at 15 September 2003</u>	<u>RM'Million</u>
Approved and contracted for	*21,500,000
Approved but not contracted for	**886,000
	<u>22,386,000</u>

\* *In respect of the commitment to pay an amount of RM21.5 million at the end of year 3 of the Kajang Ring Road Concession (for further details of this commitment, please refer to Section 6.19 on Risk Factors).*

\*\* *In respect of Mayduct's budget to spend approximately RM886,000 for purchase of equipment for its manufacturing activities.*

#### (iv) Contingent Liabilities

Save as disclosed below, as at 15 September 2003 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have material impact on the profit or net assets value of the LFECB Group:-

<b>Contingent Liabilities</b>	<b>RM'000</b>
Letters of guarantee issued by various banks to guarantee the due performance of contracts awarded to LFECB Group	25,986
Letter of guarantee issued by LFEE to Davex for materials supplied by Davex to the sub-contractor of LFEE for the Putrajaya Parcel 2G5 & 6 project.	2,500

**13. FINANCIAL INFORMATION (continued)**

**(v) Material Litigation**

As at 15 September 2003, neither LFECB nor its Subsidiaries are engaged in any material litigation either as plaintiff or defendant and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company or any of its Subsidiaries, save for the following:-

**(a) Johor Bahru Sessions Court Summons No. 52-1461 year 1997 (1)**

LFEE is claiming against E-Pin Furniture Industries Sdn Bhd (“**E-Pin**”) for a sum of RM 81,160.71 for goods delivered and works done (renovation and installation works) in 1996, in respect of E-Pin’s premise in Johor Bahru, together with 8% interest thereon, costs and other relief as the Court deems fit. E-Pin has counter-claimed against LFEE for a sum of RM168,990 as damages for alleged defective works done by LFEE and also for late delivery of the said works. This matter has been fixed full trial on 24 February 2004.

The Directors of LFEE are of the view that their chances of success in the above claim and in defending the said counterclaim, are fair.

**(b) Potential claim by LFEE for specific performance under a sale and purchase agreement**

By a letter of demand dated 3 December 2002, LFEE is claiming specific performance against the vendor of a condominium unit for wrongful termination of a sale and purchase agreement dated 19 June 1997 pursuant to which the vendor had agreed to sell and LFEE had agreed to buy the said condominium unit, the purchase price of which is RM326,550, for wrongful termination of the said sale and purchase agreement. The summons in respect of this matter has not yet been filed.

The Directors of LFEE are of the view that their chances of success, in the event the claim is filed, are fair.

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## 13. FINANCIAL INFORMATION (continued)

## 13.6 Consolidated Profit Forecast and Assumptions

The Directors of LFECB forecast that, the consolidated PAT for the financial year ending 31 December 2003 will be as follows:-

	<b>Forecast RM'000</b>
PBT	15,809
Taxation	(4,828)
PAT before MI	<u>10,981</u>
MI	(479)
PAT and MI	<u>10,502</u>
Pre-acquisition profit #	(7,001)
Exceptional items @	5,473
Profit attributable to shareholders	<u>8,974</u>

Weighted average number of LFECB shares in issue ^	('000)	16,000
Enlarged number of LFECB shares in issue	('000)	52,000

**Based on PBT / PAT before pre-acquisition profit and exceptional items, and on the enlarged number of LFECB shares in issue**

Fully diluted EPS		
- Gross EPS	(sen)	30.40
- Net EPS	(sen)	20.20
Fully diluted PE Multiple		
- Gross PE multiple	(times)	5.59*
- Net PE multiple	(times)	8.42*

**Based on PBT / PAT after pre-acquisition profit and exceptional items, and on the weighted number of LFECB shares in issue**

Basic EPS		
- Gross EPS	(sen)	55.05
- Net EPS	(sen)	56.09
Basic PE Multiple		
- Gross PE multiple	(times)	3.09*
- Net PE multiple	(times)	3.03*

Notes:-

# The pre-acquisition profit are computed based on the completion of the LFEE Acquisition and Mayduct Acquisition on 3 September 2003.

@ The exceptional items comprise negative goodwill written off to the profit and loss account amounting to RM9.0 million and allowance for doubtful debts amounting to approximately RM3.5 million as required by the SC pursuant to the SC's condition (vii)(c) as set out in Section 11 of this Prospectus.

\* Based on an issue price of RM1.70 per IPO Share.

^ Assuming that the Listing will be completed by 31 October 2003.

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13. FINANCIAL INFORMATION (continued)

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The principal bases and assumptions upon which the consolidated profit forecast have been made are as follows:-

- (a) There will be no significant changes in the prevailing economic and political conditions that will adversely affect the activities and performance of the Group.
- (b) There will be no significant changes in the present legislation and governmental regulations which will adversely affect the operations of the Group or the markets in which it operates.
- (c) Interest and inflation rates will remain at current levels.
- (d) There will be no material fluctuations in foreign currency exchange rates from prevailing rates, including the exchange rate of RM3.80 to USD 1.00.
- (e) There will be no significant changes in the rate and basis of taxation.
- (f) There will be no significant changes in the principal activities, composition and structure of the Group.
- (g) There will be no significant changes in the existing senior management and existing accounting, management and operational policies which will adversely affect the Group.
- (h) Existing financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing. In addition, the Group will be able to obtain financing facilities at the present prevailing interest rates.
- (i) There will be no industrial disputes or any other abnormal factors or changes that will significantly affect the Group's operations or disrupt its planned operations.
- (j) Capital expenditure will be incurred as planned.
- (k) There will be no significant changes in the prices of major raw materials, labour and other operating costs other than as planned.
- (l) There will be no significant changes in the pricing of the Group's contracts and sales of products other than as planned.
- (m) There will be no significant disruptions in the operations and supply of raw materials or any unfavorable conditions that will adversely affect the activities of the Group.
- (n) The weighted average number of shares for the year ending 31 December 2003 is calculated based on the assumption that the public issue will be completed on 31 October 2003.



13. FINANCIAL INFORMATION (continued)

13.7 Reporting accountants' letters on consolidated profit forecast for the financial year ending 31 December 2003

*(Prepared for inclusion in this Prospectus)*



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43300 Balakong  
Seri Kembangan  
Selangor Darul Ehsan

Our ref A7/HLLS/FMK/YPP-1

22 September 2003

Dear Sirs

**Reporting accountants' letter on the consolidated profit forecast for the year ending 31 December 2003**

We have reviewed the consolidated profit forecast of LFE Corporation Berhad ("LFE") and its subsidiary companies ("the Group") for the year ending 31 December 2003 as set out in Appendix I (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The consolidated profit forecast has been prepared for inclusion in the Prospectus to be dated 30 September 2003 in connection with the following proposals and should not be relied on for any other purposes.

- i. 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.
- ii. 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.
- iii. 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.



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



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**13. FINANCIAL INFORMATION (continued)**

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- iv. 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.
  
- v. 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 places 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.
  
- vi. 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.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast is, in all material respects, properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 31 March 2003. The Directors of the LFE Berhad Corporation Group are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which a forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

13. FINANCIAL INFORMATION (continued)



Subject to the matter stated in the preceding paragraph:

- i. nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in Appendix I, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- ii. in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 31 March 2003.

Yours faithfully

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Hew Lee Lam Sang**  
Partner  
Approval Number: 1862/10/03(J)

## 13. FINANCIAL INFORMATION (continued)

## Appendix I-1

**LFE Corporation Berhad  
and its subsidiary companies**

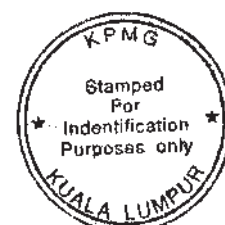
**Consolidated profit forecast  
for the year ending 31 December 2003**

Barring unforeseen circumstances and on the principal bases and assumptions set out below, the Directors forecast that the Group's consolidated profit forecast for the year ending 31 December 2003 will be as follows:

<b>Year ending 31 December 2003</b>	<i>Forecast 2003 RM'000</i>
Consolidated profit after tax and minority interest	10,502
Pre-acquisition profit	(7,001)
	-----
	3,501
Exceptional items ("EI"):	
Negative goodwill written off to profit and loss account	9,000
Allowance for doubtful debt as required by the Securities Commission	(3,527)
	-----
	5,473
Profit attributable to shareholders	----- 8,974 =====
Number of shares in issue ('000 units)	52,000
Weighted average number of shares in issue ('000 units)	16,000
Net earnings per ordinary share (sen):	
- based on profit after tax and minority interest but before EI	20.20
- based on profit attributable to shareholders after EI	56.09

The principal bases and assumptions upon which the above consolidated profit forecast have been made are as follows :

- I. There will be no significant changes in the prevailing economic and political conditions that will adversely affect the activities and performance of the Group.

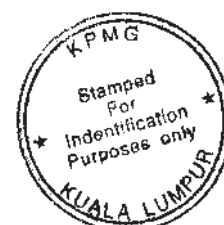


## 13. FINANCIAL INFORMATION (continued)

## Appendix I-2

2. There will be no significant changes in the present legislation and governmental regulations which will adversely affect the operations of the Group or the markets in which it operates.
3. Interest and inflation rates will remain at current levels.
4. There will be no material fluctuations in foreign currency exchange rates from prevailing rates, including the exchange rate of RM3.80 to United States Dollar ("USD") 1.00.
5. There will be no significant changes in the rate and basis of taxation.
6. There will be no significant changes in the principal activities, composition and structure of the Group.
7. There will be no significant changes in the existing senior management and existing accounting, management and operational policies which will adversely affect the Group.
8. Existing financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing. In addition, the Group will be able to obtain financing facilities at the present prevailing interest rates.
9. There will be no industrial disputes or any other abnormal factors or changes that will significantly affect the Group's operations or disrupt its planned operations.
10. Capital expenditure will be incurred as planned.
11. There will be no significant changes in the prices of major raw materials, labour and other operating costs other than as planned.
12. There will be no significant changes in the pricing of the Group's contracts and sales of products other than as planned.
13. There will be no significant disruptions in the operations and supply of raw materials or any unfavorable conditions that will adversely affect the activities of the Group.
14. The gross proceeds of RM13,600,000 from the proposed public issue will be received by December 2003 and utilised as follows :
 

	<i>RM</i>
Acquisition of land and buildings	4,254,423
Working capital	8,045,577
Listing expenses	1,300,000
	-----
	13,600,000
	=====
15. The weighted average number of shares for the year ending 31 December 2003 is calculated based on the assumption that the public issue will be completed on 31 October 2003.



### 13. FINANCIAL INFORMATION (continued)

#### 13.8 Directors' Comments on Profit Forecast

The Directors of LFECB have reviewed and analysed the reasonableness of the bases and assumptions in arriving at the consolidated profit forecast for the financial year ending 31 December 2003 and are of the opinion that the consolidated profit forecast for the financial year ending 31 December 2003 to be true and fair in light of the bases and assumptions adopted, future prospects of the industry, future plans and strategies to be adopted by LFECB Group and its level of gearing, liquidity and working capital requirements.

#### 13.9 Sensitivity Analysis

##### 13.9.1 Variations in Gross Profit

	Forecast for the financial year ending 31 December 2003			
	PBT		PAT	
	RM'000	% change	RM'000	% change
As forecasted	15,809		10,981	
Increase 10%	18,224	15	12,659	15
Increase 5%	17,017	7	11,820	7
Decrease 5%	14,601	(7)	10,142	(7)
Decrease 10%	13,394	(15)	9,303	(15)

##### 13.9.2 Variations in Operating Expenses

	Forecast for the financial year ending 31 December 2003			
	PBT		PAT	
	RM'000	% change	RM'000	% change
As forecasted	15,809		10,981	
Increase 10%	15,029	(5)	10,439	(5)
Increase 5%	15,419	(2)	10,710	(2)
Decrease 5%	16,199	2	11,252	2
Decrease 10%	16,589	5	11,523	5

The principal assumptions upon which the sensitivity analysis has been made, are the same as those set out in the Reporting Accountant's letter set out in Section 13.7 of this Prospectus.

#### 13.10 Dividend forecast for the financial year ending 31 December 2003

It is the policy of the Directors of LFEE in recommending dividends to allow shareholders to participate in the profits of the LFECB Group as well as leaving adequate reserves for the future growth of the LFECB Group.

Based on the forecast profit attributable to shareholders as disclosed below, the Directors of LFECB anticipate that in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend of up to 7%.

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**13. FINANCIAL INFORMATION (continued)**


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On the basis that a 7% gross dividend is paid, the intended appropriation of the forecast PAT and MI for the financial year ending 31 December 2003 will be as follows:-

	<b>Year ending 31 December 2003 RM'000</b>
Consolidated PBT	15,809
Taxation	(4,828)
Consolidated PAT before MI	10,981
MI	(479)
Consolidated PAT after MI	10,502
Pre-acquisition profit	(7,001)
Exceptional items	5,473
Profit attributable to shareholders	8,974
Proposed gross dividend of 7% less tax	(2,621)
Consolidated PAT after MI and dividend	6,353
Gross dividend per share (sen)	7.00
Net dividend per share (sen)	5.04
Gross dividend yield based on issue price of RM1.70	4.12
Net dividend yield based on issue price of RM1.70	2.96
Net dividend cover (times)	4.00

Investors should note that future dividends might be waived if:-

- (a) The Group records a loss instead of the forecast profits; or
- (b) The payment of dividends would adversely affect the Group's cashflow and operations.

**Dividend policy of LFBVI and Inai, subsidiaries with operations in PRC**

LFBVI and Inai do not have any dividend policy and have not in the past declared any dividend.

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13. FINANCIAL INFORMATION (continued)

13.11 Proforma Consolidated Balance Sheets as at 31 March 2003 and Reporting Accountants' Letter thereon

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)  
Chartered Accountants  
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The Board of Directors  
LFE Corporation Berhad  
2<sup>nd</sup> Floor, Lot 993  
Wisma LFE  
Off Jalan Balakong  
43300 Balakong  
Seri Kembangan  
Selangor Darul Ehsan

Our ref A7/HLLS/FMK/STKH-3

22 September 2003

Dear Sirs

**Reporting accountants' letter on the proforma consolidated balance sheets as at 31 March 2003**

We have reviewed the presentation of the proforma consolidated balance sheets of LFE Corporation Berhad ("LFE") and its subsidiaries ("the Group") as at 31 March 2003, which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in Appendix I, for inclusion in the Prospectus to be dated 30 September 2003 in connection with the following proposals ("Proposed Scheme"), and should not be relied on for any other purposes.

- i. 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.
- ii. 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.
- iii. 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.



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



13. FINANCIAL INFORMATION (continued)



- iv. 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.
- v. 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 places to be determined later and the proposed offer for sale by Ramli bin Abu Kasim, Eminent Builders Sdn. Bhd., Liew Meow Nyeen 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.
- vi. 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.

In our opinion :

- (i) the proforma consolidated balance sheets have been properly compiled on the basis of preparation stated;
- (ii) such basis is consistent with the accounting policies of the Group; and
- (iii) the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

**KPMG**

Firm Number: AF 0758

Chartered Accountants

**Hew Lee Lam Sang**

Partner

Approval Number: 1862/10/03(J)

## 13. FINANCIAL INFORMATION (continued)

Appendix I-1

LFE CORPORATION BERHAD  
AND ITS SUBSIDIARY COMPANIESPROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 MARCH 2003

	Note	Audited balance sheet At 31.3.2003 RM'000	Proforma consolidated balance sheet after Stage 1 RM'000	Proforma consolidated balance sheet after Stage 2 RM'000	Proforma consolidated balance sheet after Stage 3 RM'000
Property, plant and equipment	-	-	18,721	18,721	18,721
Investment properties	-	-	1,528	1,528	1,528
Intangible assets	-	-	1,029	1,029	1,029
Investment in associate	-	-	4,740	4,740	4,740
Other investments	-	-	16	16	16
Current assets					
Inventories	-	-	3,855	3,855	3,855
Investment properties	-	-	3,638	3,638	3,638
Trade receivables	-	-	51,655	51,655	51,655
Other receivables and prepayments	594	594	28,922	28,922	28,922
Cash and deposits with licensed banks	*	*	7,076	20,676	15,122
		594	95,146	108,746	103,192
Current liabilities					
Trade payables	-	-	30,452	30,452	30,452
Other payables and accruals	599	599	10,028	11,328	10,028
Amount due to directors	-	-	4,486	4,486	232
Borrowings	-	-	9,661	9,661	9,661
Provision for taxation	-	-	2,188	2,188	2,188
		599	56,815	58,115	52,561
Net current (liabilities)/assets		(5)	38,331	50,631	50,631
		(5)	64,365	76,665	76,665
Financed by:					
Share capital	4	*	44,000	52,000	52,000
Share premium	5	-	1,321	5,621	5,621
Reserves	6	(5)	13,749	13,749	13,749
Shareholders' funds		(5)	59,070	71,370	71,370
Minority interest	-	-	804	804	804
Borrowings	-	-	4,060	4,060	4,060
Deferred taxation	-	-	431	431	431
		(5)	64,365	76,665	76,665
Net tangible assets per share (RM)		2,500	1.24	1.29	1.29

\* The Company was incorporated on 8 May 2002 with an issued and paid-up share capital of 2 ordinary shares of RM1.00 each.

## 13. FINANCIAL INFORMATION (continued)

## Appendix I-2

**LFE Corporation Berhad  
and its subsidiary companies****Notes to the proforma consolidated balance sheets  
as at 31 March 2003**

1. The Proforma Consolidated Balance Sheets of the Group are based on the audited financial statements of LFE and its subsidiaries as at 31 March 2003.
2. The Proforma Consolidated Balance Sheets of the Group have been prepared using accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements. The acquisition of LFE Engineering Sdn. Bhd. (formerly known as Loong Fuat Electrical Engineering Sdn. Bhd.) ("LFEE") and MTSB is accounted for using the acquisition method of accounting.
3. The Proforma Consolidated Balance Sheets are for illustrative purposes only to incorporate the following transactions as though they were effected on 31 March 2003.

**Stage 1**

- 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 to be paid upon the receipt of the proceeds from the proposed public issue.
- 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.

**Stage 2**

- Proposed public issue of 8,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per ordinary share to the Malaysian public and eligible employees of LFE.

## 13. FINANCIAL INFORMATION (continued)

## Appendix I-3

## Stage 3

- The gross proceeds of RM13,600,000 from the proposed public issue will be utilised as follows :

	<i>RM</i>
Repayment to a director in relation to the acquisition of land and buildings	4,254,423
Working capital	8,045,577
Listing expenses	1,300,000
	-----
	13,600,000
	=====

4. Movement in share capital account:-	<i>RM'000</i>
Balance at 31 March 2003	*
Stage 1:	
Acquisition of LFEE	31,479
Acquisition of MTSB	510
Acquisition of land and buildings	5,401
Capitalisation of intercompany debts	6,610
	-----
Balance after Stage 1	44,000
Stage 2 - Proposed public issue	8,000
	-----
Balance after Stage 2 and 3	52,000
	=====

- \* Issued and paid-up share capital of LFE of RM2.00, representing 2 ordinary shares of RM1.00 each.

5. Movement in share premium account:-	<i>RM'000</i>
Balance at 31 March 2003	-
Stage 1:	
Capitalisation of intercompany debts	727
Acquisition of land and building	594
	-----
Balance after Stage 1	1,321
Stage 2:	
Proposed public issue	5,600
Listing expenses	(1,300)
	-----
Balance after Stage 2 and 3	5,621
	=====

6. The acquisition of LFEE and MTSB will result in an estimated reserve on consolidation of RM13,985,650.