3. INTRODUCTION

This Prospectus is dated 30 September 2003. A copy of this Prospectus has been registered with the SC. A copy of this Prospectus together with the Application Form for the Placement and Offer for Sale has been lodged with the ROC, and neither SC nor the ROC take any responsibility for its contents. Approval has been obtained from the SC for the listing scheme of LFECB via its letters 11 March 2003, 16 September 2003, 23 September 2003 and 25 September 2003, details of which are disclosed in Section 7.3 of this Prospectus. Further, the SC via its letter dated 23 September 2003 had also approved the extension of time for the implementation of the listing scheme to 11 November 2003. The approval of the SC shall not be taken to indicate that the SC recommends the IPO. Investors are advised to make their own independent assessment of the LFECB Group and should rely on their own evaluation to assess the merits and risks of any investment.

An application shall be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List of the Second Board of the KLSE and for dealing in and quotation of the entire issued and fully paid-up shares in LFECB, including the IPO Shares which are the subject of this Prospectus. These shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed LFECB as a prescribed security. In consequence thereof, the IPO Shares will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and quotation for the entire enlarged issued and fully paid-up share capital of LFECB on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from IPO will be returned without interest if the said permission for listing has not been applied for, or is not granted within six weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe. In the case of an application by way of application form, an applicant should state his/her CDS account number in the space provided in the Application Form if he/she presently has such an account and he/she should then not enter the preferred ADA code. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA code. In the case of application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application required him/her to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by LFECB. Neither the delivery of this Prospectus nor any sale made in connection with this Prospectus shall, under any circumstances and at any time constitute a representation or create any implication that there has been no change in the affairs of LFECB or the LFECB Group since the date hereof.

The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to buy any IPO Share in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

4. SHARE CAPITAL

	RM
Authorised:	
100,000,000 shares of RM1.00 each	100,000,000
Issued and fully paid-up as at the date of this Prospectus:-	
44,000,002 ordinary shares of RM1.00 each	44,000,002
To be issued pursuant to the Placement:-	
8,000,000 ordinary shares of RM1.00 each	8,000,000
Enlarged issued and paid-up share capital	52,000,002
Offer for Sale pursuant to this Prospectus:-	5,000,000
5,000,000 ordinary shares of RM1.00 each	
Issue /Offer price per ordinary share	1.70

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of the liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

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5. DETAILS OF THE IPO

5.1 Opening and Closing of Application

The Application will open at 10.00 a.m. on 30 September 2003 and will remain open until 8.00 p.m. on 10 October 2003 or such further period or periods as the Directors of LFECB and the underwriters may in their absolute discretion mutually decide.

5.2 Tentative dates of Special Event

Opening Date	:	30 September 2003
Closing Date*	:	10 October 2003
Tentative Balloting Date	:	15 October 2003
Tentative Allotment Date	:	21 October 2003
Tentative Listing Date	:	27 October 2003

* *The Directors of LFECB and the underwriters may in their absolute discretion mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the balloting and allotment of the Offer Shares, and the listing of and quotation for the entire enlarged issued and paid-up share capital of LFECB on the Second Board of the KLSE would be extended accordingly. Any change to the closing date of the application will be published in a widely circulated daily newspaper within Malaysia.*

5.3 Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares shall be allocated in the following manner:-

5.3.1 Placement

8,000,000 Placement Shares will be placed out to identified placees, of which at least 30% of the Placement Shares are designated and set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

5.3.2 Offer for Sale

(a) ***Eligible employees, Directors, customers, suppliers and business associates***

2,500,000 Offer Shares have been reserved for eligible employees, Directors, customers, suppliers and business associates of the LFECB Group.

A brief description on the allocation of the pink forms as approved by the Board of Directors of the Company is as follows:-

Category	Number	Pink Form Allocation No. of shares
Directors of LFECB Group	9	0
Senior Management (excluding any who are promoters)	11	1,504,500
Senior Manager / Deputy Manager	9	104,000
Executive Officer	32	303,000
Technical and Supervisory	53	249,500
Clerical and General Staff	21	54,000
Sub-contractors	15	225,000
Suppliers and Consultants	4	60,000
Total	**154**	**2,500,000**

The allocation of the pink form shares to the eligible employees of the LFECB Group is generally based on seniority, position and contribution to the Group.

In the event that any of the Offer Shares is not taken up by the eligible employees, customers, suppliers and business associates of the LFECB Group based on the pre-determined allocation list, such number of shares not taken up will first be re-allocated to those eligible employees, customers, suppliers and business associates of the LFECB Group who apply for excess Offer Shares on top of their pre-determined allocation on a proportionate basis (subject to rounding of odd lots). In the event that there are still Offer Shares not taken up after the above re-allocation, such Offer Shares will then be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

(b) ***Malaysian public***

2,500,000 Offer Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% of the Offer Shares are designated and set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

There is no minimum subscription required to be raised for the IPO.

5.4 Basis of Arriving at the Issue/Offer Price

The Issue/Offer Price of RM1.70 per IPO Share is determined and agreed upon by LFECB and MIMB, as the Adviser, Managing Underwriter and Placement Agent, after taking into consideration, inter-alia, the following:-

(a) The proforma consolidated NTA per LFECB Share as at 31 March 2003 of RM1.29;

(b) The net forecast price-earnings multiple of PE value of 5.54 times arrived at as follows:-

		RM' million
Market capitalisation of LFECB based on the Issue/ Offer Price and the enlarged issued and fully paid-up share capital of the Company of 52,000,002 shares	(A)	88.4
Less : A value of RM30.2 million ascribed to an existing investment by LFEE (a wholly-owned subsidiary company of LFECB) in 25,800,000 shares in SIB (the to be listed holding company of SILK), representing approximately 14.33% of the issued and paid-up share capital of SIB upon its listing **(Note)**	(B)	(30.2)
Net value of (A) less (B)	(C)	58.2
Forecast PAT after MI of the LFECB Group for financial year ending 31 December 2003 (before pre-acquisition profit and exceptional items)	(D)	10.5
Net PE multiple arising based on C and D above		5.54 times

Note:-

The value of RM30.2 million is ascribed to an existing investment by LFEE (a wholly-owned subsidiary company of LFECB) via BMSB (which is 43% owned by LFEE) in 25,800,000 shares in SIB (the to-be-listed holding company of SILK), representing an effective interest of approximately 14.33% of the issued and paid-up share capital of SIB, upon listing. SIB is seeking a listing on the Main Board of the KLSE as an infrastructure project company.

The aforesaid value is computed based on 14.33% of the NTA value of SIB (which is adopted with the aim of being a more conservative value as compared to the said market capitalisation value, in view that SIB is yet to be listed on the date hereof), upon listing and before the conversion of SIB warrants, totalling RM237.0 million or RM1.32 per share (14.33% of which amounts to RM34 million). NTA was used instead of the market capitalisation of SIB upon listing (of RM342.0 million based on the issue price of RM1.50 per SIB share for its initial public offering shares pursuant to its listing on the KLSE).

The NTA value is further reduced by an outstanding bank borrowing amounting to RM3.8 million which was used by LFEE to part-finance the said investment in SIB, to arrive at the ascribed value of RM30.2 million.

There is no income contribution from the said investment in SIB to the afore-mentioned forecast PAT after MI of the LFECB Group of RM10.5 million for the financial year ending 31 December 2003 (as the Kajang Ring-Road is expected to be completed only after 31 December 2003), and the said investment, which represents a substantial stake in an infrastructure project company to be listed, is treated as being distinct from the other assets of the LFECB Group. Accordingly, a separate value is ascribed to the said investment.

(c) The net dividend yield forecast for the financial year ending 31 December 2003 as outlined in Section 13.10 of this Prospectus.

(d) The qualitative and quantitative factors of the LFECB Group as outlined in Sections 7 and 13.1 of this Prospectus.

(e) The industries in which the LFECB Group operates and the future plans, strategies and prospects of the LFECB Group as outlined in Section 7 of this Prospectus.

5.5 Purposes of the Listing

The purposes of the Listing are, inter-alia, as follows:-

(a) to obtain a listing of and quotation for the Company's entire issued and paid-up share capital on the Second Board of the KLSE;

(b) to provide an opportunity for the Malaysian investing public and eligible employees, customers, suppliers and business associates of the LFECB Group, to participate in the equity and continuing growth of the LFECB Group;

(c) to aim to strengthen the financial position and competitive standing of the LFECB Group by providing it with the accessibility and flexibility of raising funds from the capital markets to finance future growth plans; and

(d) to achieve compliance with the Malaysian Government's policies with regards to Bumiputera equity participation in the corporate sector.

5.6 Proceeds from the IPO

5.6.1 Proceeds from the Placement

The total gross proceeds of RM13,600,000 arising from the Placement shall accrue entirely to LFECB and are planned to be utilised within 6 months from the date of listing of LFECB on the KLSE, in the following manner:-

	Planned Utilisation of Proceeds	Note	RM
1.	Acquisition of Mayduct Land	i	4,254,423
2.	Estimated listing expenses	ii	1,300,000
3.	Working capital requirements for LFECB Group		8,045,577
			13,600,000

Notes:-

(i) *Refer to Section 7.3 of this Prospectus.*

(ii) *LFECB will bear all expenses incidental to the listing of and quotation for the entire issued and paid-up share capital of LFECB on the Second Board of the KLSE including professional fees of approximately RM700,000, placement commission, registration fees, authorities' fees, advertising, listing expenses and other expenses.*

5.6.2 Proceeds from the Offer for Sale

The gross proceeds of the Offer for Sale of RM8.5 million shall accrue to the Offerors and no part of the proceeds of the Offer for Sale is receivable by LFECB. The Offerors shall bear all expenses relating to the Offer Shares including underwriting commission, brokerage, stamp duty, registration and transfer fees.

5.7 Financial Impact from Utilisation of Proceeds

Cashflow for Financial Year Ending 31 December 2003

	RM
Inflow	
Gross proceeds from the Placement	13,600,000
Outflow	
Acquisition of Mayduct Land	(4,254,423)
Listing expenses	(1,300,000)
Working Capital	(8,045,577)
	-

The impact on the consolidated balance sheet of LFECB is reflected in the proforma consolidated balance sheets in Section 13.11 of this Prospectus.

5.8 Brokerage and Underwriting Commission

(a) Brokerage is payable by the Offerors in relation to the Offer Shares at the rate of 1.0% of the offer price of RM1.70 per share in respect of successful applications which bear the stamp of MIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS.

(b) MIMB has agreed to underwrite 2,500,000 Offer Shares to be offered to the Malaysian public. Underwriting commission is payable by the Offerors at the rate of 2.5% of the offer price of RM1.70 per share.

(c) Commerce International Merchant Bankers Berhad ("CIMB"), has agreed to underwrite any of the 2,500,000 Offer Shares not taken up by the eligible employees, customers, suppliers and business associates of the LFECB Group. Underwriting commission is payable by the Offerors at the rate of 2.5% of the offer price of RM1.70 per share

5.9 Salient Terms of the Underwriting Agreement

The Offerors have entered into an underwriting agreement dated 18 September 2003 with MIMB and CIMB to underwrite the Offer Shares mentioned in Section 5.8(b) and 5.8(c) above, respectively ("Underwritten Offer Shares").

The obligations of the parties are subject to the following:-

(a) the listing of and quotation for the enlarged issued and paid-up capital of the Company on the Second Board of the KLSE having been approved-in-principal by the KLSE;

(b) the proceeds from the placees for the Placement Shares having been received by the Issuing House appointed by the Company for the IPO by the Closing Date;

(c) there not having been, on or prior to the closing date, any adverse change in the condition (financial or otherwise) of the Company from that set forth in this Prospectus which is material in the context of the Offer for Sale, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in the underwriting agreement and in this Prospectus as though they have been given or made on such date;

(d) the registration with the SC and the lodgement with the ROC of this Prospectus in its final form in accordance with the requirements of the SC Act, 1993 and the Companies Act, 1965;

(e) the Composite Index of the KLSE is at no less than 650 points, on or prior to the closing date;

(f) the Offer being in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the KLSE);

(g) MIMB and CIMB receiving a copy certified by a director or secretary of the Company to be true and complete and in full force a resolution of the board of Directors of the Company approving this Prospectus, the underwriting agreement and all other transactions and matters contemplated by it and authorising a person or persons to sign and deliver on behalf of the Company the underwriting agreement;

(h) the underwriting agreement having been duly executed by all parties and stamped; and

(i) all necessary approvals and consents required in relation to the Offer for Sale (including but not limited to shareholders' and governmental approvals) having been obtained and being in full force and effect.

If any of the above conditions are not satisfied, any party to the underwriting agreement is entitled following prior consultation with the other parties to terminate the underwriting agreement by notice given to the other parties not later than 5 days after the closing date, and in that event (except for the liability of the Company and/or liability of the Offerors and/or MIMB and CIMB arising from any breach of warranties and undertakings), the parties shall be released and discharged from their respective obligations under the underwriting agreement.

It is also provided under this agreement that, if in the reasonable opinion of MIMB and CIMB that there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of MIMB and CIMB (including without limitation war, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage, crimes, and acts of God) which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Offer for Sale, or which is likely to have the effect of making any material part of the underwriting agreement incapable of performance in accordance with its terms may jointly by notice in writing to the Company terminate the underwriting agreement before 8.00 p.m. on the closing date, and thereupon the parties shall (except for the liability of the Company for the payment of costs and expenses incurred prior to and/or in connection with such termination) be released and discharged from their respective obligations.

6. RISK FACTORS

All applicants should give due and careful regard to investment considerations/risks associated with an investment in the IPO Shares, in addition to other information contained in this Prospectus, and such considerations may include but is not be limited to the following in no order of importance:-

6.1 No prior Public Trading for LFECB Ordinary Shares

Prior to this IPO, there has been no market for LFECB Shares and as a result of which, there can be no assurance that an active market for LFECB Shares will develop upon the listing of the LFECB Shares on the Second Board of the KLSE or if developed, that such market will be sustained. The Issue/Offer Price of RM1.70 per LFECB Share was determined after taking into consideration a number of factors, including but not limited to those set out in section 5.4 of this Prospectus. The prices at which LFECB Shares are traded on the KLSE after the IPO may bear no relationship to the Issue/Offer Price.

6.2 Ownership and Control of the LFECB Group

Upon completion of the IPO, the Promoters, their related companies and EBSB will effectively and jointly hold dominant shareholding in the enlarged issued and paid-up capital of LFECB after the IPO. Consequently, it appears likely that such shareholders will be able to effectively control or significantly influence the outcome of certain matters requiring the votes of LFECB's shareholders unless they are required to abstain from voting by law and/or by any relevant authorities.

6.3 Failure and/or Delay in the Listing Exercise

The Listing is exposed to the risk that it may fail or be delayed should any of the following events occur:-

- the Company fails to meet the public spread requirements of the KLSE, namely, at least 25% of the total number of shares of the Company for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each upon completion of the IPO, and at the point of Listing;

- the Company fails to meet a minimum Bumiputera equity content of 30% pursuant to the IPO;

- the Company and/or the Underwriter(s) fail to comply with the terms and conditions of the underwriting agreement; and

- any or all of the identified investors fail for whatever reason to subscribe for their respective portions of the Placement Shares to be placed out to them or investors are not identified for the Placement.

Although the Directors of the LFECB Group will endeavour to ensure compliance by LFECB of the various listing requirements, including inter-alia, the public spread requirements imposed by the KLSE, for the successful Listing, no assurance can be given that the risk as mentioned above will not cause a delay in or abortion of the Listing.

6.4 Business Risks

Investment in the IPO Shares would represent an investment in the LFECB Group. LFECB, through its subsidiaries, namely, LFEE and Mayduct, is principally involved in the provision of services in respect of general and specialised electrical and mechanical engineering works and the manufacture of busbar trunking systems respectively. The electrical and mechanical engineering industry and the production and manufacture of busbars trunking systems are very much dependant on the construction sector in Malaysia and overseas.

The LFECB Group is subject to certain risks inherent in the electrical and mechanical engineering services industry. These risks include, in no order of importance, changes in general, local and international economic conditions, such as (but not limited to), governmental regulations and policies, inflation, fluctuations of interest rates and exchange rates of foreign currency in the countries in which the LFECB Group operates in and exports to, changes in business conditions such as but not limited to, deterioration in market conditions, constraints in labour supply, shortage of raw material, rising costs of labour and raw materials, machinery breakdown, and stability of power supply and power grid in countries in which the LFECB Group operates.

Any adverse changes in the general local and international economic condition or business condition will have a direct impact on the LFECB Group.

The significance of the aforesaid factors on the LFECB Group's operations and financials may be mitigated to a certain extent by the following:-

- The LFECB Group's electrical and mechanical engineering division is subject to the cyclical fluctuations inherent in the construction industry in Malaysia, that being its key market. In order to reduce its exposure to a single market, the electrical and mechanical engineering division, has since 1993, diversified geographically into the PRC market, which has been profitable to the LFECB Group.

- The manufacturing division can also mitigate the cyclical fluctuations, to some extent, by expanding its markets overseas, by exporting to countries such as the PRC, Taiwan, Hong Kong, Qatar, Brunei, United Kingdom and Singapore and by ensuring that its foreign sales and imports of raw materials are both in US Dollars as explained in section 6.6 below.

- Part of the LFECB Group's business strategy is to diversify/widen its customer base by extending its services to other business sectors. Such diversification, helps to reduce the LFECB Group's dependence on the cyclical nature of the property or construction industry. The LFECB Group also intends to further develop its exposure and competency to the utilities and infrastructure sectors, such as power, water, sewerage, telecommunications and highways, and the high technology sector of the market.

Despite the above attempts by the LFECB Group to limit such risks, no assurance can be given that one or a combination of these risk factors will not crystallise and have a material and adverse impact on the LFECB Group's business and financial performance/position.

6.5 Operational Risks

Other risks which are also inherent to the Group's business operations include fire outbreaks, the disruption of electricity supply, theft of stock, works-in-progress, fittings and materials used for the Group's business, which would affect the Group's business operations. In attempting to address these inherent risks, the Group has in place the following risk management practices/plans:-

(i) LFEE and its Subsidiaries have safety committees (consisting of senior management and operational staff of the Group) formed for jobs or projects which the management deems to involve higher standards or degree of difficulty in implementation, for example, extra low voltage ("ELV") and control and monitoring systems, for which specific employees are entrusted with the duty of evaluating and performing safety and security checks on most implementation steps and monitoring that quality assurance and control systems are adhered to. The members of the safety committee would be persons specialised in handling the tasks involved in implementation of these jobs.

(ii) For Mayduct, the Group has a safety committee comprising the Managing Director and Production Manager who are entrusted with the duty of evaluating and performing safety and security checks on the factories and ensuring security policies and control systems are adhered to. They have attended safety courses in relation to method of handling fire fighting equipment and proper procedures to be carried out should fire occur in the factories. They are also responsible for the provision of such training to the factory workers.

(iii) The Group's premises at Wisma LFE from which LFEE, LFET and Mayduct operate are guarded 24 hours with a minimum of 2 guards. These guards are required to clock-in at designated locations within the premises every half an hour during the night time. Wisma LFE is equipped with an automatic security alarm system which is connected to a central monitoring security company.

(iv) A complete fire fighting system is installed for Wisma LFE which includes fire hydrants, hose reels, fire extinguishers, sprinkler systems and fire alarm systems.

However, no assurance can be given that even with the existing risk management practices/plans in place, the business operations of the Group will not be affected in the event one or a combination of operational risk factors do crystallise.

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6.6 Foreign Exchange Rate Exposure

The LFECB Group's manufacturing subsidiary, Mayduct, is subject to foreign exchange rate fluctuation risks, since its main raw material is copper purchased from suppliers in Malaysia or imported from Thailand, France and Singapore. Irrespective of which country the supplier is located, the purchase price for copper is quoted in US Dollar based on prices quoted on the London Metals Exchange. For export sales, Mayduct quotes only in US Dollars and this should serve substantially as a natural hedge for its operations. Only fluctuations in the price of copper on the date on which the price has been booked as compared to the date of commitment to purchase copper would have an impact on the profitability of its operations. Copper is normally purchased upon receipt of a firm order. For sales in Malaysia, which are quoted in Ringgit, the sale price is quoted on the basis of the current spot price of copper converted by using the current Ringgit to US Dollar peg. In the event that the Ringgit peg to the US Dollar is changed or removed, foreign exchange fluctuations could result in gains or losses for contracts where the purchase price of copper has not been paid.

With respect to the LFECB Group's electrical and mechanical engineering services operations in the PRC, the LFECB Group would wherever possible import raw materials and equipment into the PRC for the installation of equipment as part of its services and would try to contract for the supply of these raw materials and equipment based on prices quoted in US Dollars. If this arrangement is achieved, its purchases would also be contracted for in US Dollars and again a natural hedge should substantially be achieved save for timing differences. Increasingly however, more of the LFECB Group's contracts in the PRC are denominated in Renminbi, the official currency of the PRC. In such cases, should there be a fluctuation in foreign exchange rates and its purchases of raw material or equipment are affected by such fluctuations, the impact would affect the financial condition of the LFECB Group.

On a group level, *ceteris paribus*, i.e. based on a constant level of turnover and profit margin and all other extraneous factors being equal, a rise in the US Dollar as compared to the Renmimbi would result in a lower financial contribution (be it profit or loss) from the LFECB Group's operations in the PRC and vice versa.

In the event that the Ringgit peg to the US Dollar is changed or removed, foreign exchange fluctuations will also result in translation gains or losses on consolidation as the financial statements of the LFECB Group's overseas subsidiaries are denominated in US Dollars. Any such translation gains or losses will be recorded as translation reserves or deficits as part of shareholders' equity.

Currently, the LFECB Group does not have a formal hedging policy as the management believes that it is more efficient for them to assess the need to hedge, on a transaction to transaction basis. The LFECB Group will continue to monitor its foreign exchange exposure in future and will consider hedging any material foreign exchange exposure should the need arise. No assurance can however be given that the financial performance and position of the LFECB Group will not be materially and adversely affected by foreign exchange fluctuations or changes to the Ringgit peg to the US Dollar.

6.7 Supplier Base and Raw Materials

The LFEE Group does not manufacture the supplies and equipment except for electrical busbar systems and its assessories. The LFEE Group relies on specialist suppliers who supply inter alia, cables, switchboards, generators, light fittings, fire alarms etc.. Its major suppliers are set out in Section 7.7 of this Prospectus. All the products can be easily obtained locally or through suppliers' agents in Malaysia with competitive prices.

However, the LFEE Group might face cost overruns when the actual project cost incurred exceeds the original estimation of costs of the projects determined during the tender stage. Project costs are dependent on the quotations from the suppliers. In the event of any shortage of the supplies and equipment, or unanticipated increase in the price of these supplies and equipment, the LFEE Group may not be able to source for its supplies and equipment from alternative specialist suppliers at comparable prices in a timely manner, and this may lead to cost overruns and adversely affect the profit margins of the LFEE Group. In addition, any delay in delivery of the supplies and equipment may lead to an extended completion, which could cause the LFEE Group to incur penalty charges for the delay, thereby adversely affecting its financial performance.

For the manufacturing business, Mayduct is vulnerable to increases in the prices of copper, which is the main raw material for its product. This risk can be mitigated by booking the copper price as quoted by the London Metals Exchange at the time a firm order is secured because there is flexibility in choosing the delivery date for the copper. However, if the copper price is not booked at the time a firm order is secured, any substantial increase in prices of this raw material will affect its operating profit as Mayduct is not able to increase the prices of firm orders accepted prior to such increase in the prices of the raw materials nor can there be any assurance that such increases in cost could be shared with the customers.

There is no assurance that any shortage of the supplies and equipment, or unanticipated increase in the price of these supplies and equipment will not have a material adverse effect on the LFECB Group's business or financial performance/position.

6.8 Political, Economic and Regulatory Conditions

Given the nature of the industry in which LFECB is involved, the LFECB Group's operations and business are closely inter-twined with the economic fundamentals and political stability of Malaysia and the PRC. Any adverse changes in the political and economic environment and uncertainties in these two (2) countries may materially and adversely affect the financial performance of the LFECB Group. These include the risk of war, global economic downturn and unfavourable changes in the Malaysian and the PRC governmental policies such as changes in the methods of taxation, licensing or introduction of new regulations. There is no assurance that any change to these factors will not have a material adverse effect on the LFECB Group's business or financial performance/position.

6.9 Competition

The LFEE Group faces competition from its existing competitors who may expand their businesses substantially and from new players in the engineering industry. As such, there is no certainty that the LFEE Group will always be able to maintain its existing market share in the future. Competition posed by local companies come from both listed and unlisted companies. From LFEE Group's point of view, in respect of local smaller unlisted companies, although they do carry out specialized electrical engineering works, competition from these companies mainly on smaller scale contracts due to their relatively small capital base and size of skilled workforce.

The competitive advantage of the LFEE Group in electrical and mechanical engineering lies in its ability to perform and complete projects in which it is involved through its project management and implementation abilities. A pattern of repeat awards of work from long term local and foreign clients is testimony to this. Large foreign main contractors such as Daewoo, Taisei and Sato Kogyo have contracted the LFEE Group repeatedly in implementation of its projects in Malaysia. The LFEE Group also has repeated works from local clients such as Pelangi Berhad, Low Yat Construction Company Sdn Bhd, Gamuda Berhad, Ken Holdings Berhad, Bina Goodyear Berhad, Ireka Construction Berhad and Sunway Construction Berhad. Further, the LFEE Group has been awarded and has completed jobs with stringent client requirements such as in the Kuala Lumpur City Centre area for Menara Esso, and in Putrajaya and Cyberjaya.

The LFEE Group possesses a plethora of licences, which include amongst others 'Class 1' PKK licence, enabling them to bid for electrical engineering projects of unlimited size. In view of the uncertainty in the construction industry in Malaysia and the entry of new players in electrical and mechanical engineering services, LFEE is expecting an increase of competition in the near future which may result in lower profit margins, in which event, the financial performance of the LFEE Group vis-à-vis its operations in Malaysia will be adversely affected.

As the provision of electrical and mechanical engineering services does not involve any heavy investment in plant, machinery and equipment, the barriers to entry are relatively low compared to other industries, such as civil and structural engineering sectors of the construction industry. There is no assurance that the LFEE Group will not face competition from new entrants and that the LFEE Group can compete successfully against such new entrants.

In the event the LFEE Group is unable to retain its customers or maintain its competitiveness vis-à-vis competitors or new entrants into this industry, it may not be able to secure a sufficient number of contracts, as a result of which, such competitive pressures faced by the LFEE Group may materially and adversely affect the business and financial performance of the LFEE Group.

In Malaysia, Mayduct faces competition from 5 other local manufacturers of busbar trunking systems as well as foreign suppliers such as Siemens, Square D and Kyodo. For its export markets, Mayduct will be competing against tariff and other barriers as well as on even ground with the other non-domestic manufacturers. Mayduct is much younger and smaller as compared to more established manufacturers such as Siemens, Square D and Kyodo, who by virtue of their status as manufacturers of a number of other advanced electrical products apart from busbar trunking systems, can sell busbar trunking systems in complement with their other products.

Mayduct sees its competitive advantage vis-à-vis other Malaysian manufacturers in its research and development efforts which have resulted in a substantial number of its product ranges receiving certification by ASTA, an industrial testing body based in the United Kingdom. The Directors of Mayduct believe that the research and development capabilities of Mayduct is competitive in relation to those of established foreign multinational manufacturers.

Another competitive advantage which the Directors of Mayduct believe that Mayduct has is that it is one of the few busbar manufacturers which is prepared to provide engineering solutions for the design, manufacture and supply of custom-made busbars to meet the specific requirements of its customers, local or foreign.

In view of difficulties in achieving market acceptance and relatively high technology requirements, the barriers to entry into the busbar trunking business appear to be relatively high. As such, unlike the electrical and mechanical engineering services business, Mayduct does not expect competition to be substantially from new entrants, but rather from the existing manufacturers.

Mayduct's customers generally expect good quality and reliable products, speedy delivery and attractive pricing. Should Mayduct's competitors become more successful in meeting these requirements of its customers and gain market share, the future growth and profitability of Mayduct will be adversely affected. In order to maintain its market presence, Mayduct is cognizant of the need to keep up with the changes in technology and market requirements. In this regard, Mayduct monitors closely the various technological changes and advances which may be taking place in the busbar and related industries through the internet, industrial publications and business contacts. Failure to do so could adversely affect Mayduct's busbar trunking business.

However, there can be no assurance that the LFECB Group will indeed be able to maintain its existing market share in the future and that LFECB Group will not be affected by competitive strategies adopted by any other players in the respective industries in which the LFEE Group and Mayduct are each involved, both domestically and overseas.

6.10 Contracts

Due to the nature of the electrical and mechanical engineering industry, the works undertaken by the LFEE Group are largely on a contractual basis and are not long term or recurring in nature. The lack of long term or recurring contracts may affect the profitability of the LFEE Group.

To mitigate this risk, the LFEE Group has adopted the strategy of expanding its scope of services and by venturing into large scale projects both locally and overseas, primarily in the PRC, with the LFEE Group's key clients. It also intends to develop its electrical and mechanical engineering business in the utilities and infrastructure sectors, such as power, water, sewerage, telecommunications and highways, and the high technology sector of the market.

As at 15 September 2003, the LFEE Group has secured a total of 50 contracts in its outstanding order book. These contracts have an aggregate contract value of approximately RM323 million, of which it is anticipated that approximately RM131 million in value may be recognized as turnover in the financial year ending 31 December 2003, while approximately RM94 million in value may be recognized as turnover in the financial year ending 31 December 2004.

As at 15 September 2003, Mayduct has secured orders for its busbar trunking systems totalling RM17.2 million of which RM11.6 million orders have been completed. Approximately RM4.4 million is expected to be produced and delivered within the current financial year ending 31 December 2003, while the balance is expected to be delivered in the financial year ending 31 December 2004.

There is however, no certainty that the LFECB Group will continue to secure more contracts or orders in the coming years and therefore there is uncertainty as to whether the Group may sustain the current level of operations and financial performance.

6.11 Dependency on Key Personnel

The loss of any member of the Company's board of Directors and senior management would certainly be a loss of a source of experience, knowledge and leadership to the LFECB Group. Most of these key personnel were founding members of and have been instrumental in building up the business track record of the companies which they founded. Their commitment to grow the business continued over the years under the general stewardship of the LFECB Group and is expected to continue providing this stewardship following the Listing.

In addition to the foregoing, the LFECB Group also depends on its ability to attract and retain skilled and motivated personnel in order to continue to grow and produce favourable performance. The Directors of LFECB recognise the importance of key members of the senior management and the continued attraction and the subsequent retention of skilled personnel, and have put in place a human resource strategy which includes an attractive remuneration and compensation package, training and well structured succession planning. The management of the LFECB Group believes that with the listing of the Company, the LFECB Group would have an added advantage to attract, retain and motivate key executives or professionals to work with the LFECB Group.

There is however, no assurance that the above measures would be successful in retaining its personnel and maintaining a smooth transition should changes in the management structure occur.

6.12 Debt Financing

Significant fluctuation in the domestic interest rates could impact the financial performance of the LFECB Group, as the working capital of the LFECB Group is currently met primarily via banking facilities. All the borrowings of the LFECB Group are interest bearing and were secured from local banks.

The LFECB Group's total outstanding long-term and short-term borrowings as at 15 September 2003 amounted to approximately RM4.1 million and RM11.8 million respectively, out of which, approximately RM3.8 million have been used by LFEE to finance its investment in SILK. Any increase in interest rates will increase the burden of the LFECB Group with respect to interest payments of loans depending on the total outstanding loans at that point in time.

The Directors of LFECB are of the opinion that after taking into account the cash generated during the profit forecast period, banking facilities available and gross proceeds from the Placement, the LFECB Group will have sufficient working capital for its current and immediate requirements and are expected to be more than adequate to meet the repayment terms of its outstanding banking facilities. Further, LFECB does not expect any foreseeable material capital commitments for its business in the near future save for those described in Sections 6.18 and 13.5(iii) of this Prospectus.

However, there can be no assurance that the performance of the LFECB Group will not be adversely affected in the event of any increase in the interest rates and/or financing charges.

6.13 Profit Forecast

This Prospectus contains the profit forecast of the LFECB Group for the financial year ending 31 December 2003 that are based on certain assumptions made by the Directors of LFECB, but which nevertheless are subject to uncertainties and contingencies and inherent vagaries and fluctuations due to unforeseen domestic and global events and spin-off effects from seemingly unrelated events, political or otherwise. In view of the subjective judgements and inherent uncertainties underlying the forecast and because events and circumstances may not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual result may not be materially different from those contained in the aforesaid forecast. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecast contained herein.

6.14 Adequacy of Insurance Coverage of the LFECB Group's Assets

As at 31 March 2003, the net book value of the LFEE Group's assets, comprising, *inter alia*, land and buildings, motor vehicles, plant and machinery, office equipment, and furniture and fittings were approximately RM6.52 million and the value of stocks were approximately RM1.25 million. Approximately RM3.05 million of fixed assets and RM0.2 million worth of stock are insured as at 15 September 2003. In addition, the LFEE Group also has fire consequential loss insurance amounting to RM1.5 million.

As at 31 March 2003, the net book value of the Mayduct's assets, comprising, *inter-alia*, motor vehicles, plant and machinery, moulds and testing equipment, office equipment, furniture and fittings were approximately RM1.96 million and the value of stocks were approximately RM2.61 million. As at 15 September 2003, Mayduct has, *inter-alia*, taken insurance cover of RM4 million for damage to movable and immovable property, RM500,000 for consequential loss of profit, RM4 million for plant and equipment, RM0.5 million burglary insurance, goods-in-transit insurance of RM10 million (limit of RM100,000 per losses for an annual turnover of RM10 million), RM6 million public and product liability insurance and RM1 million worth of stock / raw materials are insured.

Although the LFECB Group has taken the necessary measures to ensure that all its assets are adequately insured, there can be no assurance that the insurance coverage would be adequate for the replacement cost of such assets or any consequential loss arising therefrom.

6.15 Recoverability of Debts

The risk of non-recoverability of debts owed to the LFECB Group is considered inherent in businesses generally. As far as the LFECB Group is concerned, recoverability of debts, to a significant extent hinges on the overall economic conditions affecting the related industries, particularly property development, infrastructure and construction.

From a micro perspective, save for manufacturing sales for which the LFECB Group receives letters of credit or similar guarantees of payment, the LFECB Group is exposed to credit risks of its customers. Defaults in payment by its customers will adversely affect the LFECB Group's financial position and profitability. Therefore, the financial position and profitability of the LFECB Group is dependent on the credit worthiness of its customers. The LFECB Group is unable to provide any assurance that the risks of default by its customers would not increase in the future.

Not uncommon in the construction industry, generally there may be debts which are settled by transferring real property in lieu of cash. On average thus far, the LFECB Group has been able to dispose of these properties at no loss. However, there is no assurance that the LFECB Group will be able to continue to dispose of these contra properties at no loss.

6.16 Delay in Completion of Projects

Completion of the projects undertaken by the LFEE Group hinges on various factors, such as receiving prompt approvals, permits or consents from the relevant authorities, sourcing for goods and materials on a timely and cost effective basis, the performance of the contractual obligations of other related parties in any project so undertaken and, in the case of SILK, the timely compulsory acquisition of land along the alignment of the Kajang Ring-Road in order for works to be carried out on land to be acquired. No assurance could therefore be given that the LFEE Group's performance would be unaffected by such risk.

Similarly for Mayduct, delays in a project completion schedule arising from these factors will delay the need for delivery of its products despite orders being secured for sale of its products. Save in cases where letters of credit or other payment guarantees are made and given immediately upon receipt of orders, there is no assurance that any delay in the completion or the cancellation of projects would not result in cancellation of such corresponding products ordered from Mayduct.

6.17 Shortage in the Supply of Foreign Workers

The electrical and mechanical engineering services and manufacturing industries are labour intensive. As the pool of local workers employed in the aforesaid industries in Malaysia is viewed by LFEE to be scarce, the LFEE Group and, especially its sub-contractors rely on skilled and unskilled foreign labour for all its engineering projects. The LFEE Group's operations and financial performance are vulnerable to the shortage and employment cost of foreign workers. The supply of foreign labour is further subject to policies imposed by the Government on foreign workers. In the event of any change in the policy, the availability of foreign labour may be affected. Any unexpected shortage in the supply of foreign workers will translate into a higher cost of labour or delays in completion of projects, and adversely affect the business and financial performance of the LFEE Group.

Similarly, Mayduct has skilled foreign workers to perform its more repetitive and production line work and relies on the availability of such foreign workers to produce and deliver its products on time. The above risks therefore apply equally to Mayduct. In order to improve production efficiency and reduce dependence on foreign workers, Mayduct is exploring various options to increase mechanisations.

Mayduct has successfully secured the Majlis Latihan Vokasional Kebangsaan Malaysia certificate from the Kementerian Sumber Manusia to extend the skilled foreign workers' work permit for unlimited time period. Mayduct has also employed more local labours and provide proper training to improve their skills. Currently, the local labour constitutes about 70% of the production line.

6.18 Risk in Rapid Technology Change

Being an engineering-based business, the LFECB Group's performance is subject to the risk of rapid change in technology. In order to reduce the adverse effect of the aforesaid risk on the LFECB Group, the LFECB Group places attention on the continued advancement of technology and aims to keep abreast with changes in technology so that the LFECB Group may be able to remain competitive in this industry. It is the LFECB Group's policy to provide staff development and training programmes to enhance the skill and specialist knowledge of its employees.

There is no assurance that any rapid change in technology will not have a material adverse effect on the LFECB Group's business or financial performance/position.

6.19 SILK and Kajang Ring-Road Concession

LFEE (a wholly-owned subsidiary of LFECB) owns a 43% equity interest in BMSB. BMSB presently owns 50% of SIB, which, in turn, owns 100% of SILK. SIB is seeking a listing on the Main Board of the KLSE, upon which, the effective equity interest of LFEE in SIB would be diluted to approximately 14.33%.

Under the Concession Agreement, SILK is required to increase its paid up capital to RM220 million within three (3) years from the date of the Supplemental Concession Agreement, i.e. before 1 August 2004. The shareholders of SILK intend to increase its paid up capital from its current RM120 million to RM220 million by undertaking an initial public offering of shares in SIB (which will be the holding company of SILK under a listing scheme), and utilising the proceeds from the said initial public offer to fulfil this requirement. An application has been submitted to the relevant regulatory authorities for the listing and quotation of the entire issued and paid-up capital of SIB.

The application for the listing and quotation of the entire issued and paid-up capital of SIB has, as at the date of this Prospectus, already been approved by SC, MITI, the Economic Planning Unit within the Prime Minister's Department and FIC. On 8 September 2003, SIB excuted an underwriting agreement with CIMB and Alliance Merchant Bankers Berhad where they agreed to underwrite 52 million of the 60 million new SIB shares to be issued under SIB's initial public offering of shares. SIB's initial public offering of shares is expected to raise an aggregate of RM87.6 million. Therefore, in order to fulfil the requirement to increase SILK's paid up capital to RM220 million, SIB's existing shareholders are expected to subscribe to a rights issue of RM20 million new 200% 10-year cumulative non-convertible redeemable preference shares ("CN-RPS") in SIB prior to SIB's initial public offering of shares. LFEE will not be required to fund BMSB's portion of the rights issue as LFEE's portion has been financed by its existing shareholders. As at the date of this Prospectus, SIB's initial public offering has not been launched and there is no assurance that SIB's initial public offering will be successfully implemented. If not, BMSB may be obliged to inject additional capital into SILK. This injection of additional capital into SILK by LFEE has not been taken into account in the consolidated cashflow of LFECB.

SILK has fully sold the RM2,010,000,000.00 Al-Bai Bithamin Ajil Islamic Debt Securities ("BaIDS") it offered in the third quarter of 2001 as the first tranche of funding SILK requires to fund the Kajang Ring-Road project. Pursuant to the BaIDS issue, the shareholders of SILK (SunInc and BMSB) had provided an undertaking to make payment to SILK (in the form of subscription for shares, shareholders' loan or any other manner) of an amount equivalent to any cost overrun including but not limited to cost overrun inherent in and/or arising from the construction and/or land acquisition in respect of the Kajang Ring-Road project.

Pursuant to the Turnkey Contract between SILK and SunCon, SILK has engaged SunCon to undertake the design construction, completion and commissioning of the Kajang Ring Road on a turnkey basis for a lump sum price of RM830,000,000.00 – which includes the construction cost of the Government-funded stretch amounting to RM335,000,000.00. Any cost and expense incurred by SunCon outside the scope of the works will be borne by SunCon except to the extent that SILK can recover additional compensation from the Government under the Concession Agreement. In addition to the aforesaid lump sum price, SILK is to pay SunCon a sum of RM215,000,000.00 in respect of all costs, expenses or charges incurred by SunCon including any compensation required to be paid for the acquisition of land within the SILK funded stretch of the Kajang Ring-Road and the removal or resettling of squatters or other occupiers on the aforesaid stretch and the Government funded stretches of the Kajang Ring-Road. Except to the extent that SILK can recover additional compensation from the Government, any amount in excess of the sum of RM215,000,000.00 shall be borne by SunCon. Further, as part of the listing scheme for SIB, SIB will indemnify SunInc and BMSB to the extent they are required to pay SILK for such cost overrun. However, there can be no assurance that SIB will honour the said indemnity.

As at 15 September 2003 (being the latest practicable date prior to the registration of this Prospectus), LFEE had financed the first part of the aforesaid contribution to the equity of SILK amounting to approximately RM29.1 million partly by way of internally generated funds and partly by way of bank financing. LFEE has, pursuant to a Memorandum of Deposit of Shares dated 7 August 2001 (the "**MOD**"), pledged its shares in BMSB (namely 1,290,000 ordinary shares of RM1.00 each, representing 43% of the total issued and paid up capital of BMSB) (the "**Pledged Shares**") to EON Bank Berhad (hereinafter in this Section 6.19 referred to as the "Bank") as security for the RM31 million banking facility obtained by LFEE from the Bank (the "EON Bank Facility"). There is no assurance that LFEE will be able to repay the indebtedness under the EON Bank Facility when due. In the event the Bank exercises its right under the MOD to sell the Pledged Shares, LFEE's interest in SILK, which is held through BMSB, may be lost in part or in whole.

6.20 Risks Associated with LFECB's Investment Activities

LFEE has a 21.5% stake in SIB which owns 100% of SILK, the holder of the Kajang Ring-Road Concession. LFEE has also secured a sub-contract from SunCon for the provission of electrical and mechanical engineering and other intelligent and integration services for the operation of the Kajang Ring-Road. LFEE's investment in SIB is subject to certain risk factors faced by SIB which may have a significant impact on the future performance of the SIB group, including, inter-alia, the following:-

(i) Cost overrun in SILK – Pursuant to the BAIDS, SunInc and BMSB had provided an undertaking to make payment to SILK of an amount equivalent to any cost overrun occurring prior to the commencement date for collection of toll. Such payment shall be by way of equity injection, shareholders' loan or subscription of preference shares or any othe manner. However, SIB has in turn provided an undertaking to SunInc, BMSB and SILK to make payment to SILK in relation to any cost overrun as stated.

(ii) Concession related risk – Under the terms of the Concession Agreement, the Government is responsible for making the land within the concession available to SILK within the specified periods. Any delay in the provision of the land by the Government may result in a consequent delay in the commencement of tolling. In the event of a failure by the Government to comply with its obligations to provide land, SILK is entitled to claim for an extension of the Concession Period or the Government may provide such remedy or relief to be agreed between SILK and the Government.

(iii) Default by SILK – If the Concession Agreement is terminated by the Government due to an event of default on the part of SILK at any time prior to completion of the Kajang Ring Road Concession and subsequently the same is completed by the Government, SILK is obliged to compensate the Government in accordance with the terms of the Concession Agreement.

There is also no assurance that upon its listing, the shares of SIB would trade above the effective investment cost of LFEE in SIB (via BMSB), failing which, LFEE may make a loss in its investment in SIB.

6.21 Economic Conditions and Uncertainties in the Government Policies in the PRC

The LFECB Group's sales to its overseas customers and contract taking from its overseas subsidiaries accounted for 8% of the LFECB Group's total revenue in financial year ended 2002. The LFECB Group sells busbar trunking systems to customers in Taiwan, the PRC, Hong Kong, Qatar, Brunei, United Kingdom and Singapore. Overseas sales and operations are subject to a variety of risk including foreign exchange, tariffs, trade barriers, taxes and foreign government regulations. Any change in these factors would adversely affect the LFECB Group's performance. The LFECB Group will also be adversely affected by any general downturn in the economy of the countries in which the LFECB Group has a presence or sells to. The LFECB Group expects the market in the PRC to grow in importance as more companies shift their operations to the PRC to take advantage of the lower operating cost there. As such, the LFECB Group's operations will be adversely affected if the PRC implements major changes to the political and economic policies that impair foreign investment and/or trade in the future.

Economic Consideration in the PRC

The economy of the PRC differs from that of most developed countries in areas such as government involvement, level of development, growth rate, control of foreign exchange, allocation of resources, rate of inflation and the balance of payment position. Throughout the last 20 years, the PRC has witnessed a period of rapid transition from a socialist planned economy to a more market-oriented economy. With economic reform measures making use of market forces, emphasizing decentralization and stressing management autonomy, the PRC has experienced significant growth over the past two decades which has been accompanied by periods of high inflation. Further the economic reform measures may have to be adjusted or modified from time to time, possibly resulting in further economic liberalization measures which may have different impact on various industries.

The operating result of LFECB Group may be affected by, inter-alia:

- changes in the PRC's political, economic and social conditions;
- changes in the policies of the PRC government or changes in law and regulations, or the interpretation of laws and regulations, especially those concerning enterprises with foreign investments;
- changes in the rate or method of taxation;
- imposition of or relaxation of restrictions on currency conversations and remittances abroad;
- reduction in tariff rates and other import restrictions;
- shortage of skilled labour;
- dependence on key personnel;
- fluctuations in prices of raw material; and/or
- competition in similar/related business;

On 11 November 2001, the PRC has signed an accord to join the World Trade Organisation ("WTO"). The entry of PRC into the WTO would be expected to hasten economic liberalisation in the PRC even as the PRC has drawn up new trade and economic rules, especially in reducing the tariff rates and removing other import restrictions, for the purpose of fulfilling its obligations to the WTO. On the other hand, PRC's entry to the WTO provides more and better business opportunities for exporters and investors worldwide. With its operation based in Shanghai, LFECB Group stands a reasonable chance to benefit from the PRC's entry to the WTO, in particular, from exploring further access to the PRC market.

Notwithstanding that the LFECB Group may have a reasonable chance of exploring further access into the PRC market, the PRC's entry into the WTO may also give opportunities to foreigners setting up similar manufacturing bases in the PRC, thereby increasing the competition among foreign investors in the PRC. Any future influx of foreign competitors setting up production bases in the PRC may have an adverse effect on the LFECB Group.

Political Considerations in the PRC

Since 1978, the PRC government has witnessed the succession of several leaderships. Notwithstanding the succession of several leaderships in the past 20 years, the PRC has undertaken various significant political, economic, and social reforms. Many of the reforms are seen to be unprecedented and are expected to require further refinement or readjustment. These refinements or readjustments may not always have a positive effect on the operations and business of the LFECB Group. However, since these reforms are largely oriented to liberalise the economy and to grant autonomy to local authorities, and the Directors believe that the basic orientations of these reforms will continue to provide the framework for the PRC's political and economic systems.

In 1997, the PRC has witnessed the stable transition from the era of Deng Xiao Ping to a post-Deng era and the present leadership has avowed their allegiance to the open-door policy and the economic reforms. The PRC's entry to the WTO may be seen as an implementation of the open door policy and the policy of encouraging economic competition.

Currency Conversion and Exchange Rate Risks in the PRC

At present, most of the sales and purchases of LFECB Group are denominated in US dollars. On the other hand, LFECB Group has to pay rent, labour costs, taxes and other expenses in Renminbi. Given that there is an official peg of RM to the US dollars, the Directors consider that the exposure of the LFECB Group to exchange rate fluctuation is minimal.

Currently, Renminbi is still not a freely convertible currency though the PRC government has taken measures to rationalize the foreign exchange system. Since 1994, the conversion of Renminbi into US dollars has been based on rates by the People's Bank of China, which are set daily based on the previous day's in PRC interbank foreign exchange market rate and current exchanges rate in the world financial markets. The PRC government has stated publicly that it intends to make Renminbi freely convertible in the future but it has set no time-table for such a change.

Legal System in the PRC

The PRC legal system is based on written statutes, the interpretation of which is made by the Supreme People's Court from time to time. Though court decisions may be cited for reference, they have no binding legal force on the Court in subsequent hearings. Since 1979, the PRC government has developed various laws covering economic and commercial maters, such as foreign investment, corporate organization, governance, commerce, taxation and trade, which have significantly enhanced the protection to foreign investors. However, as the relevant laws and regulations are newly promulgated, the PRC judiciary is relatively inexperienced in enforcing these new laws, and implementation and interpretation of these laws may be inconsistent. Therefore, foreign investors have to face a higher degree of uncertainty in the outcome of any litigation in the PRC. Even where adequate laws exist, it may be more difficult to obtain swift and equitable enforcement of such laws or court decisions in the PRC.

As the PRC economy is developing at a faster pace than that of its legal framework, some degree of uncertainties in various areas of laws are expected. Further, the PRC's entry into the WTO will also spur further changes in the laws on foreign investment and trade. There is no assurance that changes in the laws and regulations of the PRC, their interpretation or their enforcement will not have a material adverse effect on the operations, business or prospects of the LFECB Group in the PRC.

There is no assurance that the Group's performance and profitability will not be adversely affected by changes in the political, economic and social conditions in the PRC and by changes in the PRC government policies such as changes in laws and regulations (or the interpretations thereof), changes in the rate or method of taxation and of the imposition of additional restrictions on currency conversion and overseas remittances.

Repatriation Of Profits From Investment In PRC

The repatriation of profits from PRC is subject to legal and tax legislation affecting LFBVI, being a wholly foreign-owned enterprise. There is no law or regulation in the PRC which limits lawful profits to be remitted outside the PRC by a wholly foreign-owned enterprise, whether as to the amounts, timing or otherwise.

There can be no assurance that the declaration of dividends from LFBVI and Inai to LFECB, if any, will not be subject to disruptions arising from any new law or regulation that could have been amended and/or gazetted form time to time, from the date of this Prospectus.

6.22 No Manufacturing Licence

Mayduct does not hold a manufacturing licence since the Industrial Coordination Act, 1975 only applies to persons engaging in any manufacturing activity with shareholders' funds of RM2.5 million and above or employing 75 or more full-time paid employees to obtain a manufacturing licence. As at 31 March 2003, Mayduct's shareholders' fund stood at RM1,641,397 and, as at 15 September 2003, it has approximately 75 full-time paid employees.

In the event Mayduct employs 75 or more full-time paid employees or its shareholders' funds grow to RM2.5 million or more, it will at that time be required to obtain a manufacturing licence pursuant to the Industrial Coordination Act, 1975. In such an event, there can be no assurance that Mayduct will be issued with a manufacturing licence or, if Mayduct is issued with a manufacturing licence, it will be able to comply with all the terms and conditions (if any) imposed under the manufacturing licence.

6.23 Forward Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, which may or may not be achieved. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business, operations and financials of the LFECB Group, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of the LFECB Group, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. The Group believes that the expectations reflected in such future statements are reasonable at this time.

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