



**LFE CORPORATION BERHAD**  
(Company No: 579343-A)

**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**  
For the period ended 30 September 2010

	Individual Quarter		Cumulative Quarters	
	Current year quarter 30.09.2010 RM'000	Preceding year quarter 30.09.2009 RM'000	Current year- to-date 30.09.2010 RM'000	Preceding year period 30.09.2009 RM'000
Revenue	13,351	44,269	50,983	112,007
Cost of sales	(12,678)	(42,737)	(46,193)	(106,440)
<b>Gross profit</b>	<b>673</b>	<b>1,532</b>	<b>4,790</b>	<b>5,567</b>
Other income	171	1,919	927	5,341
Operating expenses	(268)	-	(1,045)	(2,157)
Administrative expenses	(1,347)	(1,861)	(3,902)	(5,561)
Finance costs	(1,317)	(899)	(2,695)	(1,732)
	<b>(2,088)</b>	<b>691</b>	<b>(1,925)</b>	<b>1,458</b>
income tax expense	4	(13)	(74)	(43)
<b>Net Profit/(Loss) for the period</b>	<b>(2,084)</b>	<b>678</b>	<b>(1,999)</b>	<b>1,415</b>
Attributable to :				
Equity holders of the company	(2,076)	659	(2,041)	1,397
Minority interests	(8)	19	42	18
	<b>(2,084)</b>	<b>678</b>	<b>(1,999)</b>	<b>1,415</b>
Profit/(loss) per ordinary share:				
- Basic (cumulative)	<b>(2.45)</b>	<b>0.78</b>	<b>(2.40)</b>	<b>1.65</b>
- Diluted (sen) (Note B13)	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2010)

**LFE CORPORATION BERHAD**  
(Company No : 579343-A)

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
As at 30 September 2010

	Unaudited 30.09.2010	Audited 31.03.2010
	(RM'000)	(RM'000)
<b>Assets</b>		
Property, plant and equipment	4,162	4,393
Investment properties	4,122	4,122
<b>Total non-current assets</b>	<u>8,284</u>	<u>8,515</u>
Inventories	2,676	2,776
Assets classified as held for sale	350	5,570
Trade receivables	83,668	129,536
Amount due from contract customers	8,270	28,241
Amount due from associate company	4,465	3,828
Other receivables	16,695	16,384
Amount due by previous director	26,507	26,507
Fixed deposits with licensed banks	2,380	13,630
Cash and bank balances	6,397	6,338
Tax recoverable	873	915
<b>Total current assets</b>	<u>152,281</u>	<u>233,725</u>
<b>Total assets</b>	<u><b>160,565</b></u>	<u><b>242,240</b></u>
<b>Equity</b>		
Share capital	84,900	84,900
Share premium	5,218	5,218
Reserve	(62,736)	(59,640)
<b>Total equity attributable to shareholders of the Company</b>	<u>27,382</u>	<u>30,478</u>
<b>Minority Interests</b>	352	310
<b>Total equity</b>	<u>27,734</u>	<u>30,788</u>
<b>Liabilities</b>		
Long term borrowings	21,661	25,818
Deferred tax liabilities	12	12
<b>Total non-current liabilities</b>	<u>21,673</u>	<u>25,830</u>
Trade payables	32,912	81,476
Amount due to contract customers	10,095	15,014
Amount due to associate company	38	38
Other payables	44,885	49,589
Amount owing to directors	149	604
Overdrafts and short term borrowings	23,057	38,901
Taxation	22	(0)
<b>Total current liabilities</b>	<u>111,158</u>	<u>185,622</u>
<b>Total liabilities</b>	<u>132,831</u>	<u>211,452</u>
<b>Total equity and liabilities</b>	<u><b>160,565</b></u>	<u><b>242,240</b></u>
<b>Net assets per share (RM)</b>	<u>0.32</u>	<u>0.36</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2010)

**LFE CORPORATION BERHAD**

579343-A)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**  
For the second quarter ended 30 September 2010

	Share capital (RM'000)	Non Share premium (RM'000)	Exchange reserve (RM'000)	Distributable Retained earnings (RM'000)	Total (RM'000)	Minority interests (RM'000)	Total equity (RM'000)
As at 1 April 2010	84,900	5,218	454	(60,094)	30,478	310	30,788
Exchange differences on translation	-	-	(1,055)	-	(1,055)	-	(1,055)
Net loss for the period	-	-	-	(2,041)	(2,041)	42	(1,999)
As at 30 September 2010	<b>84,900</b>	<b>5,218</b>	<b>(601)</b>	<b>(62,135)</b>	<b>27,382</b>	<b>352</b>	<b>27,734</b>

	Share capital (RM'000)	Non Share premium (RM'000)	Exchange reserve (RM'000)	Distributable Retained earnings (RM'000)	Total (RM'000)	Minority interests (RM'000)	Total equity (RM'000)
As at 1 April 2009	84,900	5,218	3,136	(54,392)	38,862	676	39,538
Exchange differences on translation	-	-	(2,682)	-	(2,682)	-	(2,682)
Net loss for the period	-	-	-	(5,702)	(5,702)	(366)	(6,068)
As at 31 March 2010	<b>84,900</b>	<b>5,218</b>	<b>454</b>	<b>(60,094)</b>	<b>30,478</b>	<b>310</b>	<b>30,788</b>

**(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2010)**

**LFE CORPORATION BERHAD**  
(Company Bo : 579343-A)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)**  
For the second quarter ended 30 September 2010

	Current Year-to-date (RM'000)	Preceding year Corresponding Period (RM'000)
<b>Cash Flows From Operating Activities</b>		
Profit/(loss) before taxation	(1,925)	1,458
Adjustments for :		
Non-cash items	893	6,023
Non-operating items	2,155	1,152
Operating profit/(loss) before working capital changes	<u>1,123</u>	<u>8,633</u>
Changes in working capital		
Net change in current assets	60,580	4,079
Net change in current liabilities	(53,267)	(6,479)
Cash used in operations	<u>8,436</u>	<u>6,233</u>
Income taxes (paid)/refund	43	(167)
<b>Net cash used in operating activities</b>	<u><b>8,479</b></u>	<u><b>6,066</b></u>
<b>Cash Flows From Investing Activities</b>		
Interest income	145	445
Purchase of property, plant and equipment	(1,030)	(657)
Proceed from sale of investment properties	5,220	360
Proceed from sale of property, plant and equipment	538	501
Advances from associate	(637)	-
<b>Net cash generated from investing activities</b>	<u><b>4,236</b></u>	<u><b>649</b></u>
<b>Cash Flows From Financing Activities</b>		
Interest expense	(2,695)	(1,732)
Proceeds from short term borrowings	-	14,868
Repayment of term loans and other bank borrowings	(19,726)	(7,948)
Repayment of hire purchase liabilities	(19)	(79)
Advances from directors	(455)	-
<b>Net cash (used in)/generated from financing activities</b>	<u><b>(22,895)</b></u>	<u><b>5,109</b></u>
Exchange differences on translation	(755)	(825)
Net (decrease)/increase in cash and cash equivalents	<u>(10,935)</u>	<u>10,999</u>
Cash & cash equivalents at beginning of year	3,577	(3,272)
<b>Cash &amp; cash equivalents at end of period</b>	<u><b>(7,358)</b></u>	<u><b>7,727</b></u>
<b>Cash &amp; cash equivalents comprise:</b>		
Cash and bank balances	6,397	12,436
Fixed deposits placed with licensed banks	2,380	13,838
Bank overdrafts	(3,603)	(8,874)
	<u>5,174</u>	<u>17,400</u>
Less : Pledged deposit	(12,532)	(9,673)
	<u><b>(7,358)</b></u>	<u><b>7,727</b></u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited annual financial statements for the year ended 31 March 2010)

**LFE CORPORATION BERHAD**  
**(Company No: 579343-A)**  
**NOTES TO THE INTERIM FINANCIAL REPORT**  
**For the second quarter ended 30 September 2010**

**A EXPLANATORY NOTES AS PER FRS 134**

**A1 Basis of preparation**

This interim financial report are unaudited and have been prepared in accordance with the applicable disclosure provisions stated in Chapter 9 Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), including compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB").

The preparation of an interim financial report in conformity with FRS 134, Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial statements should be read in conjunction with the most recent audited financial statements of the Group for the financial year ended 31 March 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2010.

**A2 Changes in accounting policies**

The significant accounting policies adopted for the interim financial statements are consistent with those in the audited financial statements for the year ended 31 March 2010 except for the adoption of new standards, amendments to standards and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2010. The adoption of these standards, amendments and interpretations do not result in significant changes in accounting policies of the Group other than the following:-

(i) FRS 7 Financial Instruments : Disclosures

FRS 7 requires disclosures in financial statements that enable users to evaluate the significance of financial instruments of the entity to which is exposed and how these risks are managed. This is a disclosure standard with no impact on the financial position or financial performance of the Group.

(ii) FRS 8 Operating Segments

FRS 8 replaces FRS 114 Segment Reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that for internal reporting purposes.

The Group presents its segment information based on its business segments for its internal reporting purposes and the format, the basis of measurement of segment results are the same as that for external reporting purposes. This standard does not have any impact on the financial position and results of the Group

(iii) FRS 101: Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transaction with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. This standard does not have any impact on the financial position and results of the Group.

(iv) FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some

### A3 Audit report of preceding annual financial statements

The audit report for the financial statements of the Group for the financial year ended 31 March 2010 has expressed the following audit qualification: -

#### "1. Report on the financial statements

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

##### 1.1 Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act 1965 ("Act") and the Approved Accounting Standards for Entities Other Than Private Entities in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### 1.2 Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in paragraph 1.3, we conducted our audit in accordance with the Approved Standards on Auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

##### 1.3 Basis for qualified opinion

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

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

#### 1.4 Qualified opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recoverability of the amounts due to the Group by the former director and due to the Company by LFEI as explained in paragraph 1.3, the financial statements have been properly drawn up in accordance with the Act and the Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2010, and of their financial performance and their cash flows for the year ended 31 March 2010.

#### 2. Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries incorporated in Malaysia of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the Group's financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the Group's financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material in relation to the Group's financial statements and did not include any comment made under Section 174(3) of the Act.

#### 3. Other matters

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

#### **A4 Seasonality or cyclicity factors**

For the period under review, the business operations of the Group were not significantly affected by any seasonal or cyclical factors.

#### **A5 Unusual and extraordinary items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date under review.

#### **A6 Changes in accounting estimates**

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the current quarter and financial period-to-date results.

#### **A7 Debts and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period-to-date under review.

**A8 Dividends paid**

No dividend was paid for the current quarter and financial period-to-date under review.

**A9 Segmental reporting**

3 months period ended 30 September 2010	Electrical & mechanical RM'000	Property & investment holding RM'000	Distribution of consumer electronics products RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>					
External Sales					
Malaysia	2,327	-	4,557	-	6,884
Overseas	44,099	-	-	-	44,099
Total revenue	46,426	-	4,557	-	50,983
<b>RESULTS</b>					
Operating profit /(loss)	2,145	(1,504)	129	-	770
Interest expense	(2,673)	-	(22)	-	(2,695)
Income tax	(52)	-	(22)	-	(74)
(Loss)/ profit after tax	(580)	(1,504)	85	-	(1,999)
Minority interest					(42)
Net profit					(2,041)

**A10 Carrying amount of revalued assets**

The valuations of land and buildings have been brought forward without amendment from the previous audited financial statements.

**A11 Material events subsequent to balance sheet date**

There was no material event subsequent to the end of the reporting period and up to the date of issuance of this report.

**A12 Changes in the composition of the Group**

There were no changes in the compositions of the Group during the period under review.

**A13 Capital commitments**

There were no capital commitments for the quarter and financial period under review.

**A14 Changes in contingent liabilities and contingent assets**

There were no material changes in contingent liabilities of the Company and the Group since the date of the last financial statements.

**A15 Related party transactions**

The Group and the Company had the following transactions with related parties during the financial year.

	Current quarter ended 30.09.2010 RM'000	Cumulative period ended 30.09.2010 RM'000
<b>Transactions with key management personnel</b>		
Rental expenses paid to a director		
- Lew Mew Choi	15	33
<b>Transactions with a company in which a director and substantial shareholder has interests</b>		
Rental expenses payable		
- Megaduct Systems (M) Sdn Bhd	49	93
Maintenance charges		
- Megaduct Systems (M) Sdn Bhd	12	17



## B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

### B1 Review of performance

For the period under review, the Group achieved revenue of RM50.9 million which is 54.5% lower compared to the previous year's corresponding period. The lower revenue was due to lower contribution from the construction activities undertaken by the Group.

The Group registered loss after taxation of RM2.0 million for the financial period ended 30 September 2010 compared to profit of RM1.4 million in the previous year's corresponding period.

### B2 Comparison between the current quarter and immediate preceding quarter

For the quarter under review, the Group recorded revenue and loss after taxation of RM13.4 million and RM2.1 million respectively compared to revenue and profit after taxation of RM44.3 million and RM0.7 million respectively in the immediate preceding quarter. This was mainly due to the higher provision of doubtful debts in the immediate preceding quarter.

### B3 Current year prospects

In view of the competitiveness of the industry, the Group is expecting challenging times ahead for the forthcoming financial year ending 31 March 2011.

### B4 Variance of profit forecast

Not applicable as the Group did not publish any profit forecast.

### B5 Tax expense / (Credit)

	Current quarter ended		Cumulative period ended	
	30.09.2010 RM'000	30.09.2009 RM'000	30.09.2010 RM'000	30.09.2009 RM'000
Malaysian income tax	(4)	12	22	20
Overseas taxation	0	1	52	23
Tax expense / (Credit)	<u>(4)</u>	<u>13</u>	<u>74</u>	<u>43</u>

### B6 Sale of unquoted investments and properties

The disposal of properties for the current quarter and financial period-to-date are as follows:

	Current quarter ended 30.09.2010	Cumulative quarter ended 30.09.2010
	RM RM'000	RM RM'000
<u>Disposal of investment properties</u>		
Sales proceeds	320	5,220
Carrying value	(320)	(5,220)
Profit on disposal	<u>-</u>	<u>-</u>

## B7 Status of corporate proposals announced

There was no corporate proposals announced as at the reporting date except as disclosed below.

On 18 May 2010, the Company made an announcement to Bursa Securities that its wholly-owned subsidiary, LFE Engineering Sdn Bhd ("LFEE") has on 18 May 2010 entered into a Sale of Shares Agreement ("SSA") with Green Resource Engineering Company Limited for the disposal of its entire equity interests of 1,900,000 ordinary share of USD1.00 each in LFE Engineering (Shanghai) Limited ("LFES") and 1 ordinary share of USD1.00 in Loong Fuat Engineering Limited ("LFEL") ("the Sale Shares") for a total cash consideration of RM 6.0 Million ("The Proposed Disposals")

Upon completion of the Proposed Disposals, LFES and LFEL ("the Companies") will cease to be wholly-owned subsidiaries of LFEE and the Group.

LFE agrees to sell and Green Resource agrees to buy the Sale Shares free from all encumbrances, subject to the terms and conditions of the SSA.

The salient terms of the SSA are as follows :-

- (a) The Sale Shares are disposed off by LFEE to the Purchaser free from all liens, charges, mortgages, options, claims and other encumbrances whatsoever;
- (b) There is an ultimate inter-company balance as at 31 March 2010 amounting to RM524,985 which is owed by LFEE to the Companies and the consideration of RM 6.0 Million shall less the said sum of RM524,985;
- (c) The schedule of payment of the consideration (less the inter-company balance of RM524,985) is as follows :
  - (i) RM1,200,000 upon the execution of the SSA;
  - (ii) RM3,275,015 within 14 days from the date of the SSA or such extended time as mutually agreed by the parties; and
  - (iii) RM1,000,000 1 year from the date of the proposed SSA secured by a bank guarantee.

The disposal was completed in July 2010

## B8 Borrowings and debt securities

Details of the Group's borrowings as at 30 September 2010 are as follows:

	30.09.2010 RM'000	30.09.2009 RM'000
<b>Short Term Borrowings</b>		
Bank Overdraft	3,603	8,874
Revolving Credit	11,438	14,808
Term loan	7,972	33,235
Hire purchase	44	115
	<u>23,057</u>	<u>57,032</u>
<b>Long Term Borrowings</b>		
Term loan	21,572	2,061
Hire purchase	89	156
	<u>21,661</u>	<u>2,217</u>
<b>Total</b>	<u>44,718</u>	<u>59,249</u>

The above inclusive of borrowings in foreign currency of AED10 million. The exchange rates used was 1 AED = RM0.8407

## B9 Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

**B10 Changes in material litigation**

On 24 May 2010, the Company has made an application for the appointment of a sole arbitrator and commencement of arbitration proceedings pursuant to the Kuala Lumpur Regional Centre for Arbitration Rules, against its major shareholder and former director for the recovery of debt amounting to RM26,356,698.

On 9 July 2010, the Company has been informed by the Director of the Kuala Lumpur Regional Centre for Arbitration ("KLRC") vide his letter dated 9 July 2010 (Ref: KLRC/D/ADM-18-2010) that a sole arbitrator has been appointed under the Rules for Arbitration of the KLRC in respect of the Arbitration Proceedings.

Save as the above, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date.

**B11 Dividend payable**

No interim dividend has been recommended for the current quarter under review.

**B12 Earnings per share****(a) Basic earnings per share**

The basic earnings per share has been calculated by dividing the Group's net profit/ (loss) for the period by the weighted average number of shares in issue.

	3 months ended		Comparative	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Net profit attributable to shareholders of the Company ('000)	(2,076)	659	(2,041)	1,397
Weighted average number of shares	84,900	84,900	84,900	84,900
Basic earnings per share (sen)	(2.45)	0.78	(2.40)	1.65

**(b) Diluted earnings per share**

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

**B13 Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 November 2010.