

LEBTECH BERHAD
Company No: 590945-H
(Incorporated in Malaysia)

Reports and Financial Statements
For The Financial Year Ended 31 December 2015

Company No. 590945-H

LEBTECH BERHAD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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Company No. 590945-H

LEBTECH BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

Board of Directors	:	Tan Sri Datuk Adzmi bin Abdul Wahab Norazmi bin Mohamed Nurdin Dato' Nik Ismail bin Dato' Nik Yusoff Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin Dato' Hazli bin Ibrahim
Company Secretary	:	Nor Shazila binti Mohd Sawai (MACS 01552)
Registered Office and Principal Place of Business	:	Wisma Lebar Daun No.2, Jalan Tengku Ampuan Zabedah J9/J Seksyen 9, 40000 Shah Alam Selangor Darul Ehsan
Auditors	:	Afrizan Tarmili Khairul Azhar (AF:1300) 4-04-2, Presint Alami Pusat Perniagaan Worldwide 2 Seksyen 13, 40100 Shah Alam Selangor Darul Ehsan
Principal Bank	:	CIMB Bank Berhad

LEBTECH BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the year	<u>2,938,026</u>	<u>280,809</u>
Loss attributable to: Owners of the Company	<u>2,938,026</u>	<u>280,809</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Datuk Adzmi bin Abdul Wahab
Norazmi bin Mohamed Nurdin
Dato' Nik Ismail bin Dato' Nik Yusoff
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin
Dato' Hazli bin Ibrahim
Dato' Noorazhar bin Mohamed Nurdin

(Deceased on 23.05.2015)

LEBTECH BERHAD
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DIRECTORS' INTERESTS

The interest and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2015	During the year		At 31.12.2015
		Bought	Sold	
Shareholdings in which Directors have direct interest				
Norazmi bin Mohamed Nurdin	5,016,000	-	-	5,016,000
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	62,817,000	-	-	62,817,000
Dato' Hazli bin Ibrahim	554,400	-	-	554,400
Shareholdings in which Directors have deemed interests				
Norazmi bin Mohamed Nurdin	81,142,800	-	-	81,142,800
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	23,341,800	-	-	23,341,800
Dato' Hazli bin Ibrahim	157,000	-	-	157,000

By virtue of their interests in the shares of the Company, Norazmi bin Mohamed Nurdin, Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin and Dato' Hazli bin Ibrahim are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Lebttech Berhad has an interest.

None of the other Directors holding office at 31 December 2015 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

LEBTECH BERHAD
(Incorporated in Malaysia)

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit and loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 were not substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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AUDITORS

The auditors, Messrs AFRIZAN TARMILI KHAIRUL AZHAR, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



NORAZMI BIN MOHAMED NURDIN
Director



DATO' NIK ISMAIL BIN DATO' NIK YUSOFF
Director

Shah Alam, Selangor

Date: **29 MAR 2016**

LEBTECH BERHAD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965**

We, NORAZMI BIN MOHAMED NURDIN and DATO' NIK ISMAIL BIN DATO' NIK YUSOFF being two of the Directors of LEBTECH BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 57 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and statement of cash flows for the year then ended on that date.

The supplementary information set out in the financial statements on page 58 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



NORAZMI BIN MOHAMED NURDIN
Director



DATO' NIK ISMAIL BIN DATO' NIK YUSOFF
Director

Shah Alam, Selangor

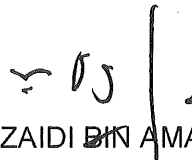
Date: **29 MAR 2016**

LEBTECH BERHAD
(Incorporated in Malaysia)

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965**

I, ADDY RIZALDI BIN AMAT TOSIRIM, the officer primarily responsible for the financial management of Lebttech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 57 and the supplementary information set out on page 58 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

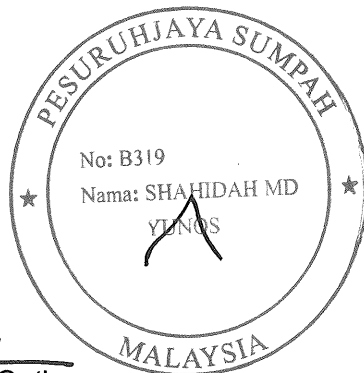
Subscribed and solemnly declared }
by the above named ADDY RIZALDI }
BIN AMAT TOSIRIM at Shah Alam }
in Selangor on **29 MAR 2016** }


ADDY RIZALDI BIN AMAT TOSIRIM

Before me:


Commissioner for Oaths

Shah Alam, Selangor



No. 7-1F
Jln. Boing Padang G 13/G,
Seksyen 13 40100 Shah Alam
Selangor



AFRIZAN TARMILI KHAIRUL AZHAR
Chartered Accountants (AF1300)

Aftaas, 2, Jalan Rampai Niaga 2, Rampai Business Park, 53300, Kuala Lumpur
☎ (603) 4143 9330 📠 (603) 4142 9330 ✉ aftaas@aftaas.com

Company No. : 590945-H

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEBTECH BERHAD

Report on the Financial Statements

We have audited the financial statements of Lebttech Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 57.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Member of Parker Randall International



Parker Randall

• Kuala Lumpur

• Shah Alam

• Kuantan

• Ipoh

• Kota Bharu



Company No. : 590945-H

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEBTECH BERHAD (CONTINUED)

Emphasis of Matter

We draw attention to Note 22.3 to the financial statements. The Group conducts its business activities during the year mainly with related parties and these have been approved during the Company's Annual General Meeting. This has inadvertently increase the exposure to credit risk and going concern risk. For the financial year ended at 31 December 2015, the Group through its subsidiary company derived 100% of its revenue from related parties and at the balance sheet date, 91% of Group's trade receivables are due from related parties. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 58 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Member of Parker Randall International



• Kuala Lumpur

• Shah Alam

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• Kota Bharu



Company No. : 590945-H

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LEBTECH BERHAD (CONTINUED)**


Other Matters

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


AFRIZAN TARMILI KHAIRUL AZHAR
AF 1800
Chartered Accountants (Malaysia)

Kuala Lumpur, Malaysia

Date: **29 MAR 2016**


MOHD AFRIZAN HUSAIN
Chartered Accountant (M)
1805/11/16 (J/PH)
Partner

Member of Parker Randall International



• Kuala Lumpur

• Shah Alam

• Kuantan

• Ipoh

• Kota Bharu

LEBTECH BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Non-current assets					
Property, plant and equipment	5	2,924,008	3,116,071	-	-
Intangible assets	6	11,803,642	11,803,642	-	-
Investment properties	7	465,000	480,000	-	-
Investment in subsidiaries	8	-	-	74,500,002	74,500,002
Deferred tax assets	9	4,110,000	3,299,000	-	-
Total non-current assets		19,302,650	18,698,713	74,500,002	74,500,002
Current assets					
Trade and other receivables	10	162,958,384	166,943,437	2,328,458	2,537,238
Cash and cash equivalents	11	1,399,189	1,386,138	5,467	5,501
Total current assets		164,357,573	168,329,575	2,333,925	2,542,739
Total assets		183,660,223	187,028,288	76,833,927	77,042,741
Equity					
Share capital	12	68,241,838	68,241,838	68,241,838	68,241,838
Reserves	12	10,477,946	10,477,946	10,477,946	10,477,946
Retained earnings/ (Accumulated losses)	12	49,968,720	52,906,746	(2,129,284)	(1,848,475)
Total equity		128,688,504	131,626,530	76,590,500	76,871,309
Current liabilities					
Deferred income	14	2,584,311	838,330	-	-
Trade and other payables	15	47,097,948	47,075,744	243,427	171,432
Current tax liabilities		407,160	2,165,394	-	-
Loans and borrowings	13	4,882,300	5,322,290	-	-
Total current liabilities		54,971,719	55,401,758	243,427	171,432
Total equity and liabilities		183,660,223	187,028,288	76,833,927	77,042,741

The accompanying notes form an integral part of the financial statements.

LEBTECH BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	16	40,592,448	78,331,932	-	-
Cost of sales		(40,457,172)	(70,166,183)	-	-
Gross profit		135,276	8,165,749	-	-
Other income		1,087,357	4,614,747	71	14,079
Administrative expenses		(4,574,973)	(4,855,646)	(280,859)	(301,465)
Results from operating activities		(3,352,340)	7,924,850	(280,788)	(287,386)
Finance costs		(401,267)	(386,200)	-	-
(Loss)/Profit before tax	17	(3,753,607)	7,538,650	(280,788)	(287,386)
Taxation	18	815,581	(1,991,381)	(21)	(16)
(Loss)/Profit for the year attributable to owners of the Company / Total comprehensive (expense)/ income for the year attributable to owners of the Company		(2,938,026)	5,547,269	(280,809)	(287,402)
Basic earnings per ordinary share (sen) attributable to owners of the Company	19	(2.15)	4.06		

The accompanying notes form an integral part of the financial statements.

LEBTECH BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

Group	<----- Non-distributable ----->		Distributable	Total equity RM
	Share capital RM	Share Premium RM	Retained earnings/ (Accumulated losses) RM	
At 1 January 2014	68,241,838	10,477,946	47,359,477	126,079,261
Total comprehensive income for the year	-	-	5,547,269	5,547,267
At 31 December 2014 / 1 January 2015	68,241,838	10,477,946	52,906,746	131,626,530
Total comprehensive expense for the year	-	-	(2,938,026)	(2,938,026)
At 31 December 2015	68,241,838	10,477,946	49,968,720	128,688,504
Company				
At 1 January 2014	68,241,838	10,477,946	(1,561,073)	77,158,711
Total comprehensive expense for the year	-	-	(287,402)	(287,402)
At 31 December 2014 / 1 January 2015	68,241,838	10,477,946	(1,848,475)	76,871,309
Total comprehensive expense for the year	-	-	(280,809)	(280,809)
At 31 December 2015	68,241,838	10,477,946	(2,129,284)	76,590,500

The accompanying notes form an integral part of the financial statements.

LEBTECH BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(3,753,607)	7,538,650	(280,788)	(287,386)
<i>Adjustment for:</i>					
Depreciation of property, plant and equipment		205,587	239,741	-	-
Depreciation of investment properties		15,000	15,000	-	-
Finance costs		401,267	386,200	-	-
Gain on disposal of property, plant and equipment		(849)	(13,999)	-	(13,999)
Interest income		(42,297)	(40,128)	-	-
Reversal of impairment loss on receivables		(807,671)	(2,989,704)	-	-
Reversal of trade payables		-	(1,336,765)	-	-
Operating (loss)/profit before changes in working capital		(3,982,570)	3,798,995	(280,788)	(301,385)
Trade and other payables		(13,544)	(12,554,556)	71,996	-
Trade and other receivables		6,538,703	10,240,010	-	-
Cash flows generated from/ (used in) operations		2,542,589	1,484,449	(208,792)	(301,385)
Interest received		42,297	40,128	-	-
Interest paid		(401,267)	(386,200)	-	-
Tax paid		(1,753,652)	(1,918,007)	(21)	(16)
Net cash flows generated from/(used in) operating activities		429,967	(779,630)	(208,813)	(301,401)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(13,525)	(44,133)	-	-
Advance to related companies		35,749	36,825	-	-
Proceeds from disposal of property, plant and equipment		850	14,000	-	14,000
Repayment from subsidiaries		-	-	208,779	279,147
Net cash flows generated from investing activities		23,074	6,692	208,779	293,147

The accompanying notes form an integral part of the financial statements.

LEBTECH BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Cash flows from financing activities					
Repayment of borrowings		(399,000)	(723,000)	-	-
Repayment of hire purchase		-	(53,284)	-	-
Increase in pledged deposits		(42,490)	(40,107)	-	-
Net cash flow used in financing activities		(441,490)	(816,391)	-	-
Net increase/(decrease) in cash and cash equivalents		11,551	(1,589,329)	(34)	(8,254)
Cash and cash equivalents at 1 January		(3,816,939)	(2,227,610)	5,501	13,755
Cash and cash equivalents at 31 December	11	(3,805,388)	(3,816,939)	5,467	5,501

The accompanying notes form an integral part of the financial statements.

LEBTECH BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. CORPORATE INFORMATION

Lebtech Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its principal place of business and registered office of the Company is as follows:

Wisma Lebar Daun
No 2, Jalan Tengku Ampuan Zabedah J9/J
Seksyen 9, 40000 Shah Alam
Selangor Darul Ehsan

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29th March 2016.

2. BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the respective significant accounting policies.

These financial statements are presented in Ringgit Malaysia.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 6 - measurement of the recoverable amounts of intangible assets
- Note 7 - valuation of investment properties
- Note 9 - recognition of deferred tax assets/liabilities

LEBTECH BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

LEBTECH BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
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3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 15, Revenue from Contracts with Customers (continued)

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprised the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations arising from common control transfer.

The consideration transferred for the acquisition of subsidiary is the fair values of the asset transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Group recognises any controlling interest in the acquire on the acquisition-by-acquisition basis, either at the fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's separate financial statements balance sheet at cost less accumulated impairment losses, if any. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts are included in profit and loss.

(ii) Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in full.

(b) Financial instruments

Financial instruments are categorised and measured using accounting policies as mentioned below.

(i) Initial recognition and measurement

A financial instrument is recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognise initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial Instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) *Loans and receivables*

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) *Loans and receivables (continued)*

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) *Available-for-sale financial assets*

Available for sale financial assets category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, which is recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment losses (see Note 4(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss.

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

The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation and impairment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is depreciated on a straight line method using the same rate of the freehold building due to the freehold land cost on which the building is located cannot be segregated.

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

• leasehold land and buildings	50 years
• plant and equipment	2.5 - 10 years
• fixtures and fittings	8 - 10 years
• motor vehicles	5 years

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(iii) Depreciation and impairment (continued)

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted prospectively, if appropriate.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Likewise, when the conditions for impairment no longer exist after considering indications from both external and internal sources, a write-back on the asset values will be performed. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

(d) Intangible assets

(i) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(i) Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(ii) Impairment

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve. Impairment is recognised immediately as expenses and is not subsequently reversed.

(e) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment property carried at cost

Investment properties are stated at cost less any accumulated depreciation consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 4(c).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of fifty (50) years for buildings.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties (continued)

Investment property carried at cost (continued)

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

Property is subject to impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus.

(f) Leased assets

Leases

Lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

Finance lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to make the sale.

(h) Constructions work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables in the statements of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statements of financial position.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 4(b).

(j) Impairment

(i) Financial assets

All financial assets (except investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, assets arising from construction contract and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financing cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(m) Revenue

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Other income

(i) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company has the right to receive payment is established.

(iii) Interest income

Interest income is recognised on accrual basis, using the effective interest method in profit or loss.

(o) Borrowing costs

Borrowings costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Following the adoption of revised MFRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax expense (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of MFRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise they are charged to the profit or loss. Dividends to shareholders are recognised in equity in the period in which they are declared and approved.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value information

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold	Motor	Plant,	Fixtures,	Total
	land and buildings	vehicles	machinery, office and tele- communication equipment	fittings and renovation	
Cost	RM	RM	RM	RM	RM
At 1 January 2014	3,566,005	2,762,566	1,065,874	260,290	7,654,735
Additions	-	4,771	29,837	9,525	44,133
Disposals	-	(103,017)	-	-	(103,017)
At 31 December 2014/ 1 January 2015	3,566,005	2,664,320	1,095,711	269,815	7,595,851
Additions	-	-	13,525	-	13,525
Disposal	-	-	(13,350)	-	(13,350)
At 31 December 2015	3,566,005	2,664,320	1,095,886	269,815	7,596,026
Accumulated depreciation					
At 1 January 2014	713,200	2,509,105	870,607	250,143	4,343,055
Depreciation	71,320	127,227	34,916	6,278	239,741
Disposals	-	(103,016)	-	-	(103,016)
At 31 December 2014/ 1 January 2015	784,520	2,533,316	905,523	256,421	4,479,780
Depreciation	71,320	91,861	37,034	5,372	205,587
Disposal	-	-	(13,349)	-	(13,349)
At 31 December 2015	855,840	2,625,177	929,208	261,793	4,672,018
Carrying amounts					
At 31 December 2014	2,781,485	131,004	190,188	13,394	3,116,071
At 31 December 2015	2,710,165	39,143	166,678	8,022	2,924,008

Motor vehicle acquired on hire purchase

At 31 December 2015, the Group has a motor vehicle acquired by means of hire purchase agreement with carrying value of RM35,941 (2014: RM122,200). The motor vehicle is registered under the name of a director via trust deeds.

Leasehold land and building

The carrying value of the leasehold land and building have not been segregated from the cost and carrying amounts as the information required is not available.

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**NOTES TO THE FINANCIAL STATEMENTS
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6. INTANGIBLE ASSETS

	Group	
	2015 RM	2014 RM
Goodwill	<u>11,803,642</u>	<u>11,803,642</u>

The recoverable amount of the investment in a subsidiary was based on its value in use and the recoverable amount is higher than the carrying amount of this intangible asset. There is no impairment loss recognised during the year.

Value in use was determined by discounting the future cash flows generated from the continuing use of the investment in a subsidiary was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 5-year business plan.
- The subsidiary will continue its operation indefinitely.
- The size of operation will remain with at least or not lower than the current results.
- The discount rate used was the weighted average cost of capital rate for the Group at 10.96%.

The key assumptions represent management's assessment of future trends in the construction industry and are based on both external sources and internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have no impact in impairment of goodwill.
- A 10 percent decrease in future planned revenues would have no impact on the impairment of goodwill.

7. INVESTMENT PROPERTIES

Group	Freehold land and building
<i>Cost</i>	RM
At 31 December 2014/1 January 2015/31 December 2015	<u>750,000</u>
<i>Amortisation</i>	
At 31 December 2014/1 January 2015	270,000
Amortisation for the year	<u>15,000</u>
At 31 December 2015	<u>285,000</u>

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7. INVESTMENT PROPERTIES (CONTINUED)

Group	Freehold land and building RM
<i>Carrying amounts</i>	
At 31 December 2014	<u>480,000</u>
At 31 December 2015	<u>465,000</u>
<i>Fair value</i>	
At 31 December 2014/1 January 2015/31 December 2015	<u>1,860,000</u>

The carrying value of the freehold land and building have not been segregated from the cost and carrying amounts as the information required is not available.

The valuation of investment property was prepared by a qualified external valuer by using a comparative method of valuation. The desktop valuation was performed on 12 January 2011 by external valuer. The Directors are of the opinion that the value of the property does not vary significantly than the last valuation.

The following are recognised in the statement of profit or loss in respect of investment properties:

	2015 RM	2014 RM
Direct operating expenses	<u>5,878</u>	<u>5,510</u>

Investment properties are located in Malaysia and comprise:

Property	Title	Approximate net lettable area
Lot 9024, Lot 9026 & Lot 9028 At Jalan Mahang 1, Taman Meru Utama, Klang	Freehold	Land – 468 sq meter Building – 1,809 sq meter

Security

At 31 December 2015, the properties are pledged to a licensed bank to secure banking facilities granted to the Group (see Note 13).

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8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RM	2014 RM
At cost:		
Unquoted shares	74,700,002	74,700,002
Direct operating expenses	<u>(200,000)</u>	<u>(200,000)</u>
	<u>74,500,002</u>	<u>74,500,002</u>

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2015 %	2014 %
Lebtech Construction Sdn. Bhd.	Malaysia	Civil and building construction	100	100
Lebtech Energy Sdn. Bhd.	Malaysia	Trading and services	100	100
Paksi Aman Sdn. Bhd.	Malaysia	Dormant	100	100

*All subsidiaries are audited by Messrs Afrizan Tarmili Khairul Azhar.

9. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are disclosed in the statement of financial position.

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

Group	Assets		Liabilities		Net	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Property, plant and equipment	-	-	(29,400)	(48,600)	(29,400)	(48,600)
Provisions	4,139,400	3,347,600	-	-	4,139,400	3,347,600
Net tax assets	<u>4,139,400</u>	<u>3,347,600</u>	<u>(29,400)</u>	<u>(48,600)</u>	<u>4,110,000</u>	<u>3,299,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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9. DEFERRED TAX ASSETS (CONTINUED)

Movement in temporary differences during the year

Group	At	Recognised	At	Recognised	At
	1.1.2014	in profit or loss (Note 18)	31.12.2014 / 1.1.2015	in profit or loss (Note 18)	31.12.2015
	RM	RM	RM	RM	RM
Property, plant and equipment	(52,344)	3,744	(48,600)	19,200	(29,400)
Provisions	4,095,344	(747,744)	3,347,600	791,800	4,139,400
Net tax assets	4,043,000	(744,000)	3,299,000	811,000	4,110,000

10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Trade					
Trade receivables	a	1,742,400	1,742,400	-	-
Amount due from contract customers	b	13,277,629	12,330,316	-	-
Amount due from related parties	c	145,989,811	150,939,920	-	-
		<u>161,009,840</u>	<u>165,012,636</u>	-	-
Non-trade					
Amount due from subsidiaries	d	-	-	2,328,458	2,537,238
Other receivables		1,804,336	1,771,395	-	-
Deposits		130,595	147,842	-	-
Prepayments		13,613	11,564	-	-
		<u>1,948,544</u>	<u>1,930,801</u>	<u>2,328,458</u>	<u>2,537,238</u>
		<u>162,958,384</u>	<u>166,943,437</u>	<u>2,328,458</u>	<u>2,537,238</u>

Note a

Included in trade receivables of the Group at 31 December 2015 are retention sums of RM1,742,400 (2014: RM1,742,400) relating to amount due from contract customers.

The Group's credit policy provides trade receivable with credit period of up to 60 days (2014: 60 days). Significant credit and recovery risks associated with receivable have been provided for in the financial statement.

The ageing of receivables as at the end of the reporting period is disclosed in Note 22.3.

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**NOTES TO THE FINANCIAL STATEMENTS
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10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note b

Amount due from contract customers

	Note	2015 RM	Group 2014 RM
Aggregate costs incurred to-date		569,020,239	707,460,700
Add: Attributable profits		55,360,424	92,140,280
		<u>624,380,663</u>	<u>799,600,980</u>
Less: Progress billings		(613,687,345)	(788,108,994)
		<u>10,693,318</u>	<u>11,491,986</u>
Deferred income	14	2,584,311	838,330
		<u>13,277,629</u>	<u>12,330,316</u>

Note c

	2015 RM	Group 2014 RM
Amount due from related companies (Gross)	157,572,668	163,330,448
Less: Impairment losses	(11,582,857)	(12,390,528)
Amount due from related companies (Net)	<u>145,989,811</u>	<u>150,939,920</u>

Amounts due from related parties are mainly derived from issuance of progress billings. The amounts are unsecured and subject to the normal trade terms. Included in progress billings receivable at 31 December 2015 are retention sums of RM43,212,553 (2014: RM41,237,437) relating to amount due from contract customers.

Note d

Amount due from subsidiaries are unsecured, interest-free and repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposit placed with licensed banks	1,373,277	1,330,787	-	-
Cash and bank balances	<u>25,912</u>	<u>55,351</u>	<u>5,467</u>	<u>5,501</u>
	1,399,189	1,386,138	5,467	5,501
Less:				
Bank overdraft (Note 13)	(3,831,300)	(3,872,290)	-	-
Deposit pledged	<u>(1,373,277)</u>	<u>(1,330,787)</u>	<u>-</u>	<u>-</u>
	(3,805,388)	(3,816,939)	5,467	5,501

Deposits placed with licensed banks pledged for bank facilities

Included in the deposits placed with licensed banks are RM1,346,197 (2014: RM1,304,507) pledged for bank facilities and RM27,080 (2014: RM26,280) pledged as collateral for bank facilities granted to third parties and disclosed in Note 13.

12. CAPITAL AND RESERVES

	2015 RM	2014 RM
Group and Company		
Share capital		
Authorised:		
500,000,000 Ordinary shares of RM0.50 each	<u>250,000,000</u>	<u>250,000,000</u>
Issued and fully paid:		
136,483,676 Ordinary shares of RM0.50 each	<u>68,241,838</u>	<u>68,241,838</u>
Group		
Reserves		
Share premium reserves	<u>10,477,946</u>	<u>10,477,946</u>
Retained earnings	<u>49,968,720</u>	<u>52,906,746</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

12. CAPITAL AND RESERVES (CONTINUED)

Company		
Reserves		
Share premium reserves	<u>10,477,946</u>	<u>10,477,946</u>
Accumulated losses	<u>(2,129,284)</u>	<u>(1,848,475)</u>

13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate, see Note 22.

	2015 RM	2014 RM
Current		
Bankers' acceptance	1,051,000	1,450,000
Bank overdraft (Note 11)	<u>3,831,300</u>	<u>3,872,290</u>
	<u>4,882,300</u>	<u>5,322,290</u>

The first bank overdraft amounting to RM2,333,127 (2014: RM2,375,320) bears interest at 1.75% to 3.50% (2014: 1.75% to 3.50%) per annum above the bank's Base Lending Rate and is secured by the followings:

- a) third party first legal charge of RM2,500,000 over properties owned by a Director;
- b) corporate guarantee for RM2,900,000 by the Company; and
- c) registered charge over fixed deposit of RM1,346,197 (2014: RM1,304,507).

The second bank overdraft amounting to RM1,498,172 (2014: RM1,496,970) bears interest at 2.50% (2014: 2.50%) per annum above the bank's Base Lending Rate and is secured by the followings:

- a) first legal charge of RM2,000,000 over properties owned by a Director;
- b) legal charge of RM5,000,000 over properties owned by the Group with a carrying amount of RM465,000 (2014: RM480,000) (see Note 7);
- c) personal guarantee for RM2,000,000 by a Director; and
- d) corporate guarantee for RM5,000,000 by the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
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13. LOANS AND BORROWINGS (CONTINUED)

The first bankers acceptance amounting to RM831,000 (2014: RM1,150,000) bears interest at 2.00% (2014: 2.00%) per annum above cost of fund from the date of claim until the date of repayment thereof. It is secured and guaranteed by the followings:

- a) first legal charge of RM2,000,000 over properties owned by a Director;
- b) legal charge of RM5,000,000 over properties owned by the Group with a carrying amount of RM465,000 (2014: RM480,000) (see Note 7);
- c) personal guarantee for RM2,000,000 by a Director; and
- d) corporate guarantee for RM5,000,000 by the Company.

The second bankers acceptance amounting to RM220,000 (2014: RM300,000) bears interest at 1.50% (2014: 1.50%) per annum above cost of fund from the date of claim until the date of repayment thereof. It is secured and guaranteed by the followings:

- a) third party first legal charge of RM2,500,000 over properties owned by a Director;
- b) corporate guarantee for RM2,900,000 by the Company; and
- c) registered charge over fixed deposit of RM1,346,197 (2014: RM1,304,507).

14. DEFERRED INCOME

	Group	
	2015	2014
	RM	RM
Customer advances for construction work-in-progress (see Note 10)	<u>2,584,311</u>	<u>838,330</u>

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NOTES TO THE FINANCIAL STATEMENTS
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15. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Trade					
Trade payables	a	<u>45,948,941</u>	<u>46,468,202</u>	<u>-</u>	<u>-</u>
Non-trade					
Other payables		1,020,080	510,610	200,000	150,000
Accrued expenses		<u>128,927</u>	<u>96,932</u>	<u>43,427</u>	<u>21,432</u>
		<u>1,149,007</u>	<u>607,542</u>	<u>243,427</u>	<u>171,432</u>
		<u>47,097,948</u>	<u>47,075,744</u>	<u>243,427</u>	<u>171,432</u>

Note a

- i) The normal trade terms granted to the Group range from 30 days to 90 days (2014: 30 days to 90 days).
- ii) Included in the trade payables are:-
 - a) Amount totaling RM1,996,633 (2014: RM1,996,633) owing to a related party and
 - b) Amount totaling RM16,845,631 (2014: RM15,498,460) are retention sums.

16. REVENUE

	Group	
	2015 RM	2014 RM
Construction contracts	<u>40,592,448</u>	<u>78,331,932</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(a) (Loss)/Profit for the year is arrived at after charging:				
Auditors' remuneration	105,500	105,500	20,000	20,000
Construction costs	40,457,172	70,166,183	-	-
Depreciation of investment properties	15,000	15,000	-	-
Depreciation of property, plant and equipment	205,587	239,741	-	-
Interest expense on:				
- bank overdrafts	325,152	287,944	-	-
- borrowings	76,115	97,490	-	-
- finance lease	-	766	-	-
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	300,582	303,571	-	-
- wages, salaries and others	2,919,336	3,149,855	160,000	170,000
and after crediting:				
Gain on disposal of property, plant and equipment	(849)	-	-	-
Interest income	(42,297)	(40,128)	-	-
Rental income from equipment leases	(48,960)	(48,570)	-	-
Rental income from property leases	(185,220)	(183,750)	-	-
Reversal of impairment loss on receivables	(807,671)	(2,989,704)	-	-
Reversal of trade payables	-	(1,336,765)	-	-

(b) Employees' information

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries and allowances	2,885,582	3,096,240	160,000	170,000
Contribution to employees				
Provident Fund	300,582	303,571	-	-
Other benefits	33,754	53,615	-	-

The total number of employees of the Group and the Company (including Directors) at year end were 48 (2014: 65) and 5 (2014: 6) respectively.

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NOTES TO THE FINANCIAL STATEMENTS
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18. TAXATION

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Current tax expense					
Malaysian – current		-	1,278,000	-	-
– prior year		(4,581)	(30,619)	21	16
Total current tax expense		(4,581)	1,247,381	21	16
Deferred tax expense					
Origination and reversal of temporary differences		(811,000)	744,000	-	-
Total deferred tax expense	9	(811,000)	744,000	-	-
Total tax expense		<u>(815,581)</u>	<u>1,991,381</u>	<u>21</u>	<u>16</u>
Reconciliation of effective tax expense					
(Loss)/Profit before tax		(3,753,607)	7,538,650	(280,788)	(287,386)
Tax at Malaysian tax rate of 25%		(938,402)	1,884,662	(70,197)	(71,847)
Non-deductible expenses		122,932	125,226	70,197	71,847
Non-taxable income		4,470	12,112	-	-
		<u>(811,000)</u>	<u>2,022,000</u>	<u>-</u>	<u>-</u>
(Over)/Under provision in prior year:					
- tax expense		(4,581)	(30,619)	21	16
		<u>(815,581)</u>	<u>1,991,381</u>	<u>21</u>	<u>16</u>

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the loss attributable to ordinary shareholders of RM2,938,029 (2014: profit of RM5,547,269) and 136,483,676 (2014: 136,483,676) ordinary shares outstanding during the year.

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NOTES TO THE FINANCIAL STATEMENTS
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20. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors				
- remuneration	364,000	374,000	160,000	170,000
- other short term employee benefits	24,480	24,480	-	-

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2015	2014
Non executive directors: RM0 to RM110,000	4	5

21. SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the civil and building construction works which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Available-for-sale financial assets (AFS); and
- (c) Other liabilities (OL)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1 Categories of financial instruments (continued)

	Carrying Amount	L&R	OL	AFS
	RM	RM	RM	RM
2015				
Group				
Financial assets				
Trade and other receivables	162,814,176	162,814,176	-	-
Financial liabilities				
Loans and borrowings	4,882,300	-	4,882,300	-
Trade and other payables	46,969,021	-	46,969,021	-
	51,851,321	-	51,851,321	-
Company				
Financial assets				
Trade and other receivables	2,328,458	2,328,458	-	-
Financial liabilities				
Other payables	200,000	-	200,000	-
2014				
Group				
Financial assets				
Trade and other receivables	166,784,031	166,784,031	-	-
Financial liabilities				
Loans and borrowings	5,322,290	-	5,322,290	-
Trade and other payables	46,978,812	-	46,978,812	-
	52,301,102	-	52,301,102	-
Company				
Financial assets				
Trade and other receivables	2,537,238	2,537,238	-	-
Financial liabilities				
Other payables	150,000	-	150,000	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.2 Financial risk management

The Group and the Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, amount due from related companies and investment securities. The Company's exposure to credit risk arises principally from amount due from subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due or impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

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FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.3 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM	Collective Impairment RM	Net RM
2015			
Not past due	70,146,823	-	70,146,823
Past due 91-180 days	16,725,722	-	16,725,722
Past due 181-364 days	31,227,760	-	31,227,760
Past due more than 365 days	55,657,859	(12,748,324)	42,909,535
	<u>173,758,164</u>	<u>(12,748,324)</u>	<u>161,009,840</u>
2014			
Not past due	63,097,995	-	63,097,995
Past due 91-180 days	808,294	-	808,294
Past due 181-364 days	56,710,132	-	56,710,132
Past due more than 365 days	57,952,210	(13,555,995)	44,396,215
	<u>178,568,631</u>	<u>(13,555,995)</u>	<u>165,012,636</u>

The movements in the allowance for impairment losses of trade receivables during the year were:

	2015 RM	2014 RM
At 1 January	13,555,995	16,545,699
Reversal of impairment losses	(807,671)	(2,989,704)
At 31 December	<u>12,748,324</u>	<u>13,555,995</u>

No further impairment losses are provided as management is confident that the balances due is recoverable.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.3 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Group monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM5,322,290 representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Concentration risk

Credit risk concentration profile (under credit risk)

The Group through its subsidiary company has substantial majority of trade receivables which are derived from sales to related companies which accounted for 100.0% of net revenue. Additionally, these two largest customers accounted for 91.1% of our accounts receivable as of 31 December 2015. The management believe that the receivable balances from these largest customers do not represent a significant credit risk based on cash flow forecasts, balance sheet analysis, and past collection experience.

22.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and loans.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM	Contractual interest rate %	Under 1 year RM	Contractual flows RM
2015				
Bankers' acceptance	1,051,000	8.60	1,141,386	1,141,386
Bank overdraft	3,831,300	9.10	4,179,948	4,179,948
Trade and other payables	46,969,021	-	-	46,969,021
	<u>51,851,321</u>		<u>5,321,334</u>	<u>52,290,355</u>
2014				
Bankers' acceptance	1,450,000	8.60	1,574,700	1,574,700
Bank overdraft	3,872,290	9.10	4,224,669	4,224,669
Trade and other payables	46,978,812	-	-	46,978,812
	<u>52,301,102</u>		<u>5,799,369</u>	<u>52,778,181</u>

22.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

In managing the risks, the Company maintain a balance portfolio of fixed and floating rate instruments. All interest rate are monitored and managed proactively by the management.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

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

	2015 RM	2014 RM
Fixed rate instruments		
Financial assets	<u>1,373,277</u>	<u>1,330,787</u>
Floating rate instruments		
Financial liabilities	<u>(4,882,300)</u>	<u>(5,322,290)</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting date would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase RM	100 bp decrease RM
2015		
Floating rate instrument	<u>(36,617)</u>	<u>36,617</u>
2014		
Floating rate instrument	<u>(39,917)</u>	<u>39,917</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee of the Company.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI (FBMVKLCI).

22.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The Directors believe that there is no significant difference between the fair value and the carrying amount of the financial instruments.

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during current and previous financial period/year.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value which is determined for disclosure purposes, is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value information (continued)

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

The fair value of finance lease liabilities is calculated using discounted cash flows where the market rate of interest is determined by reference to similar lease arrangements.

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value as at 31 December 2015 and 31 December 2014 into three different levels as defined above :

	Fair value of financial instruments not carried at fair value			Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Financial assets				
2015				
Group				
Trade and other receivables	-	-	162,958,384	162,958,384
Cash and bank balances	-	-	1,399,189	1,399,189
	-	-	164,357,573	164,357,573
Company				
Investment in subsidiaries	-	-	74,500,002	74,500,002
Trade and other receivables	-	-	2,328,458	2,328,458
Cash and bank balances	-	-	5,467	5,467
	-	-	76,833,927	76,833,927
2014				
Group				
Trade and other receivables	-	-	166,943,437	166,943,437
Cash and bank balances	-	-	1,386,138	1,386,138
	-	-	168,329,575	168,329,575
Company				
Investment in subsidiaries	-	-	74,500,002	74,500,002
Trade and other receivables	-	-	2,537,238	2,537,238
Cash and bank balances	-	-	5,501	5,501
	-	-	77,042,741	77,042,741

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value information (continued)

	Fair value of financial instruments not carried at fair value			Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Financial liabilities				
2015				
Group				
Deferred income	-	-	2,584,311	2,584,311
Trade and other payables	-	-	47,097,948	47,097,948
Borrowings	-	-	4,882,300	4,882,300
	-	-	54,564,559	54,564,559
Company				
Trade and other payables	-	-	243,427	243,427
	-	-	243,427	243,427
2014				
Group				
Deferred income	-	-	838,330	838,330
Trade and other payables	-	-	47,075,744	47,075,744
Borrowings	-	-	5,322,290	5,322,290
	-	-	52,398,034	52,398,034
Company				
Trade and other payables	-	-	171,432	171,432
	-	-	171,432	171,432

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**NOTES TO THE FINANCIAL STATEMENTS
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23. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. Net debt includes loans and borrowing, less cash and bank balances and short term deposits. Capital of the Group represents total equity.

The debt to equity ratio as at 31 December 2015 and 31 December 2014 are as follows:

	Note	2015 RM	2014 RM
Loans and borrowings	13	4,882,300	5,322,290
Less: Cash and bank balances	11	(25,912)	(55,351)
Less: Short term deposits	11	<u>(1,373,277)</u>	<u>(1,330,787)</u>
Net debt		<u>3,483,111</u>	<u>3,936,152</u>
Total equity		<u>128,688,504</u>	<u>131,626,530</u>
Capital and net debt		<u>132,171,615</u>	<u>135,562,682</u>
Gearing ratio		<u>3%</u>	<u>3%</u>

24. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

24. CONTIGENCIES (CONTINUED)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Contingent liabilities				
Corporate guarantee given to supplier for facilities granted to a subsidiary company	-	-	4,300,000	6,480,000
Corporate guarantee given to financial institutions for facilities granted to a subsidiary company	-	-	7,900,000	7,900,000
Payment guarantees issued in the form of bank guarantee given to suppliers by a subsidiary company	200,000	200,000	-	-
	200,000	200,000	12,200,000	14,380,000

25. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

25. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

The Company has related party transactions with the following companies, which are deemed related to the Directors as follows:

- i) Lebar Daun Development Sdn. Bhd. in which Dato' Noor Azman @ Noor Hizam bin Mohamed Nurdin and Norazmi bin Mohamed Nurdin are common Directors; and
- ii) Basco Sdn. Bhd. is deemed related to Dato' Noor Azman @ Noor Hizam bin Mohamed Nurdin and Norazmi bin Mohamed Nurdin.

The significant related party transactions of the Group, other than key management personnel compensation (see Note 20), are as follows:

	Amount transacted for the year ended 31 December	Gross balance outstanding at 31 December	Allowance for impairment loss at 31 December	Net balance outstanding at 31 December	Reversal of impairment loss recognised for the year ended 31 December
2015					
Related parties					
Revenue	41,391,116	157,572,668	11,582,857	145,989,811	(807,671)
Rental income	234,180	-	-	-	-
Construction cost	-	1,996,633	-	1,996,633	-
2014					
Related parties					
Revenue	67,390,632	163,330,448	12,390,528	150,939,920	(2,989,704)
Rental income	232,320	-	-	-	-
Construction cost	-	1,996,633	-	1,996,633	-

The above transactions have been entered into in the normal course of business and have been established on a negotiated basis.

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SUPPLEMENTARY INFORMATION

DISCLOSURE PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015, into realised and unrealised profits, pursuant to paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses as issued by the Malaysian Institute of Accountants, is as follows:

	Group 2015 RM	Company 2015 RM
Total retained earnings/(accumulated losses) of the Company and its subsidiaries :		
- Realised	54,078,720	(2,329,284)
- Unrealised	(4,110,000)	200,000
	<u>49,968,720</u>	<u>(2,129,284)</u>

The disclosure of realised and unrealised above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.