

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

Reports and Financial Statements
For The Financial Year Ended 31 December 2013

(Company No. 590945-H)

LEBTECH BERHAD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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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 Hazli bin Ibrahim Noorazhar bin Mohamed Nurdin
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) 2, Jalan Rampai Niaga 2 Rampai Business Park 53300 Kuala Lumpur
Principal Bank	:	CIMB Bank Berhad

(Company No. 590945-H)

LEBTECH BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2013.

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
Profit/(Loss) for the year	<u>10,885,233</u>	<u>(263,080)</u>
Profit/(Loss) attributable to: Owners of the Company	<u>11,890,418</u>	<u>(263,080)</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
Hazli bin Ibrahim
Noorazhar bin Mohamed Nurdin

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 1.1.2013	Bought	Sold	At 31.12.2013
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
Hazli bin Ibrahim	554,400	-	-	554,400
Noorazhar bin Mohamed Nurdin	254,800	-	-	254,800
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
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, Hazli bin Ibrahim and Noorazhar bin Mohamed Nurdin 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 2013 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 27 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 comprehensive income and statements of financial position 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 2013 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.

(Company No. 590945-H)

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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



HAZLI BIN IBRAHIM

Shah Alam, Malaysia

Date: 28 APR 2014

(Company No. 590945-H)

LEBTECH BERHAD
(Incorporated in Malaysia)

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

We, NORAZMI BIN MOHAMED NURDIN and HAZLI BIN IBRAHIM being two of the Directors of LEBTECH BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 10 to 58 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 2013 and of their financial performance and cash flows for the year then ended on that date.

The supplementary information set out in the financial statements on page 59 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


HAZLI BIN IBRAHIM

Shah Alam, Selangor

Date: 28 APR 2014

(Company No. 590945-H)

LEBTECH BERHAD
(Incorporated in Malaysia)

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

I, MOHD KHAIRY BIN MOHD RAMLY, the officer primarily responsible for the financial management of Lebttech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 58 and the supplementary information set out on page 59 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.

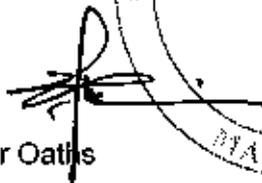
Subscribed and solemnly declared
by the above named MOHD
KHAIRY BIN MOHD RAMLY at
Shah Alam in Selangor on



MOHD KHAIRY BIN MOHD RAMLY

28 APR 2014

Before me:



Commissioner for Oaths

Shah Alam, Malaysia



No. 7 1F
Jln. Dering Pedang G 12/G,
Seksyen 13 40100 Shah Alam
Selangor

aftaas

AFRIZAN TARMILI KHAIRUL AZHAR
Chartered Accountants AF1300

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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 2013 of the Group and of the Company, and statements of comprehensive income, statement of changes in equity and statement 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 10 to 58.

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 2013 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.

Branch Offices :

• Shah Alam

4047, Presint Alam
Presint Perumahan WadiWise 7
Seksyen 1J
40100 Shah Alam, Selangor
Telephone : (603) 5518 1700
Facsimile : (603) 5518 2100
Email : aftaas.shahalam@aftaas.com

• Ipoh

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30000 Ipoh, Perak
Telephone : (605) 242 7179
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Email : aftaas.ipoh@aftaas.com

• Kuantan

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Sri Dagangan 2
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Facsimile : (609) 515 2038
Email : aftaas.kuantan@aftaas.com

• Kota Bharu

Lot 2732A, Wisma Hamidah
Jalan Tu' Kemali, Kubang Kerlan
36150 Kota Bharu, Kelantan
Telephone : (609) 766 7440
Facsimile : (609) 766 7441
Email : aftaas.kb@aftaas.com

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

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 59 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.

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 KHAIROL AZHAR
AF 1300
Chartered Accountants

Shah Alam, Malaysia

Date: 28 APR 2014


MOHD AFRIZAN HUSAIN
Chartered Accountant (M)
1808/11/14 (J/PH)
Partner

LEBTECH BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Non-current assets					
Property, plant and equipment	5	3,311,680	3,417,257	1	1
Intangible assets	6	11,803,642	11,803,642	-	-
Investment properties	7	495,000	510,000	-	-
Investment in subsidiaries	8	-	-	74,500,002	74,500,002
Deferred tax assets	9	4,043,000	4,472,228	-	-
Total non-current assets		19,653,322	20,203,127	74,500,003	74,500,003
Current assets					
Available for sale financial assets	10	-	2,113,918	-	-
Trade and other receivables	11	179,238,939	143,928,181	2,816,385	3,118,849
Cash and cash equivalents	12	1,393,528	1,307,732	13,755	3,939
Total current assets		180,632,467	147,349,831	2,830,140	3,122,788
Total assets		200,285,789	167,552,958	77,330,143	77,622,791
Equity					
Share capital	13	68,241,838	68,241,838	68,241,838	68,241,838
Reserves	13	10,477,946	9,472,761	10,477,946	10,477,946
Retained earnings/ (Accumulated losses)	13	47,359,477	36,474,244	(1,561,073)	(1,297,993)
Total equity		126,079,261	114,188,843	77,158,711	77,421,791
Non-current liabilities					
Loans and borrowings	14	-	53,284	-	-
Total non-current liabilities		-	53,284	-	-
Current liabilities					
Deferred income	15	5,883,524	3,508,950	-	-
Trade and other payables	16	60,930,241	42,179,320	171,432	201,000
Current tax liabilities		2,836,021	816,360	-	-
Loans and borrowings	14	4,556,742	6,806,201	-	-
Total current liabilities		74,206,528	53,310,831	171,432	201,000
Total liabilities		74,206,528	53,364,115	171,432	201,000
Total equity and liabilities		200,285,789	167,552,958	77,330,143	77,622,791

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 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	17	124,863,186	53,372,350	-	-
Cost of sales		(113,360,514)	(49,178,661)	-	-
Gross profit		11,502,672	4,193,689	-	-
Other income		8,002,685	11,571,702	59	1,575
Administrative expenses		(4,857,900)	(5,239,763)	(263,139)	(283,153)
Other operating expenses		-	(3,071,202)	-	-
Results from operating activities		14,647,457	7,454,426	(263,080)	(281,578)
Finance costs		(440,283)	(530,011)	-	-
Profit/(Loss) before tax	18	14,207,174	6,924,415	(263,080)	(281,578)
Income tax expense	19	(3,321,941)	(2,157,939)	-	40,857
Profit/(Loss) for the year attributable to owners of the Company		10,885,233	4,766,476	(263,080)	(240,721)
Other comprehensive expense, net of tax					
Gain on fair value changes for available-for-sale financial assets		1,005,185	(234,378)	-	-
Total comprehensive expense for the year attributable to owners of the Company		11,890,418	4,532,098	(263,080)	(240,721)
Basic earnings per ordinary share (sen) attributable to owners of the Company	20	7.97	3.49		

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

(Company No. 590945-H)

LEBTECH BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

Group	Non-distributable			Distributable		Total equity RM
	Share capital RM	Fair value reserve RM	Share premium RM	Retained earnings/ (Accumulated losses) RM	Total equity RM	
At 1 January 2012	68,241,838	(3,842,009)	10,477,946	31,707,768	106,585,543	
Derecognition of available for sale investment	-	3,071,202	-	-	3,071,202	
Total comprehensive income for the year	-	(234,376)	-	4,766,476	4,532,098	
At 31 December 2012 / 1 January 2013	68,241,838	(1,005,185)	10,477,946	36,474,244	114,188,843	
Total comprehensive income for the year	-	1,005,185	-	10,885,233	11,890,418	
At 31 December 2013	68,241,838	-	10,477,946	47,359,477	126,079,261	

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

(Company No. 590945-H)

LEBTECH BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

Company	Non-distributable		Distributable		Total equity RM
	Share capital RM	Fair value reserve RM	Share premium RM	Retained earnings/ (Accumulated losses) RM	
At 1 January 2012	68,241,838	-	10,477,946	(1,057,272)	77,662,512
Loss for the year	-	-	-	(240,721)	(240,721)
At 31 December 2012 / 1 January 2013	68,241,838	-	10,477,946	(1,297,993)	77,421,791
Loss for the year	-	-	-	(263,080)	(263,080)
At 31 December 2013	68,241,838	-	10,477,946	(1,561,073)	77,158,711

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 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from operating activities		14,207,174	6,924,415	(263,080)	(281,578)
Profit/(Loss) before tax					
<i>Adjustment for:</i>					
Allowance for doubtful debts		-	500,000	-	-
Depreciation of property, plant and equipment	5	245,812	253,838	-	-
Depreciation of investment properties	7	15,000	15,000	-	-
Derecognition of available-for-sale investment		-	3,071,202	-	-
Dividend income		(98,252)	(164,343)	-	-
Finance costs		440,283	530,011	-	-
Gain on disposal of investment in quoted shares		(1,948,046)	(292,529)	-	-
Interest income		(38,232)	(96,279)	-	-
Loss on disposal of property, plant and equipment		35	-	-	-
Reversal of impairment loss on receivables		(1,338,296)	(4,803,221)	-	-
Reversal of provision for doubtful debts		-	(10,000)	-	-
Reversal of trade payables		(4,355,480)	(5,941,335)	-	-
Operating profit/(loss) before changes in working capital		7,129,998	(13,241)	(263,080)	(281,578)
Trade and other payables		23,067,364	(13,176,054)	(29,568)	6,074
Trade and other receivables		(31,597,888)	11,749,108	210	-
Cash flows used in operations		(1,400,526)	(1,440,187)	(292,438)	(275,504)
Interest received		38,232	96,279	-	-
Interest paid		(440,283)	(530,011)	-	-
Tax paid		(873,052)	(1,024,767)	-	-
Tax refund		-	68,151	-	68,151
Net cash flows used in operating activities		(2,675,629)	(2,830,535)	(292,438)	(207,353)

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 2013 (CONTINUED)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from investing activities					
Acquisition of available-for-sale investment		-	(259,000)	-	-
Acquisition of property, plant and equipment		(140,270)	(80,437)	-	-
Advance to related companies		39,037	28,624	-	-
Dividend received		98,252	164,343	-	-
Proceeds from disposal of available-for-sale investment		5,067,149	2,991,940	-	-
Repayment to subsidiaries		-	-	302,254	205,698
Net cash flow from investing activities		5,064,168	2,845,470	302,254	205,698
Cash flows from financing activities					
Repayment of borrowings		(445,000)	(520,000)	-	-
Repayment of hire purchase		(102,627)	(97,373)	-	-
(Increase)/Decrease in pledged deposits		(38,100)	1,078,435	-	-
Net cash flow (used in)/from financing activities		(585,727)	461,062	-	-
Net increase/(decrease) in cash and cash equivalents		1,802,812	475,997	9,816	(1,655)
Cash and cash equivalents at 1 January		(4,030,422)	(4,506,419)	3,939	5,594
Cash and cash equivalents at 31 December	12	(2,227,610)	(4,030,422)	13,755	3,939

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

(Company No. 590945-H)

LEBTECH BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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 28 April 2014.

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 2013 (CONTINUED)

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company:

Effective for financial periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investment in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interest in Other Entities: Transition Guidance*
- Amendments to IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instrument (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements – Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entity – Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements – Investment Entities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge*
- IC Interpretation 21, *Levies*

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Effective for financial periods beginning on or after 1 July 2014

- Amendments to MFRS 2, *Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefits Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)*

Effective for financial periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (IFRS 9 issued by IASB in November 2009)*
- MFRS 9, *Financial Instruments (IFRS 9 issued by IASB in October 2010)*
- Amendments to MFRS 9, *Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009), (IFRS 9 issued by IASB in October 2010)*
- MFRS 9, *Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)*

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Effective for financial periods beginning on or after 1 January 2015 (continued)

The Group and the Company will adopt the pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and the Company upon their initial application, except so described below:

- (a) MFRS 12, 'Disclosures of Interests in Other Entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128, 'Investments in Associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structure entities.
- (b) MFRS 13, 'Fair Value Measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.
- (c) The revised MFRS 127, 'Separate Financial statements' (effective from 1 January 2013) includes the provision on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- (d) Amendment to MFRS 7, 'Financial Instruments: Disclosures' (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognized financial instruments that are offset in the balance sheet and those that are subject to master netting or similar arrangements irrespective of whether they are offset.
- (e) Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

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

Effective for financial periods beginning on or after 1 January 2015 (continued)

- (f) MFRS 9, 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

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, other than those disclosed in note 4(b) - Financial Instruments.

(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
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(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.

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 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 are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

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 the statement of comprehensive income 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 2013 (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 or disposal.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (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 the statement of comprehensive income 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (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
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

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) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 4(b).

(i) 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 statement 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 statement of financial position.

(j) 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).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

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.