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# CORPORATE INFORMATION



## BOARD OF DIRECTORS

**TAN SRI DATUK ADZMI BIN ABDUL WAHAB**  
*Independent Non-Executive Chairman*

**NORAZMI BIN MOHAMED NURDIN**  
*Managing Director*

**DATO' NIK ISMAIL BIN DATO' NIK YUSOFF**  
*Independent Non-Executive Director*

**DATO' NOOR AZMAN @  
NOOR HIZAM BIN MOHD NURDIN**  
*Non-Independent Non-Executive Director*

**DATO' HAZLI BIN IBRAHIM**  
*Independent Non-Executive Director*



#### AUDIT COMMITTEE

Dato' Hazli Bin Ibrahim  
*(Chairman)*  
Tan Sri Datuk Adzmi Bin Abdul Wahab  
Dato' Nik Ismail Bin Dato' Nik Yusoff

#### NOMINATION COMMITTEE

Dato' Nik Ismail Bin Dato' Nik Yusoff  
*(Chairman)*  
Dato' Hazli Bin Ibrahim

#### REMUNERATION COMMITTEE

Tan Sri Datuk Adzmi Bin Abdul Wahab  
*(Chairman)*  
Dato' Nik Ismail Bin Dato' Nik Yusoff  
Dato' Hazli Bin Ibrahim

#### COMPANY SECRETARY

Nor Shazila Binti Mohd Sawai  
*(MACS 01552)*

#### AUDITORS

Afrizan Tarmili Khairul Azhar  
Chartered Accountants  
2, Jalan Rampai Niaga 2  
Rampai Business Park  
53300 Kuala Lumpur  
Tel : 603 4143 9330  
Fax : 603 4142 9330

#### REGISTERED OFFICE

Wisma Lebar Daun  
No. 2, Jalan Tengku Ampuan  
Zabedah J9/J  
Seksyen 9, 40000 Shah Alam  
Selangor Darul Ehsan  
Tel : 603 5511 1333  
Fax : 603 5511 6755  
Website : [www.lebtech.com.my](http://www.lebtech.com.my)

#### SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46, 47301  
Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603 7841 8000  
Fax : 603 7841 8151

#### PRINCIPAL BANKERS

CIMB Bank Berhad

#### STOCK EXCHANGE LISTING

Main Market Of Bursa Malaysia  
Securities Berhad  
Stock Code : 9628







# EMBRACING CONTINUOUS IMPROVEMENT

We are committed to continuously strive and improve for excellence with regard to clients' requirements and expectations

# PROFILE OF THE BOARD OF DIRECTORS

## **TAN SRI DATUK ADZMI BIN ABDUL WAHAB**

*Independent Non-Executive Chairman*

Aged 73, Malaysian, was appointed as Independent Non-Executive Director of LEBTECH BERHAD ("LEBTECH") on 13 December 2007. Subsequently, on 28 February 2014, he was re-designated as Independent Non-Executive Chairman of LEBTECH. He is the Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Bachelor of Arts (Hons) Degree in Economics and a Post Graduate Diploma in Public Administration from the University of Malaya and a Master of Business Administration from the University of Southern California, USA. He was appointed as the longest serving Managing Director of Edaran Otomobil Nasional Berhad (EON) in November 1992 until May 2005. In 2003, he was conferred Malaysia CEO of the Year by AMEX and Business Times and Most PR Savvy CEO of the Year by Institute of Public Relation Malaysia. He was first Chairman of the Malaysian Franchise Association from 1994 to 2005. He served the Malaysian Administrative and Diplomatic Service in various capacities from 1967 to 1982 in the following areas: Central Procurement and Contract Management in Ministry of Finance, Investment Promotion in Pahang Tenggara Development Authority, Public Enterprise Management in Implementation Coordination Unit (Prime Minister's Department), Regional Planning in Klang Valley Planning Secretariat (Prime Minister's Department). He was a Manager, Corporate Planning Division of HICOM Berhad involved in development of heavy industries projects from 1982 to

1985. He served PROTON in 1985 to 1992 and his last position in PROTON was Director/Corporate General Manager, Administration and Finance Division. He has wide experience of over 20 years serving as a chairman and director of HICOM, PROTON and EON Group of Companies involved in automotive (car manufacturing, distribution and component), property development, telecommunication, general trading, life insurance and franchise businesses. He currently also sits on the board of Magna Prima Berhad, Dataprep Holdings Bhd, Grand-Flo Berhad and several other private companies involved in ICT, property development and construction, manufacturing, automotive and franchise businesses. He is also Advisor to the Malaysian Franchise Association. He does not hold any ordinary shares in LEBTECH. He does not have any family relationship with any Director and/or major shareholder of LEBTECH and has no conflict of interest with LEBTECH. He attended all the five Board Meetings held during the financial year ended 31 December 2015.



# PROFILE OF THE BOARD OF DIRECTORS

cont'd

## **NORAZMI BIN MOHAMED NURDIN**

*Managing Director*

Aged 50, Malaysian, was appointed as Chairman and Managing Director of Lebttech Berhad ("LEBTECH") on 7 January 2004. Subsequently, on 28 February 2014, he was re-designated as Managing Director of LEBTECH. He holds a Degree in Civil Engineering and also a Degree in Engineering Management from the University of Portland, USA. He started his career with Petronas Berhad in November 1992 as Senior Executive, Tender and Contract Division. He was with the company until 1996. Prior to joining the LEBTECH Group, he was the General Manager of Putrajaya Holdings Sdn Bhd and also served in various senior positions in several other private companies under Putrajaya Holdings Sdn Bhd. He is the key personnel in the management team that runs the day-to-day operations of LEBTECH Group. He also sits on the board of several other private companies. He does not hold any other directorships of public companies. He holds a total of 86,158,800 ordinary shares (direct and indirect) in LEBTECH and is deemed to have an interest in the shares of the subsidiary companies to the extent held by LEBTECH. He is the brother of Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin, a Non-Independent Non-Executive Director and major shareholder of LEBTECH and Encik Norazlan bin Mohamad Nordin, a major shareholder of LEBTECH and the brother-in-law to Datin Nor Hayati bt Abd Malik, a major shareholder of LEBTECH. He does not have any conflict of interest with the Company except for the recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the LEBTECH Group for which he is deemed to be interested as disclosed in pages 22 and 23 of this Annual Report. He attended all the five Board Meetings held during the financial year ended 31 December 2015.

## **DATO' NIK ISMAIL BIN DATO' NIK YUSOFF**

*Independent Non-Executive Director*

Aged 70, Malaysian, was appointed as Independent Non-Executive Director of LEBTECH on 7 January 2004. He serves as the Chairman of the Nomination Committee and is a member of the Audit and Remuneration Committees. He obtained a Diploma in Police Science from the University of Kebangsaan Malaysia. He began his career with the Royal Malaysia Police in 1965, where he served in numerous senior positions within the Royal Malaysia Police such as the Head of Special Branch, Terengganu (1982-1983), Commandant Special Branch Training School (1989-1992), Deputy Director Special Branch in Bukit Aman (1995-1997), and Chief Police Officer of Terengganu (1997), Kedah (1997-1999), Selangor (1999-2001). He retired from the force as the Deputy Commissioner of Police in 2001. He currently also sits on the board of At Systematization Berhad and several other private companies. He does not hold any ordinary shares in LEBTECH. He does not have any family relationship with any Director and/or major shareholder of LEBTECH and has no conflict of interest with LEBTECH. He attended all the five Board Meetings held during the financial year ended 31 December 2015.

# PROFILE OF THE BOARD OF DIRECTORS

cont'd

## **DATO' HAZLI BIN IBRAHIM**

*Independent Non-Executive Director*

Aged 53, Malaysian, was appointed as Independent Non-Executive Director of LEBTECH on 13 April 2010. He serves as the Chairman of the Audit Committee and is a member of the Nomination and Remuneration Committees. He holds a Bachelor of Finance with Accounting from the University of East London and a fellow of the Association of Chartered Certified Accountants and a Master of Business Administration (Finance) from Cass Business School, London. He started his career in London with several chartered accountants firms. Upon his return to Malaysia in August 1994, he joined Aseambankers Malaysia Berhad, an investment banking arm of Malayan Banking Berhad as Manager of Corporate Finance. Subsequently in November 1996, he moved to Amanah Merchant Bank Berhad. He left Amanah Group in September 1998 to join Pengurusan Danaharta Nasional Berhad ("Danaharta"), a national asset management company of Malaysia, as the Head of Corporate Planning, Corporate Services Division. He left Danaharta in October 2002 to set up Haz-iq Capital Sdn. Bhd., a consultancy firm, specializing in corporate finance works, where he is currently the Managing Director. He has extensive experience in investment banking and capital markets. He currently sits on the boards of Mentiga Corporation Berhad and DutaLand Berhad and several other private companies. He holds a total of 711,400 ordinary shares (direct and indirect) in LEBTECH and is deemed to have an interest in the shares of the subsidiary companies to the extent held by LEBTECH. He does not have any family relationship with any Director and/or major shareholder of LEBTECH and has no conflict of interest with LEBTECH. He attended four out of five Board Meetings held during the financial year ended 31 December 2015.

## **DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN**

*Non-Independent Non-Executive Director*

Aged 54, Malaysian, was appointed as Non-Independent Non-Executive Director of LEBTECH on 7 January 2004. He graduated with an Honours in Business Management degree from the University of Kebangsaan Malaysia. He began his career as a Corporate and Retail Banking Executive with MUI Bank Berhad in 1985. He left MUI Bank Berhad in 1988 to set up Lebtech Construction Sdn Bhd. He also sits on the board of several other private companies. He does not hold any other directorships of public companies. He holds a total of 86,158,800 ordinary shares (direct and indirect) in LEBTECH and is deemed to have an interest in the shares of the subsidiary companies to the extent held by LEBTECH. He is the spouse of Datin Nor Hayati bt Abd Malik, a major shareholder of LEBTECH and the brother of Encik Norazmi bin Mohamed Nurdin, the Managing Director and a shareholder of LEBTECH and Encik Norazlan bin Mohamad Nordin, a major shareholder of LEBTECH. He does not have any conflict of interest with the Company except for the recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the LEBTECH Group for which he is deemed to be interested as disclosed in pages 22 and 23 of this Annual Report. He attended four out of five Board Meetings held during the financial year ended 31 December 2015.

# CHAIRMAN'S STATEMENT

**Dear Valued Shareholders,**

On behalf of the Board of Directors of Lebttech Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2015.

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## **ECONOMIC OVERVIEW**

Under the recalibrated Malaysia Budget 2016, the government narrowed its real gross domestic product (GDP) growth forecast to 4%-4.5% from 4%-5% previously, while maintaining the budget deficit target at 3.1% of GDP this year. Malaysia's construction sector maintain the positive outlook and forecast real growth of 10.6% and 7.6% in 2015 and 2016 respectively. The robust growth of infrastructure development and public projects will continue to drive construction activity.

Public development spending should also help to draw funding from the private sector, especially construction companies under the Public Private Partnership mechanism. Investment from private sector will be one of the major pillars supporting the nation's economic growth in 2016. Real estate developers with heavy focus within the affordable housing segment will also be beneficial with the increase of affordable housing development projects under the budget.







### FINANCIAL HIGHLIGHTS

The financial year ended 31 December 2015 saw the Group registered a loss before taxation of RM3.75 million as compared to a profit before taxation of RM7.54 million achieved in the last financial year. The Group's revenue recorded at RM40.59 million in 2015 as compared to RM78.33 million in 2014. The losses and revenue reduction was mainly due to slower progress at site of several construction contracts undertaken by the Group.

Some key financial highlights for the financial year ended 31 December 2015 are:

- i. Loss per share for the current year is at 2.15 sen;
- ii. Group's losses before interest, amortization and tax is at RM3.35 million; and
- iii. Net assets of the Group stood at RM128.69 million.

There was no movement in the Company's issued and paid-up share capital during the year under review. As at 31 December 2015, the Company's issued and paid-up share capital remained at RM68.24 million.

### REVIEW OF OPERATION

The Group remain cautious in view of another challenging year with the Board foresees the Group's operational results for the financial year 2016 will be satisfactory. The revenue generation will mainly come from the construction contracts of property development projects with significant effort be given to secure new construction jobs to improve the order book.

The prime contributors to Group's revenue were the new phases of private residential homes at D'Kayangan, Bukit Bandaraya Shah Alam and other residential property development projects. The ongoing construction of mixed commercial and residential at Bandar Setia Alam and Basco Avenue, Ipoh also contribute to the Group's revenue.



## DIVIDEND

In view of the uncertainties of the current economy, the Board has decided that priority be given to the Group's cash requirements and thus has not recommended any dividend payment for the financial year ended 31 December 2015.

## OUTLOOK AND PROSPECT

The Group is working towards increasing its revenue and building a strong order book by securing more construction jobs in 2016. To achieve this, the Group will be more active in its bidding for construction jobs in the public as well as in the private sectors.

On private residential projects, the Group expects the house prices to continue to rise, but at a slower pace and residential construction activities are slightly slow in 2016. As the economy is slowing this year, the house buyers would have lower purchasing powers and Bank Negara Malaysia new rulings that taking effect causing banks to be more cautious in their loan criteria and to tighten property financing to buyers.

The Group will remain cautious in view of the uncertainties and will continue to focus on completing and delivering all on-going projects within scheduled time, budget and quality to meet the challenges ahead.

## MOVING FORWARD

We are looking ahead as a construction company to obtain more projects due to positive signs for a higher demand for building the housing and commercial projects. During the last few years, the Group has implemented many business strategies to ensure we stay competitive with current construction market demands.

# CHAIRMAN'S STATEMENT

cont'd



To prepare for a successful year, the Group has done research on the latest method developments in construction sector to prepare for any possible market changes. The Group has continuously improving the operating performance and delivering the products to provide better value to our customers. The Group will also continue to adopt strict financial discipline and improve its financial standing. The Group is also looking towards securing new projects in order to improve the financial performance.

## CORPORATE SOCIAL RESPONSIBILITY

Our commitment to Corporate Social Responsibility ("CSR") is based on conducting our operations in a responsible manner, building the environmental homes and communities, caring for the development of our employees and continue to support the community around us. More information on our CSR is provided in the CSR Statement of this Annual Report on page 13.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank the management and staff for their hard work, commitment and dedication over the past year. I would also like to thank our valued customers, shareholders, bankers, suppliers and business associates for their continuous support. Finally, I also wish to express my utmost appreciation to the board members for their invaluable contribution, commitment and guidance and look forward to reporting another successful year at the end of 2016.

Thank you.

## TAN SRI DATUK ADZMI BIN ABDUL WAHAB

Independent Non-Executive Chairman  
29 March 2016



# CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors of Lebtech Berhad recognises the importance of practising the Corporate Social Responsibility (CSR) as it will bring value to the Company's business operations and at the same time, deliver sustainable value to the society at large.

Lebtech Berhad and its subsidiaries ("LEBTECH Group") is committed to undertake its CSR practices, with the belief that these initiatives will have positive impact on the Environment, Workplace, Community and Marketplace.

The CSR initiatives undertaken by the Group are summarised below:-

## ENVIRONMENT

The nature of our business activities has a major impact on the environment in which we operate. We have taken many steps to mitigate or minimise adverse impacts arising from our construction activities, including water sprinkling to reduce dust pollution, controlled open burning and proper handling of waste and construction debris to reduce air pollution and adoption of proper piling methods to mitigate noise pollution. We will continue to adhere to the environmental standards set by the local authorities at our construction sites. In addition, we have implemented the recycling of office stationery and used papers and promoted good practices on energy saving at our corporate office.

## WORKPLACE

We are committed to provide a safe and healthy working environment for our employees. Construction workers are provided with safety equipment and are briefed on working procedures in relation to the health and safety matters. Briefings on safety matters are conducted regularly to instill safety consciousness in the staff and workers as to enhance safety and health in the working environment as well as to reduce and avoid any incident or accident at the workplace.

We always believe a healthy mind starts with a healthy body. LEBTECH Sport Club has organised various sporting and fitness activities like bowling and futsal matches and indoor games tournament to promote healthy lifestyle for the staff. In addition, efforts were also made to promote staff interaction and to instill a sense of belonging amongst the staff by holding Family Day and celebrating staff's birthday.

## COMMUNITY

LEBTECH Group has undertaken some CSR initiatives to support the community. LEBTECH Group has encouraged its employees to support and participate in some community activities such as organising Majlis Berbuka Puasa Bersama Dengan Anak-anak Yatim. Besides, LEBTECH Group has contributed monetary donations to the charitable organisations from time to time.

## MARKETPLACE

At the marketplace, we always endeavor to deliver good quality products to our clients and have thus focused on the quality management system of our operations. LEBTECH Group also operates in tandem with its vision through sound business practices, effective management and good corporate governance with the aim of enhancing the stakeholders' value.







# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Lebttech Berhad (“the Board”) recognises the importance of practising the highest standards of corporate governance throughout the Company and its subsidiaries (“the Group”) and fully supports the recommendations of the Malaysian Code on Corporate Governance 2012 (“the Code”) and the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad. The Board constantly strives to ensure that the highest standards of corporate governance are practiced throughout the Group to protect and enhance shareholders’ value and the financial performance of the Group as a part of its fiduciary duties.

The Board is pleased to report on the manner the Group has applied the principles and the extent of compliance with the best practices of the Code throughout the financial year ended 31 December 2015.

## **A. ROLES AND RESPONSIBILITIES OF THE BOARD**

The Board has overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the resources, investments and businesses of the Group. All Board members participate fully in major decisions and key issues involving the Group such as identifying principal risks and ensuring the implementation of appropriate systems to manage those risks, reviewing and approving key matters such as financial results, budgets, investments and divestments, significant acquisitions and disposals of assets, major capital expenditure as well as long term strategic planning for the Group.

As at to-date, the Board has yet to adopt a Board Charter. However, the Board will review all the existing policies and framework of the Group and to adopt and formalise a Board Charter in near future which provides guidance to the Board towards fulfilling its roles, duties and responsibilities.

There is a clear division of responsibilities between the Non-Executive Chairman and the Managing Director to ensure a balance of power and authority. The Non-Executive Chairman is responsible in ensuring Board effectiveness and standard of conduct whilst the management of the Group’s businesses, implementation of policies and the day-to-day running of the businesses are the responsibilities of the Managing Director.

The Board is supported by the Board Committees, to assist the Board in the execution of its duties and responsibilities. The Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee.

## **B. BOARD COMPOSITION**

The Board currently has five (5) members, one (1) of whom is Executive Director, one (1) Non-Independent Non-Executive Director and the remaining three (3) are Independent Non-Executive Directors. Each Director’s brief profile is presented under the section titled “Profiles of Directors” of this Annual Report.

With this composition, the Board satisfies the requirement of having at least one third of its members as Independent Directors. All the Independent Directors are independent of the Management and are free from any business or other relationship that would materially interfere with the exercise of their independent judgment. The Board is of the view that three Independent Directors fairly reflect the interests in the Company by the minority shareholders. The Directors, with their different background and specialisation, collectively bring with them a wide range of experience and expertise to enable the Board in discharging its duties and responsibilities effectively.

The Board has identified Dato’ Nik Ismail bin Dato’ Nik Yusoff as the Senior Independent Non-Executive Director to whom all concerns regarding the Company may be conveyed.

## **C. REINFORCE INDEPENDENCE**

The Board took note of the Recommendations 3.2 and 3.3 of the Code that the tenure of an Independent Director should not exceed a cumulative term of 9 years. The Nomination Committee and the Board have determined at the annual assessment carried out, that all the three (3) Independent Non-Executive Directors continue to demonstrate behaviours that reflect their independence and provide the objective judgement to Board deliberations and decision making.

## C. REINFORCE INDEPENDENCE *cont'd*

The Board is also satisfied that Dato' Nik Ismail bin Dato' Nik Yusoff who has served the Board as Independent Non-Executive Director for more than nine (9) years still remain objective and actively contributed during the discussion at the Audit Committee and Board Meetings.

The Board therefore recommended that Dato' Nik Ismail bin Dato' Nik Yusoff should continue to serve as the Independent Non-Executive Director of the Company, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

## D. BOARD COMMITTEES

The Board, in discharging its fiduciary duties, is assisted by the following Board Committees, each entrusted with specific tasks and operate within clearly defined terms of reference.

### Audit Committee

The Audit Committee was established on 14 January 2004 and the composition of the Audit Committee is in compliance with the Listing Requirements. It presently comprises of three Independent Non-Executive Directors. Details of the composition of the Audit Committee, terms of reference and summary of its activities are set out in the Audit Committee Report of this Annual Report.

### Nomination Committee

The Nomination Committee was established on 12 May 2004 and comprises exclusively the following Non-Executive Directors:-

#### **Chairman**

Dato' Nik Ismail bin Dato' Nik Yusoff (*Independent Non-Executive Director*)

#### **Members**

Dato' Hazli bin Ibrahim (*Independent Non-Executive Director*)

The Nomination Committee is responsible for making recommendations to the Board on all new Board and Board Committees appointments, re-appointments and re-elections. The Nomination Committee will also review during the annual assessment, the required mix of skills and experience of the directors of the Board in determining the appropriate Board balance and size of non-executive participation.

During the financial year ended 31 December 2015, a formal evaluation process has been carried out to assess the effectiveness of the Board, Board Committees and individual Directors. Based on the result of the annual review, the Nomination Committee is satisfied with the performance and contribution of each individual Director and the Board Committees.

The Nomination Committee meets at least once in each financial year and whenever required.

### Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three, or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election provided always that all Directors including a Managing Director shall retire from office once at least in each three years but shall be eligible for re-election. A retiring Director shall retain office until the close of the Annual General Meeting at which he retires.

Directors who are appointed by the Board during the year under review before the Annual General Meeting are also required to retire from office and shall seek re-election by the shareholders at the first opportunity after their appointment.

The Articles of Association also provide that any Director who is appointed from time to time shall hold office only until the next Annual General Meeting of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

# STATEMENT ON CORPORATE GOVERNANCE

cont'd

## D. BOARD COMMITTEES *cont'd*

### Re-election of Directors *cont'd*

The Board does not fix a tenure limit for Directors as there are significant advantages to be gained from the long serving Directors who possess greater insight and knowledge of the Company's affairs.

### Remuneration Committee

The Remuneration Committee was established on 12 May 2004 and comprises of the following members:-

#### Chairman

Tan Sri Datuk Adzmi bin Abdul Wahab (*Independent Non-Executive Director*)

#### Members

Dato' Nik Ismail bin Dato' Nik Yusoff (*Independent Non-Executive Director*)

Dato' Hazli bin Ibrahim (*Independent Non-Executive Director*)

The Remuneration Committee is responsible to review and for making recommendations to the Board on the remuneration package of each individual Director of the Company (both Executive and Non-Executive). The determination of remuneration packages of Non-Executive Directors is the responsibility of the Board as a whole. Individual directors will abstain from deliberations and voting on decisions in respect of their own remuneration package.

## E. DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain experienced and capable Directors to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The Directors' remuneration paid or payable to all the Directors of the Company for the financial year ended 31 December 2015 is as follows:-

	<b>Fees RM</b>	<b>Salaries RM</b>	<b>Total RM</b>
Executive Director	-	204,000	204,000
Non-Executive Directors	160,000	-	160,000
<b>Total</b>	<b>160,000</b>	<b>204,000</b>	<b>364,000</b>

The number of Directors of the Company whose total remuneration falls within the following bands are as follows:-

<b>Range of Remuneration</b>	<b>Executive</b>	<b>Non-Executive</b>
Less than RM50,000	-	4
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	1	-

There is only one Executive Director whose remuneration details have been disclosed as above. The Board is of the view that it's not necessary to give break-up of remuneration of Non-Executive Directors, which is not considered significant.



# STATEMENT ON CORPORATE GOVERNANCE

cont'd

## F. FOSTER COMMITMENT

The Board meets on a scheduled basis at least four (4) times a year, with additional meetings convened when necessary. Directors are required to attend at least 50% of Board Meetings and during the financial year, five (5) Board Meetings were held. The details of attendance of each Director at the Board meetings are as follows :-

Name of Director	Meetings attended	Percentage of attendance (%)
Tan Sri Datuk Adzmi Bin Abdul Wahab	5/5	100
Norazmi Bin Mohamed Nurdin	5/5	100
Dato' Nik Ismail Bin Dato' Nik Yusoff	5/5	100
Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin	4/5	80
Dato' Hazli Bin Ibrahim	4/5	80

Prior to each Board meeting, all Directors are provided with a set of board papers with details on matters to be discussed at the meeting.

All members of the Board have unrestricted access to the advice and services of the Senior Managers and the Company Secretary. The Company Secretary is responsible for ensuring that all Board Meetings procedures are followed and that all applicable rules and regulations are complied with. Directors may obtain independent professional advice in furtherance of their duties, at the Company's expense.

### Directors' Training

At present, the Company does not have a formal orientation programme for the newly appointed Directors. However, newly appointed Directors will be provided with relevant information pertaining to the Group and to be highlighted on regular updates on the operations, corporate governance and any changes to the relevant legislations.

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board will continue to evaluate and determine the training needs of its Directors from time to time, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enhance their skills and knowledge so as to enable them to discharge their duties as Directors more effectively.

During the financial year ended 31 December 2015, the following Directors have attended the following training programmes and conferences:-

#### Tan Sri Datuk Adzmi Bin Abdul Wahab

- Nominating Committee Programme 2 : Effective Board Evaluations
- Focus Group Session for Board of Directors on Strengthening Corporate Governance Disclosure Amongst the Listed Issuers
- Lead the Change : Getting Woman on Boards
- Board Chairman Series Part 2: "Leadership Excellence from the Chair"
- Transactions by Directors & Practical Issues and Solutions

#### Norazmi Bin Mohamed Nurdin

- Bursa Malaysia CG Breakfast Series with Directors – "How to Maximise Internal Audit"
- Corporate Governance Directors' Workshop

#### Dato' Nik Ismail Bin Dato' Nik Yusoff

- Investment Opportunities in 11 Malaysia Plan

# STATEMENT ON CORPORATE GOVERNANCE

cont'd

## F. FOSTER COMMITMENT *cont'd*

### Directors' Training *cont'd*

#### Dato' Hazli Bin Ibrahim

- Bursa Malaysia CG Breakfast Series with Directors – “How to Maximise Internal Audit”
- Corporate Governance Directors' Workshop
- Conversation with Audit Committees
- Board Chairman Series Part 2: Leadership Excellence from the Chair
- The 20th Malaysian Capital Market Summit : “Coping with Headwinds, Restoring Market Confidence”

## G. SHAREHOLDERS

The Board acknowledges the need for shareholders to be informed on all material business matters affecting the Group. The Company through the Annual Report, Annual General Meeting, the Company's website ([www.lebtech.com.my](http://www.lebtech.com.my)) and timely release of all corporate announcements and financial results, provides shareholders and the investing public with an overview of the Group's performance and operations.

In addition, the Board encourages full participation by shareholders at every Annual General Meeting and Extraordinary General Meeting of the Company and opportunity is given to the shareholders to make relevant enquiries and seek clarification on the Group's business activities and financial performance.

## H. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospect at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to the shareholders as well as the Chairman's Statement in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### Directors' Responsibility Statement in respect of the Audited Financial Statements

The Directors are required by the Companies Act, 1965 (“the Act”) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results of the operations, changes in equity and the cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates. The Directors also have a general responsibility for taking such steps to safeguard the assets of the Group and to prevent and detect fraud and irregularities.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company, and ensuring that the financial statements comply with the Act and the applicable approved Financial Reporting Standards in Malaysia.

### Internal Control

The Board recognises its responsibility for maintaining the effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets.

The detail of the internal control system of the Group during the year is presented in the Statement on Internal Control of this Annual Report.

## H. ACCOUNTABILITY AND AUDIT *cont'd*

### Relationship with Auditors

The appointment of the external auditor is recommended by Audit Committee and through the Audit Committee, the Group has established and maintained an appropriate and transparent relationship with the Group's auditors, both internal and external, particularly in seeking their professional advice and towards ensuring compliance with the accounting standards in Malaysia.

The Audit Committee has annually reviewed the suitability of the external auditors and is of the opinion that the external auditors are independent with respect to the Company and its Group. The role of the Audit Committee with both external and internal auditors is disclosed in the Audit Committee Report in this Annual Report.

## COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

The Board is of the opinion that the Group has principally complied with the Best Practices in Corporate Governance as set out in the Code throughout the financial year 2015 save as explained above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 29 March 2016.

## ADDITIONAL COMPLIANCE INFORMATION

***Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following additional information is provided:-***

### Utilisation of Proceeds

The Company did not raise any funds through any corporate proposals during the financial year.

### Share Buybacks

The Company did not have a share buyback programme in place during the financial year.

### Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year.

### Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year.

### Imposition of Sanctions/Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

### Non-Audit Fees

There were no non-audit fees paid to the external auditors by the Company during the financial year.

### Variation in Results

The Company did not issue any profit estimates, forecasts or projections for the financial year and there was no material variance between the audited results for the financial year and the unaudited results previously announced.

# STATEMENT ON CORPORATE GOVERNANCE

cont'd

## ADDITIONAL COMPLIANCE INFORMATION *cont'd*

### Profit Guarantees

There were no profit guarantees given by the Company during the financial year.

### Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year except for those recurrent related party transactions of a revenue or trading nature entered into for which shareholders' mandate had been secured.

### Revaluation of Landed Properties

The Company did not have any revaluation policy on landed properties during the financial year.

### Recurrent Related Party Transactions of a Revenue or Trading Nature

The aggregate value of the Recurrent Related Party Transactions of a revenue or trading nature conducted pursuant to the shareholders' mandate during the financial year under review between the Company and/or its subsidiary companies with related parties are set out below:

Nature of Transactions	Interested Related Party	Transaction Value for the Financial Year Ended 31 December 2015 RM
Construction works awarded to Lebtch Construction Sdn Bhd (LCSB) by Lebar Daun Development Sdn Bhd (LDDSB)	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup> ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin <sup>(2)</sup> iii. Datin Nor Hayati bt Abd Malik <sup>(3)</sup>	5,965,685
Letting of office premises to LDDSB by LCSB	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup> ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin <sup>(2)</sup> iii. Datin Nor Hayati bt Abd Malik <sup>(3)</sup>	185,220
Letting of office equipment and furniture to LDDSB by LCSB	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup> ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin <sup>(2)</sup> iii. Datin Nor Hayati bt Abd Malik <sup>(3)</sup>	48,960
Construction works awarded to LCSB by Basco Sdn Bhd (BASCO)	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup> ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin <sup>(2)</sup> iii. Norazlan bin Mohamad Nordin <sup>(4)</sup> iv. Fatmawati bt Kasbin <sup>(5)</sup>	102,456,132



# STATEMENT ON CORPORATE GOVERNANCE

cont'd

## Notes:-

- (1) *Norazmi bin Mohamed Nurdin is the Managing Director and a shareholder of Lebtech Berhad (LEBTECH) and a Director of LCSB (a wholly-owned subsidiary of LEBTECH) and LDDSB. He is the brother of Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin and Norazlan bin Mohamad Nordin and the brother-in-law to Datin Nor Hayati bt Abd Malik and Fatmawati bt Kasbin.*
- (2) *Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin is a Non-Independent Non-Executive Director and major shareholder of LEBTECH and a Director of LCSB. He is also a Director and major shareholder of LDDSB. He is the spouse of Datin Nor Hayati bt Abd Malik and the brother of Norazmi bin Mohamed Nurdin and Norazlan bin Mohamad Nordin and the brother-in-law to Fatmawati bt Kasbin.*
- (3) *Datin Nor Hayati bt Abd Malik is a major shareholder of LEBTECH. She is also a shareholder of LDDSB. She is the spouse of Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin and the sister-in-law to Norazmi bin Mohamed Nurdin, Norazlan bin Mohamad Nordin and Fatmawati bt Kasbin.*
- (4) *Norazlan bin Mohamad Nordin is a major shareholder of LEBTECH. He is also a Director and major shareholder of BASCO. He is the spouse of Fatmawati bt Kasbin and the brother of Norazmi bin Mohamed Nurdin, Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin and the brother-in-law to Datin Nor Hayati bt Abd Malik.*
- (5) *Fatmawati bt Kasbin is a Director and deemed major shareholder of BASCO. She is the spouse of Norazlan bin Mohamad Nordin and the sister-in-law to Norazmi bin Mohamed Nurdin, Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin and Datin Nor Hayati bt Abd Malik.*

# AUDIT COMMITTEE REPORT

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee presently comprises the following members:-

### **Chairman**

Dato' Hazli Bin Ibrahim (*Independent Non-Executive Director*)

### **Members**

Tan Sri Datuk Adzmi Bin Abdul Wahab (*Independent Non-Executive Director*)

Dato' Nik Ismail Bin Dato' Nik Yusoff (*Independent Non-Executive Director*)

## TERMS OF REFERENCE

### **1. Objectives**

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies. In addition, the Audit Committee shall:-

- a) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) determine the adequacy of the Group's administrative, operating and accounting controls.

### **2. Membership**

The Audit Committee shall be appointed by the Board of Directors from among their number, which fulfils the following requirements:-

- a) the Audit Committee must be composed of no fewer than three (3) members;
- b) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors; and
- c) at least one (1) member of the Audit Committee:-
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

No alternate director shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.

## TERMS OF REFERENCE *cont'd*

### 2. Membership *cont'd*

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (c) above, the vacancy must be filled within three (3) months of that event.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

### 3. Functions

The functions of the Audit Committee are as follows:-

- a) To review the following and report the same to the Board of Directors:-
  - i) with the external auditor, the audit plan;
  - ii) with the external auditor, his evaluation of the system of internal controls;
  - iii) with the external auditor, his audit report;
  - iv) the assistance given by the Company's employees to the external auditor; and
  - v) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of a person or persons as external auditors;
- c) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) To review the quarterly results and year-end financial statements before recommending for the Board of Directors' approval, focusing particularly on:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- f) To review the external auditors' management letter and management's response;
- g) In relation to Internal Audit function:-
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointments or termination of senior staff members of the internal audit function;
  - Inform itself of resignations of internal audit staff members and provide the resigning staff members an opportunity to submit his reasons for resigning;
  - Review and assess the adequacy of the risk management framework and risk assessment.
- h) To consider the major findings of internal investigations and management's response;

# AUDIT COMMITTEE REPORT

cont'd

## TERMS OF REFERENCE *cont'd*

### 3. Functions *cont'd*

- i) To report to the Bursa Malaysia Securities Berhad matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and
- j) To consider other areas as defined by the Board of Directors.

### 4. Authority

The Audit Committee shall, whenever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### 5. Meetings

The Audit Committee shall meet at least four (4) times a year and shall hold such additional meetings as the Chairman shall decide in order to fulfil its duties.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member or the internal or external auditors.

A resolution in writing, signed by all the committee members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.

Unless otherwise determined by the Audit Committee from time to time, a seven (7) days' notice of all Audit Committee's meetings shall be given to all the committee members either personally or by electronic or by facsimile transmission.

The Head of Internal Audit Department shall be expected to attend all meetings of the Audit Committee.

The Audit Committee may invite other directors and employees of the Company and of the Group, the external auditors or any other person to be in attendance to assist it in its deliberations. However, at least twice a year the Audit Committee shall meet with the external auditors without executive board members present.

A quorum shall consist of a majority of independent directors and shall not be less than two (2).

If at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the committee members present shall elect a Chairman from among the independent directors.

Any questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote except where the quorum is made up of only two (2) members or where only two (2) members are competent to vote on the question at issue.

The Company Secretary shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it in a timely manner, supported by explanatory documentation to committee members prior to each meeting.

The secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.



# AUDIT COMMITTEE REPORT

cont'd

## MEETINGS

During the financial year ended 31 December 2015, five (5) Audit Committee Meetings were held and the details of attendance of each Audit Committee member are as follows:-

Audit Committee Members	No. of Meetings Attended
Dato' Hazli Bin Ibrahim	4/5
Tan Sri Datuk Adzmi Bin Abdul Wahab	5/5
Dato' Nik Ismail Bin Dato' Nik Yusoff	5/5

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee has discharged its duties as set out in its Terms of Reference, which accompany this Report. During the year under review, the following were the activities of the Audit Committee:-

- i) Reviewed, discussed and approved the audit plans for the year for the Group and the Company presented by the internal auditor.
- ii) Reviewed the adequacy of the scope, functions and staffing requirements of Group's Internal Audit Department to ensure that it was adequately staffed by employees with the relevant skills, knowledge and experience to enable the Group's Internal Audit Department to perform its role and that it has the necessary authority to carry out its work.
- iii) Reviewed the internal audit reports. The Audit Committee was briefed on the audit reports issued and on the issues raised by the Internal Auditor on various aspects of the system in operation, practices and procedures and internal controls. Special notice was taken of significant issues raised in the audit reports and that adequate corrective actions have been taken by the Operating Management to rectify the weaknesses.
- iv) Reviewed the external auditors' scope of work and audit plan of the year.
- v) Reviewed the quarterly results and year-end financial statements prior to the approval by the Board of Directors focusing particularly on:-
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements.
- vi) Reviewed the related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of Management integrity.
- vii) Commissioned special reviews on specific areas of operations.

## INTERNAL AUDIT FUNCTION

The Group had an Internal Audit Department which is independent of the activities or operations of the Group and which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the internal control.

Its principal responsibility is to undertake regular and systematic review of the system of internal control so as to provide a reasonable assurance that such system operates satisfactorily and effectively in the Group and report to the Audit Committee on a quarterly basis. Internal audit strategy and a detailed Audit Plan are presented to the Audit Committee for approval. The internal audit function adopts a risk-based approach in preparing its audit strategy and plan. The internal audit strategy and plan is developed based on the risk assessment of the Group. The Board ensures that appropriate management responses are given to any key audit findings and the relevant corrective and/or preventive actions are undertaken.

The Board, together with the Internal Audit Department and the Management, are taking the necessary measures for the continuous improvement of the internal control environment.

During the financial year, the total cost incurred for the internal audit function is RM84,050.00.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance sets out the principle that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board of Directors of listed companies to include a statement on internal control in its annual report.

## RESPONSIBILITY

The Board of Directors of the Company recognises the importance of a sound system of internal control as part of good corporate governance within the Group. The Board affirms its overall responsibility for the Group's system of internal control and for the review of its adequacy and integrity. The Group has developed an internal control system with on-going processes to:-

- Identify, evaluate, monitor and manage significant risk affecting achievement of the Group's business objectives; and
- Review the adequacy and integrity of the Group's system of internal control itself.

However, such a system is designed to manage risk rather than to eliminate risk of failure to achieve the policies and business objectives of the Group. It can only provide reasonable assurance, but not absolute assurance, against material misstatement of management and financial information and records or against financial losses or fraud.

The Board is of the view that the system of internal control in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and sufficient based on the review performed by the internal audit department to safeguard the shareholders' investment, the interests of customers, regulators and employees and the Group's assets.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## RISK MANAGEMENT FRAMEWORK

The Group's identification and review of risks are carried out during Head of Departments (HOD) meetings as an on-going process. The Group updates as required the status of its risk profile in the process of identifying, evaluating and managing the significant risks faced by the Group. The topics that were discussed include project management, human resources performance management, fixed asset management and contract operations.

The other key elements of the Group's system of internal control are as follows:-

- There is an organisation structure, which formally defines and entrench lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.
- Key functions such as finance, tax and treasury, corporate and legal matters, human resource and administration, information technology are controlled centrally.
- HOD meetings were held seven (7) times during the year to review and oversee the Group's financial performance, business development, management and corporate issues.
- The Group produces consolidated quarterly performances, which allow the management to focus on areas of concern from the data captured in the financial system.
- The Audit Committee examines the effectiveness of the Group's systems of internal control on behalf of the Board. This is accomplished through review of the internal audit department's work. The internal audit department independently reviews the risk identification procedures and control processes implemented by the management and reports to the Audit Committee quarterly. Internal audit department also reviews the internal controls in the key activities of the Group's business and functional units in accordance with the audit plan approved by the Audit Committee and the Board.
- Surprise visits to project sites by the Managing Director and senior management on an ad-hoc basis.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## FINANCIAL AND OPERATIONAL CONTROL FRAMEWORK

Lebtech Group Financial Policies and Procedures (GFPP) serves as a compulsory source of reference for the Group in conducting its operations to manage associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards (MFRS). Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for key functions and major initiatives are carried out and appropriate mitigating and follow-up action are taken.

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with management, and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance. Group Monthly Management Reports, which serve as a monitoring tool, are also circulated to the Board and Management to provide information on key financial results, operational performance indicators and variances.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. The Group has formalised its Quality Management System (QMS) using the requirements of QMS MS ISO 9001:2008 as a guide and has consistently maintained its certification.

## CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's system of internal control to safeguard the interest of shareholders. The Managing Director and the Group Financial Controller has provided assurance to the Board that the Group's internal control system in all material aspects, is operating adequately and effectively.

## REVIEW OF EXTERNAL AUDITOR

The External Auditors have reviewed Internal Audit Report and this Statement of Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2015 as required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities. The Board is cognisant of the importance of maintaining appropriate controls and will continue to review the adequacy and integrity of the Group's system of internal control.

This Statement is issued in accordance with a Board resolution dated 29 March 2016.







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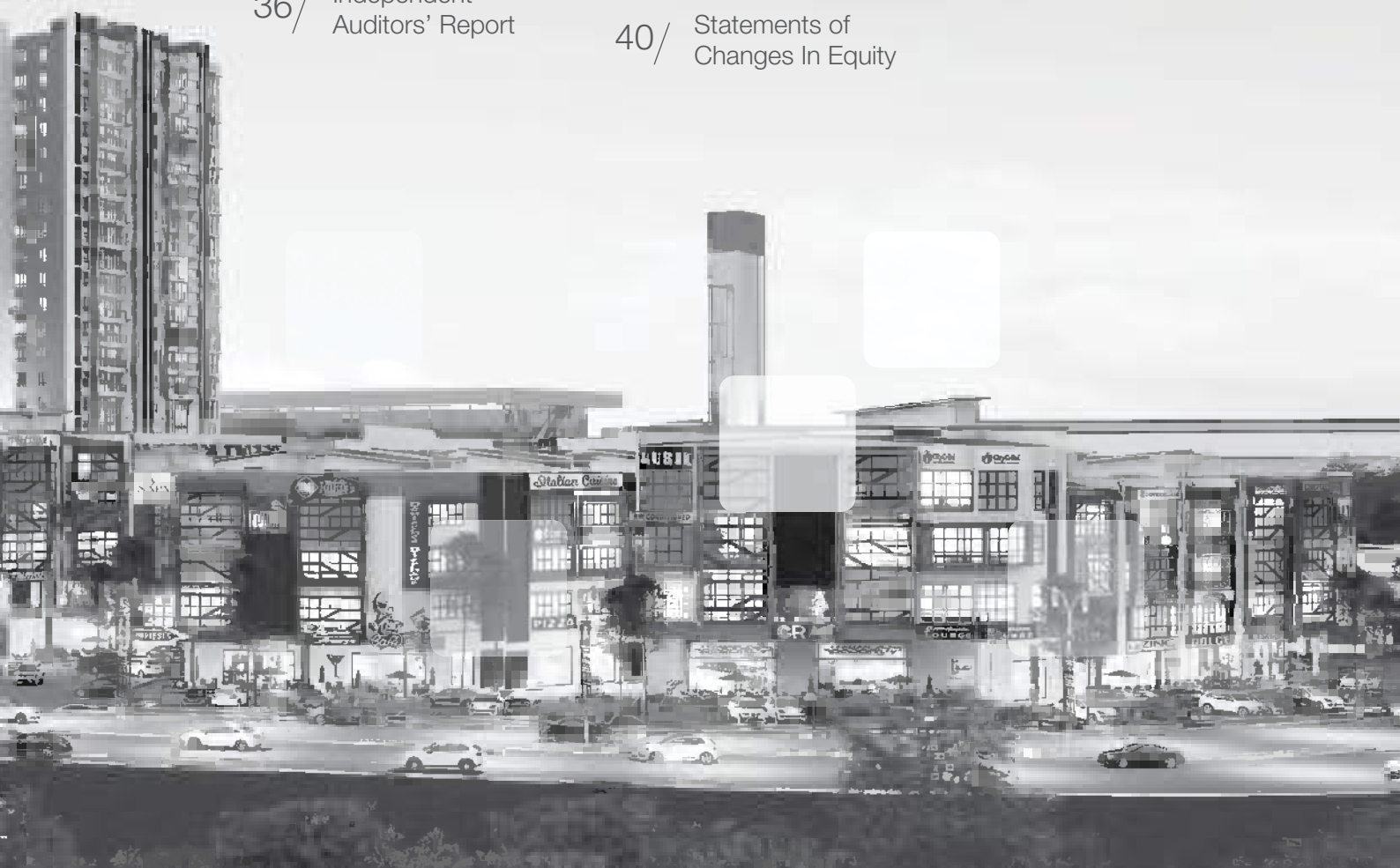
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# DIRECTORS' REPORT

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	2,938,026	280,809
Loss attributable to:		
Owners of the Company	2,938,026	280,809

## 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*)

## **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	Bought	Sold	At 31.12.2015
<b>Shareholdings in which Directors have direct interest</b>				
Norazmi bin Mohamed Nurdin	5,016,000	-	-	<b>5,016,000</b>
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	62,817,000	-	-	<b>62,817,000</b>
Dato' Hazli bin Ibrahim	554,400	-	-	<b>554,400</b>
<b>Shareholdings in which Directors have deemed interests</b>				
Norazmi bin Mohamed Nurdin	81,142,800	-	-	<b>81,142,800</b>
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	23,341,800	-	-	<b>23,341,800</b>
Dato' Hazli bin Ibrahim	157,000	-	-	<b>157,000</b>

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 Lebtech 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.

## **ISSUE OF SHARES AND DEBENTURES**

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

# DIRECTORS' REPORT

cont'd

## 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.

## 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*

Shah Alam, Selangor

Date: 29 March 2016

**DATO' NIK ISMAIL BIN DATO' NIK YUSOFF**  
*Director*



# 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 38 to 75 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 76 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*

Shah Alam, Selangor

Date: 29 March 2016

**DATO' NIK ISMAIL BIN DATO' NIK YUSOFF**

*Director*

# STATUTORY DECLARATION

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

I, ADDY RIZAIDI BIN AMAT TOSIRIM, the officer primarily responsible for the financial management of Lebtech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 38 to 75 and the supplementary information set out on page 76 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 RIZAIDI }  
BIN AMAT TOSIRIM at Shah Alam }  
in Selangor on 29 March 2016 }

**ADDY RIZAIDI BIN AMAT TOSIRIM**

Before me:

**Commisioner for Oaths**

Shah Alam, Selangor

# 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 38 to 75.

### *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.

### *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.

INDEPENDENT  
AUDITORS' REPORT  
TO THE MEMBERS OF LEBTECH BERHAD  
cont'd

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS** *cont'd*

- (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 76 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 KHAIRUL AZHAR**  
AF 1300  
Chartered Accountants (Malaysia)

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

Kuala Lumpur, Malaysia

Date: 29 March 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-current assets</b>					
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	-	-
<b>Total non-current assets</b>		<b>19,302,650</b>	<b>18,698,713</b>	<b>74,500,002</b>	<b>74,500,002</b>
<b>Current assets</b>					
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
<b>Total current assets</b>		<b>164,357,573</b>	<b>168,329,575</b>	<b>2,333,925</b>	<b>2,542,739</b>
<b>Total assets</b>		<b>183,660,223</b>	<b>187,028,288</b>	<b>76,833,927</b>	<b>77,042,741</b>
<b>Equity</b>					
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)
<b>Total equity</b>		<b>128,688,504</b>	<b>131,626,530</b>	<b>76,590,500</b>	<b>76,871,309</b>
<b>Current liabilities</b>					
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	-	-
<b>Total current liabilities</b>		<b>54,971,719</b>	<b>55,401,758</b>	<b>243,427</b>	<b>171,432</b>
<b>Total equity and liabilities</b>		<b>183,660,223</b>	<b>187,028,288</b>	<b>76,833,927</b>	<b>77,042,741</b>

The accompanying notes form an integral part of the financial statements



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	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)	-	-
<b>Gross profit</b>		<b>135,276</b>	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)
<b>Results from operating activities</b>		<b>(3,352,340)</b>	7,924,850	<b>(280,788)</b>	(287,386)
Finance costs		(401,267)	(386,200)	-	-
<b>(Loss)/Profit before tax</b>	17	<b>(3,753,607)</b>	7,538,650	<b>(280,788)</b>	(287,386)
Taxation	18	815,581	(1,991,381)	(21)	(16)
<b>(Loss)/Profit for the year attributable to owners of the Company/Total comprehensive (expense)/income for the year attributable to owners of the Company</b>		<b>(2,938,026)</b>	5,547,269	<b>(280,809)</b>	(287,402)
<b>Basic earnings per ordinary share (sen) attributable to owners of the Company</b>	19	<b>(2.15)</b>	4.06		

The accompanying notes form an integral part of the financial statements

# 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	
<b>At 1 January 2014</b>	68,241,838	10,477,946	47,359,477	126,079,261
Total comprehensive income for the year	-	-	5,547,269	5,547,267
<b>At 31 December 2014/1 January 2015</b>	<b>68,241,838</b>	<b>10,477,946</b>	<b>52,906,746</b>	<b>131,626,530</b>
Total comprehensive expense for the year	-	-	(2,938,026)	(2,938,026)
<b>At 31 December 2015</b>	<b>68,241,838</b>	<b>10,477,946</b>	<b>49,968,720</b>	<b>128,688,504</b>

<b>Company</b>				
<b>At 1 January 2014</b>	68,241,838	10,477,946	(1,561,073)	77,158,711
Total comprehensive expense for the year	-	-	(287,402)	(287,402)
<b>At 31 December 2014/1 January 2015</b>	<b>68,241,838</b>	<b>10,477,946</b>	<b>(1,848,475)</b>	<b>76,871,309</b>
Total comprehensive expense for the year	-	-	(280,809)	(280,809)
<b>At 31 December 2015</b>	<b>68,241,838</b>	<b>10,477,946</b>	<b>(2,129,284)</b>	<b>76,590,500</b>

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from operating activities</b>					
(Loss)/Profit before tax		<b>(3,753,607)</b>	7,538,650	<b>(280,788)</b>	(287,386)
<i>Adjustment for:</i>					
Depreciation of property, plant and equipment		<b>205,587</b>	239,741	-	-
Depreciation of investment properties		<b>15,000</b>	15,000	-	-
Finance costs		<b>401,267</b>	386,200	-	-
Gain on disposal of property, plant and equipment		<b>(849)</b>	(13,999)	-	(13,999)
Interest income		<b>(42,297)</b>	(40,128)	-	-
Reversal of impairment loss on receivables		<b>(807,671)</b>	(2,989,704)	-	-
Reversal of trade payables		-	(1,336,765)	-	-
<b>Operating (loss)/profit before changes in working capital</b>		<b>(3,982,570)</b>	3,798,995	<b>(280,788)</b>	(301,385)
Trade and other payables		<b>(13,544)</b>	(12,554,556)	<b>71,996</b>	-
Trade and other receivables		<b>6,538,703</b>	10,240,010	-	-
<b>Cash flows generated from/(used in) operations</b>		<b>2,542,589</b>	1,484,449	<b>(208,792)</b>	(301,385)
Interest received		<b>42,297</b>	40,128	-	-
Interest paid		<b>(401,267)</b>	(386,200)	-	-
Tax paid		<b>(1,753,652)</b>	(1,918,007)	<b>(21)</b>	(16)
<b>Net cash flows generated from/(used in) operating activities</b>		<b>429,967</b>	(779,630)	<b>(208,813)</b>	(301,401)
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		<b>(13,525)</b>	(44,133)	-	-
Advance to related companies		<b>35,749</b>	36,825	-	-
Proceeds from disposal of property, plant and equipment		<b>850</b>	14,000	-	14,000
Repayment from subsidiaries		-	-	<b>208,779</b>	279,147
<b>Net cash flows generated from investing activities</b>		<b>23,074</b>	6,692	<b>208,779</b>	293,147
<b>Cash flows from financing activities</b>					
Repayment of borrowings		<b>(399,000)</b>	(723,000)	-	-
Repayment of hire purchase		-	(53,284)	-	-
Increase in pledged deposits		<b>(42,490)</b>	(40,107)	-	-
<b>Net cash flow used in financing activities</b>		<b>(441,490)</b>	(816,391)	-	-
Net increase/(decrease) in cash and cash equivalents		<b>11,551</b>	(1,589,329)	<b>(34)</b>	(8,254)
Cash and cash equivalents at 1 January		<b>(3,816,939)</b>	(2,227,610)	<b>5,501</b>	13,755
<b>Cash and cash equivalents at 31 December</b>	11	<b>(3,805,388)</b>	(3,816,939)	<b>5,467</b>	5,501

The accompanying notes form an integral part of the financial statements

# 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 29 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

## 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)*

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE *cont'd*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016** *cont'd*

- 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 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.

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.

**4. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**(b) Financial instruments** *cont'd*

**(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 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.

**(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (b) Financial instruments *cont'd*

#### (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.

### (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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

##### (c) Property, plant and equipment *cont'd*

###### (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

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

cont'd

## 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (d) Intangible assets *cont'd*

#### (i) Goodwill *cont'd*

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.

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.



#### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

##### (f) Leased assets *cont'd*

###### **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.

##### (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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

cont'd

## 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (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.

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.

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

##### (j) Impairment *cont'd*

##### (ii) Other assets *cont'd*

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 *prorata* 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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

cont'd

## 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (m) Revenue *cont'd*

#### (i) Construction contracts *cont'd*

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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

cont'd

## 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (p) Income tax expense *cont'd*

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.

### (t) Fair value measurements

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

cont'd

## 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (t) Fair value measurements *cont'd*

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.

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings RM	Motor vehicles RM	Plant, machinery, office and telecommunication equipment RM	Fixtures, fittings and renovation RM	Total RM
<b>Cost</b>					
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	<b>3,566,005</b>	<b>2,664,320</b>	<b>1,095,711</b>	<b>269,815</b>	<b>7,595,851</b>
Additions	-	-	<b>13,525</b>	-	<b>13,525</b>
Disposal	-	-	<b>(13,350)</b>	-	<b>(13,350)</b>
At 31 December 2015	<b>3,566,005</b>	<b>2,664,320</b>	<b>1,095,886</b>	<b>269,815</b>	<b>7,596,026</b>
<b>Accumulated depreciation</b>					
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	<b>784,520</b>	<b>2,533,316</b>	<b>905,523</b>	<b>256,421</b>	<b>4,479,780</b>
Depreciation	<b>71,320</b>	<b>91,861</b>	<b>37,034</b>	<b>5,372</b>	<b>205,587</b>
Disposal	-	-	<b>(13,349)</b>	-	<b>(13,349)</b>
At 31 December 2015	<b>855,840</b>	<b>2,625,177</b>	<b>929,208</b>	<b>261,793</b>	<b>4,672,018</b>
<b>Carrying amounts</b>					
At 31 December 2014	2,781,485	131,004	190,188	13,394	3,116,071
At 31 December 2015	<b>2,710,165</b>	<b>39,143</b>	<b>166,678</b>	<b>8,022</b>	<b>2,924,008</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

### ***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.

## 6. INTANGIBLE ASSETS

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 7. INVESTMENT PROPERTIES *cont'd*

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

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	<b>5,878</b>	5,510

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).

## 8. INVESTMENTS IN SUBSIDIARIES

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 8. INVESTMENTS IN SUBSIDIARIES *cont'd*

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	4,139,400	3,347,600	(29,400)	(48,600)	4,110,000	3,299,000

Movement in temporary differences during the year

Group	At 1.1.2014 RM	Recognised in profit or loss (Note 18) RM	At 31.12.2014/ 1.1.2015 RM	Recognised in profit or loss (Note 18) RM	At 31.12.2015 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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 10. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade</b>					
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	-	-
		<b>161,009,840</b>	165,012,636	-	-
<b>Non-trade</b>					
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	-	-
		<b>1,948,544</b>	1,930,801	<b>2,328,458</b>	2,537,238
		<b>162,958,384</b>	166,943,437	<b>2,328,458</b>	2,537,238

### 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.

### Note b

#### Amount due from contract customers

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 10. TRADE AND OTHER RECEIVABLES *cont'd*

### Note c

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

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.

## 11. CASH AND CASH EQUIVALENTS

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 12. CAPITAL AND RESERVES

	2015 RM	2014 RM
<b>Group and Company</b>		
<b>Share capital</b>		
Authorised:		
500,000,000 Ordinary shares of RM0.50 each	250,000,000	250,000,000
Issued and fully paid:		
136,483,676 Ordinary shares of RM0.50 each	68,241,838	68,241,838
<b>Group Reserves</b>		
Share premium reserves	10,477,946	10,477,946
Retained earnings	49,968,720	52,906,746
<b>Company Reserves</b>		
Share premium reserves	10,477,946	10,477,946
Accumulated losses	(2,129,284)	(1,848,475)

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

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:

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 13. LOANS AND BORROWINGS *cont'd*

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.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
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## 15. TRADE AND OTHER PAYABLES

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

### 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	<b>40,592,448</b>	78,331,932

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**17. (LOSS)/PROFIT BEFORE TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
(a) <b>(Loss)/Profit for the year is arrived at after charging:</b>				
Auditors' remuneration	<b>105,500</b>	105,500	<b>20,000</b>	20,000
Construction costs	<b>40,457,172</b>	70,166,183	-	-
Depreciation of investment properties	<b>15,000</b>	15,000	-	-
Depreciation of property, plant and equipment	<b>205,587</b>	239,741	-	-
Interest expense on:				
- bank overdrafts	<b>325,152</b>	287,944	-	-
- borrowings	<b>76,115</b>	97,490	-	-
- finance lease	-	766	-	-
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	<b>300,582</b>	303,571	-	-
- wages, salaries and others	<b>2,919,336</b>	3,149,855	<b>160,000</b>	170,000
<b>and after crediting:</b>				
Gain on disposal of property, plant and equipment	<b>(849)</b>	-	-	-
Interest income	<b>(42,297)</b>	(40,128)	-	-
Rental income from equipment leases	<b>(48,960)</b>	(48,570)	-	-
Rental income from property leases	<b>(185,220)</b>	(183,750)	-	-
Reversal of impairment loss on receivables	<b>(807,671)</b>	(2,989,704)	-	-
Reversal of trade payables	-	(1,336,765)	-	-
(b) Employees' information				
Salaries and allowances	<b>2,885,582</b>	3,096,240	<b>160,000</b>	170,000
Contribution to employees Provident Fund	<b>300,582</b>	303,571	-	-
Other benefits	<b>33,754</b>	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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
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## 18. TAXATION

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Current tax expense</b>					
Malaysian – current		-	1,278,000	-	-
– prior year		(4,581)	(30,619)	21	16
Total current tax expense		(4,581)	1,247,381	21	16
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		(811,000)	744,000	-	-
Total deferred tax expense	9	(811,000)	744,000	-	-
Total tax expense		(815,581)	1,991,381	21	16
<b>Reconciliation of effective tax expense</b>					
(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	-	-
		(811,000)	2,022,000	-	-
(Over)/Under provision in prior year:					
- tax expense		(4,581)	(30,619)	21	16
		(815,581)	1,991,381	21	16

## 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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**20. KEY MANAGEMENT PERSONNEL COMPENSATION**

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

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

	<b>Number of directors</b>	
	<b>2015</b>	<b>2014</b>
Non executive directors:		
RM0 to RM110,000	<b>4</b>	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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22. FINANCIAL INSTRUMENTS *cont'd*

22.1 Categories of financial instruments *cont'd*

	Carrying Amount RM	L&R RM	OL RM	AFS RM
<b>2015</b>				
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables	162,814,176	162,814,176	-	-
<b>Financial liabilities</b>				
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	-
<b>Company</b>				
<b>Financial assets</b>				
Trade and other receivables	2,328,458	2,328,458	-	-
<b>Financial liabilities</b>				
Other payables	200,000	-	200,000	-
<b>2014</b>				
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables	166,784,031	166,784,031	-	-
<b>Financial liabilities</b>				
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	-
<b>Company</b>				
<b>Financial assets</b>				
Trade and other receivables	2,537,238	2,537,238	-	-
<b>Financial liabilities</b>				
Other payables	150,000	-	150,000	-

## 22. FINANCIAL INSTRUMENTS *cont'd*

### 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.

*Impairment losses*

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

	Gross RM	Collective Impairment RM	Net RM
<b>2015</b>			
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
	<b>173,758,164</b>	<b>(12,748,324)</b>	<b>161,009,840</b>
<b>2014</b>			
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
	<b>178,568,631</b>	<b>(13,555,995)</b>	<b>165,012,636</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 22. FINANCIAL INSTRUMENTS *cont'd*

### 22.3 Credit risk *cont'd*

#### Receivables *cont'd*

##### Impairment losses *cont'd*

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

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

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.

#### 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.

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**22. FINANCIAL INSTRUMENTS** *cont'd*

**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.

**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
<b>2015</b>				
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
	<b>51,851,321</b>		<b>5,321,334</b>	<b>52,290,355</b>
<b>2014</b>				
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
	<b>52,301,102</b>		<b>5,799,369</b>	<b>52,778,181</b>

**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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 22. FINANCIAL INSTRUMENTS *cont'd*

### 22.5 Market risk *cont'd*

#### Interest rate risk *cont'd*

##### *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
<b>Fixed rate instruments</b>		
Financial assets	1,373,277	1,330,787
<b>Floating rate instruments</b>		
Financial liabilities	(4,882,300)	(5,322,290)

#### 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
<b>2015</b>		
Floating rate instrument	(36,617)	36,617
<b>2014</b>		
Floating rate instrument	(39,917)	39,917

## 22. FINANCIAL INSTRUMENTS *cont'd*

### 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 (FBMKLCI).

### 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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 22. FINANCIAL INSTRUMENTS *cont'd*

### 22.7 Fair value information *cont'd*

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 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	
<b>2015</b>				
<b>Financial assets</b>				
<b>Group</b>				
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
<b>Company</b>				
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
<b>2014</b>				
<b>Financial assets</b>				
<b>Group</b>				
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
<b>Company</b>				
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

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. FINANCIAL INSTRUMENTS *cont'd*

### 22.7 Fair value information *cont'd*

	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	
2015				
Financial liabilities				
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				
Financial liabilities				
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

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. CAPITAL MANAGEMENT *cont'd*

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	(1,373,277)	(1,330,787)
Net debt		3,483,111	3,936,152
Total equity		128,688,504	131,626,530
Capital and net debt		132,171,615	135,562,682
Gearing ratio		3%	3%

## 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.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Contingent liabilities</b>				
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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015  
cont'd

## 25. RELATED PARTIES *cont'd*

### Identity of related parties *cont'd*

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
<b>2015</b>					
<b>Related parties</b>					
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	-
<b>2014</b>					
<b>Related parties</b>					
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.

# 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:

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

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.

# ANALYSIS OF SHAREHOLDINGS

AS AT 5 APRIL 2016

Authorised Share Capital	: RM250,000,000.00
Issued and Paid Up Capital	: RM68,241,837.50
Class of Shares	: Ordinary Shares of RM0.50 each
Voting Rights	: One (1) vote per Ordinary Share
No. of Shareholders	: 2,414

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,432	59.32	29,830	0.02
100 – 1,000	868	35.96	147,702	0.11
1,001 – 10,000	50	2.07	189,260	0.14
10,001 – 100,000	33	1.37	1,255,879	0.92
100,001 – 6,824,182*	27	1.12	59,044,004	43.26
6,824,183 and above**	4	0.17	75,817,000	55.55
<b>Total</b>	<b>2,414</b>	<b>100.00</b>	<b>136,483,675</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct No. of Shares	%	Indirect No. of Shares	%
1. Tan Sri Datuk Adzmi Bin Abdul Wahab	-	-	-	-
2. Norazmi Bin Mohamed Nurdin	5,016,000	3.68	-	-
3. Dato' Nik Ismail Bin Dato' Nik Yusoff	-	-	-	-
4. Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin	62,817,000	46.03	9,000,000	6.59 <sup>(1)</sup>
5. Dato' Hazli Bin Ibrahim	554,400	0.41	157,000	0.11 <sup>(2)</sup>

### Notes:-

<sup>(1)</sup> Deemed interest by virtue of his spouse, Datin Nor Hayati bt Abd Malik's direct shareholdings in Lebtech Berhad

<sup>(2)</sup> Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 through his shareholdings in Cherry Vista Sdn Bhd

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct No. of Shares	%	Indirect No. of Shares	%
1. Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin	62,817,000	46.03	9,000,000	6.59 <sup>(1)</sup>
2. Norazlan Bin Mohamad Nordin	9,048,000	6.63	23,000	0.02 <sup>(2)</sup>
3. Datin Nor Hayati Bt Abd Malik	9,000,000	6.59	62,817,000	46.03 <sup>(3)</sup>

### Notes:-

<sup>(1)</sup> Deemed interest by virtue of his spouse, Datin Nor Hayati bt Abd Malik's direct shareholdings in Lebtech Berhad

<sup>(2)</sup> Deemed interest by virtue of his spouse, Fatmawati bt Kasbin's direct shareholdings in Lebtech Berhad

<sup>(3)</sup> Deemed interest by virtue of her spouse, Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin's direct shareholdings in Lebtech Berhad



# ANALYSIS OF SHAREHOLDINGS

AS AT 5 APRIL 2016

cont'd

## LIST OF THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	%
1. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB for Noor Azman @ Noor Hizam Bin Mohd Nurdin)	39,243,000	28.75
2. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Noor Azman @ Noor Hizam Bin Mohd Nurdin)	18,574,000	13.61
3. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Nor Hayati Binti Abd Malik)	9,000,000	6.59
4. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Norazlan Bin Mohamad Nordin)	9,000,000	6.59
5. Shah Rudin Bin Mohammed Miskun	6,500,004	4.76
6. HSBC Nominees (Asing) Sdn. Bhd. (Exempt An for Credit Suisse)	6,053,600	4.44
7. Mohd Nasir Bin Mohd Miskun	5,800,000	4.25
8. Mustafa Bin Mohammed Miskun	5,800,000	4.25
9. Nor Lia Binti Johan	5,300,000	3.88
10. AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Noor Azman @ Noor Hizam Bin Mohd Nurdin)	5,000,000	3.66
11. Anuar Bin Abd Malik	4,500,000	3.30
12. Mustapah Bin Mohamed	3,168,600	2.32
13. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Norazmi Bin Mohamed Nurdin)	3,000,000	2.20
14. Perbadanan Setiausaha Kerajaan Selangor	2,819,800	2.07
15. DB (Malaysia) Nominee (Asing) Sdn Bhd (Exempt An For Bank of Singapore Limited)	1,943,600	1.42
16. AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Norazmi Bin Mohamed Nurdin)	1,800,000	1.32
17. Abu Sujak Bin Mahmud	1,174,600	0.86
18. Perbadanan Kemajuan Negeri Selangor	1,000,000	0.73
19. Mohd Don Bin Mastol @ Mastor	944,900	0.69
20. Mhd Omar Bin Abdul Hamid	854,600	0.63
21. Faizal Bin Abdullah	672,000	0.49
22. Hazli Bin Ibrahim	499,400	0.37
23. BIMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Mohd Johar Bin Ismail)	436,400	0.32
24. Jamil Bin Saimon	406,400	0.30
25. Ikmal Bin Ibrahim	391,000	0.29
26. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Noorazhar Bin Mohamed Nurdin)	254,800	0.19
27. AmBank (M) Berhad (Pledged Securities Account for Norazmi Bin Mohamed Nurdin)	216,000	0.16
28. Cherry Vista Sdn. Bhd.	157,000	0.12
29. CIMB Group Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Anuar Bin Abd Malik)	140,000	0.10
30. RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ab Ghaus Bin Ismail)	105,900	0.08
<b>TOTAL</b>	<b>134,755,604</b>	<b>98.73</b>

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2015

Location	Tenure	Description/ Existing Use	Approximate Age of Buildings (Years)	Land Area/ Built-up Area (Sq. m.)	Net Book Value at 31.12.2015 (RM'000)	Date of Acquisition
No. 2, Jalan Tengku Ampuan Zabedah J9/J, Section 9, 40000 Shah Alam, Selangor Darul Ehsan	99 years leasehold, expiring on 20/12/2100	3½ Storey Corner Shop/Office Building	14	254/935	1,551	14/10/2002
No. 4, Jalan Tengku Ampuan Zabedah J9/J, Section 9, 40000 Shah Alam, Selangor Darul Ehsan	99 years leasehold, expiring on 20/12/2100	3½ Storey Intermediate Shop/Office Building	14	153/599	1,159	14/10/2002
Lot 9024, Jalan Mahang Satu, Taman Meru Utama, 41050 Klang, Selangor Darul Ehsan	Freehold	4 Storey (end lot) Shop Office	23	156/603	155	09/12/1996
Lot 9026, Jalan Mahang Satu, Taman Meru Utama, 41050 Klang, Selangor Darul Ehsan	Freehold	4 Storey Intermediate Shop Office	23	156/603	155	09/12/1996
Lot 9028, Jalan Mahang Satu, Taman Meru Utama, 41050 Klang, Selangor Darul Ehsan	Freehold	4 Storey Intermediate Shop Office	23	156/603	155	09/12/1996

*Note:- The above properties were registered under the name of Lebtech Construction Sdn Bhd, a wholly-owned subsidiary of the Company.*

# NOTICE OF 14TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fourteenth Annual General Meeting of Lebtech Berhad will be held at Grand Patio, Level 2, Concorde Hotel Shah Alam, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 24 May 2016 at 11.30 a.m. for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note A)**
2. To approve the Directors' fees for the financial year ended 31 December 2015. **(Resolution 1)**
3. To re-elect Encik Norazmi Bin Mohamed Nurdin, who retire by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, have offered himself for re-election. **(Resolution 2)**
4. To re-appoint Messrs Afrizan Tarmili Khairul Azhar as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

### As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions:-

5. **Re-appointment of Director**

"THAT pursuant to Section 129(6) of the Companies Act, 1965, the following Directors, who is over the age of seventy (70) years, be and are hereby re-appointed as Directors of the Company and to hold office until the conclusion of the next Annual General Meeting."

  - i. Tan Sri Datuk Adzmi Bin Abdul Wahab **(Resolution 4)**
  - ii. Dato' Nik Ismail Bin Dato' Nik Yusoff **(Resolution 5)**
6. **Authority to Continue in Office as Independent Non-Executive Director**

"THAT authority be and is hereby given to Dato' Nik Ismail Bin Dato' Nik Yusoff, who has served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012." **(Resolution 6)**
7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Recurrent Related Party Transactions") as set out in Section 2.3 of the Company's Circular to Shareholders dated 28 April 2016, subject further to the following:-

  - (i) the Recurrent Related Party Transactions are entered into in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders of the Company;

# NOTICE OF 14TH ANNUAL GENERAL MEETING

cont'd

- (ii) the disclosure is made in the Annual Report of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the shareholders' mandate during the financial year, amongst others, based on the following information:-
  - (a) the type of Recurrent Related Party Transactions made; and
  - (b) the names of the related parties involved in each type of Recurrent Related Party Transactions made and their relationship with the Company;
- (iii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:-
  - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which this shareholders' mandate will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
  - (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Recurrent Related Party Transactions contemplated and/or authorised by this Ordinary Resolution."

**(Resolution 7)**

8. To transact any other ordinary business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Act.

By Order of the Board

**NOR SHAZILA BINTI MOHD SAWAI**

(MACS 01552)

Company Secretary

Shah Alam

29 April 2016

## **Notes:**

- A. *This item in the Agenda is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965 and Company's Articles of Association, the audited financial statements do not require the formal approval of the shareholders. As such, this matter will not be put forward for voting.*
- 1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- 2. *To be valid this form duly completed must be deposited at the registered office of the Company at Wisma Lebar Daun, No. 2, Jalan Tengku Ampuan Zabedah J9/J, Seksyen 9, 40000 Shah Alam, Selangor Darul Ehsan not later than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.*
- 3. *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.*

# NOTICE OF 14TH ANNUAL GENERAL MEETING

cont'd

4. *Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
5. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
6. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

## **Explanatory Note on Special Business**

### **7. Resolution 4 - Re-appointment of Director**

*The ordinary resolution proposed under item 5, if passed, will enable Tan Sri Datuk Adzmi Bin Abdul Wahab who is over 70 years to continue in office until the next Annual General Meeting.*

### **8. Resolution 5 - Re-appointment of Director**

*The ordinary resolution proposed under item 5, if passed, will enable Dato' Nik Ismail Bin Dato' Nik Yusoff who is over 70 years to continue in office until the next Annual General Meeting.*

### **9. Resolution 6 - Authority to Continue in Office as Independent Non-Executive Director**

*Pursuant to the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed the independence of Dato' Nik Ismail Bin Dato' Nik Yusoff, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years and the Nomination Committee has recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-*

- i. *Dato' Nik Ismail Bin Dato' Nik Yusoff has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;*
- ii. *He provides the Board and Audit Committee a diverse set of experience and expertise and his length of services on the Board of more than nine years does not in any way interfere with his exercise of objective judgement or his ability to act in the best interests of the Company and the Group; and*
- iii. *He is familiar with the Company's business operations which enable him to contribute actively during discussions at the Audit Committee and Board Meetings.*

### **10. Resolution 7 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

*The proposed ordinary resolution under item 7, if passed, will allow the Company and/or its subsidiary to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business and on terms that are not more favourable to the related parties than those generally available to the public. This would avoid any delay and cost involved in convening separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company or will subsist until the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.*

## **Members Entitled to Attend**

*For the purpose of determining a member who shall be entitled to attend this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with the provisions under Article 62 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors ("ROD") as at 18 May 2016. Only a depositor whose name appears on the ROD as at 18 May 2016 shall be entitled to attend the said Meeting or appoint proxies to attend and vote on his/her behalf.*

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, there is no individual standing for election as a Director, save for Directors who are standing for re-election.

# FORM OF PROXY



I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of LEBTECH BERHAD, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the 14<sup>th</sup> Annual General Meeting of Lebtech Berhad to be held at Grand Patio, Level 2, Concorde Hotel Shah Alam, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 24 May 2016 at 11.30 a.m. and at any adjournment thereof, for/against the resolution(s) to be proposed thereat.

*Please indicate with an "X" in the appropriate box provided how you wish your vote to be cast. Unless voting instructions are specified herein, the proxy will vote or abstain from voting as he thinks fit.*

Resolution	For	Against
No. 1 Approval of Directors' fees		
No. 2 Re-election of Encik Norazmi Bin Mohamed Nurdin as Director		
No. 3 Re-appointment of Messrs Afrizan Tarmili Khairul Azhar as Auditors		
No. 4 Re-appointment of Tan Sri Datuk Adzmi Bin Abdul Wahab as Director		
No. 5 Re-appointment of Dato' Nik Ismail Bin Dato' Nik Yusoff as Director		
No. 6 Continuing in office as Independent Non-Executive Director - Dato' Nik Ismail Bin Dato' Nik Yusoff		
No. 7 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2016

No. of shares held: \_\_\_\_\_

CDS Account No. \_\_\_\_\_

\_\_\_\_\_  
Signature/Common Seal

## Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid this form duly completed must be deposited at the registered office of the Company at Wisma Lebar Daun, No. 2, Jalan Tengku Ampuan Zabedah J9/J, Seksyen 9, 40000 Shah Alam, Selangor Darul Ehsan not later than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
6. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.



Fold This Flap For Sealing

Then Fold Here

AFFIX  
STAMP

Company Secretary

**LEBTECH BERHAD** (590945-H)

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

1st Fold Here

